



**FINANCIAL CONDITION
ALLEN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
ALLEN COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets – Primary Government and Discretely Presented Component Units.....	11
Statement of Activities - Primary Government and Discretely Presented Component Units.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	20
Statement of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual:	
General Fund.....	21
Job and Family Services Special Revenue Fund (JFS).....	22
Mental Retardation and Developmental Disabilities Special Revenue Fund (MRDD).....	23
Children's Services Special Revenue Fund.....	24
Statement of Fund Net Assets – Proprietary Funds.....	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	26
Statement of Cash Flows – Proprietary Funds.....	27
Statement of Fiduciary Net Assets – Fiduciary Funds.....	28
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	29
Notes to the Basic Financial Statements.....	31
Schedule of Federal Awards Expenditures.....	69
Notes to the Schedule of Federal Awards Expenditures.....	72
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	75
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance In Accordance With OMB A-133.....	77
Schedule of Findings.....	79
Schedule of Prior Audit Findings.....	81

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio, (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Marimor Industries and LODDI, Inc., which represent 100 percent of the assets and revenues of the component units. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for Marimor Industries and LODDI, Inc. on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. The other auditors audited the financial statements of Marimor Industries and LODDI, Inc. in accordance with auditing standards generally accepted in the United States of America 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 opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, the Department of Job and Family Services, the Board of Mental Retardation and Developmental Disabilities, and Children Services special revenue funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

September 16, 2005

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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, 2004. 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 2004 are as follows:

In total the County's total net assets increased by \$7.27 million, which represents an overall increase of 10.2 percent from 2003. The majority of this increase is attributed to governmental activities and primarily the result of an increase in net capital assets and decrease in current and other liabilities.

During 2004, the County fully funded a Budget Reserve Fund for economic hard times in the future. The balance in the fund is limited to five percent of General Fund revenues from the previous year. At December 31, 2004, the Budget Reserve Fund had a balance of \$1,152,980.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the County's net assets for 2004 compared to 2003:

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$64,216,940	\$64,115,272	\$6,770,202	\$6,606,003	\$70,987,142	\$70,721,275
Capital Assets, Net	31,057,561	28,822,018	27,098,238	26,368,408	58,155,799	55,190,426
Total Assets	95,274,501	92,937,290	33,868,440	32,974,411	129,142,941	125,911,701
Liabilities						
Current and Other Liabilities	14,220,276	16,080,692	89,114	69,209	14,309,390	16,149,901
Long-Term Liabilities	29,614,100	31,425,888	6,805,072	7,194,144	36,419,172	38,620,032
Total Liabilities	43,834,376	47,506,580	6,894,186	7,263,353	50,728,562	54,769,933
Net Assets						
Invested in Capital Assets Net of Related Debt	16,714,120	13,548,728	20,393,170	19,276,440	37,107,290	32,825,168
Restricted	27,110,566	24,511,853	2,724,712	3,084,063	29,835,278	27,595,916
Unrestricted	7,615,439	7,370,129	3,856,372	3,350,555	11,471,811	10,720,684
Total Net Assets	\$51,440,125	\$45,430,710	\$26,974,254	\$25,711,058	\$78,414,379	\$71,141,768

The County was able to report increases in net assets in both governmental and business-type activities. The increase in governmental activities can be attributed to a decrease in accounts payable and claims payable and increase in capital assets. The total net assets in business activities increased 5 percent from 2003.

Table 2 reflects the changes in net assets for 2004 compared with 2003:

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services	\$10,935,081	\$10,459,679	\$4,232,022	\$3,897,232	\$15,167,103	\$14,356,911
Operating grants, contributions and Interest	26,407,072	26,873,500			26,407,072	26,873,500
Capital grants and contributions	3,139,423	1,863,919			3,139,423	1,863,919
Total program revenues	40,481,576	39,197,098	4,232,022	3,897,232	44,713,598	43,094,330

(continued)

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General revenues						
Property taxes levied for:						
General Operating	\$4,828,337	\$3,948,678	\$0	\$0	\$4,828,337	\$3,948,678
Health – mental retardation and developmental disabilities	5,382,318	5,924,248			5,382,318	5,924,248
Human services—Children Services	1,632,400	1,675,055			1,632,400	1,675,055
Sales tax	14,105,946	12,959,975			14,105,946	12,959,975
Intergovernmental not restricted	3,999,734	3,494,698			3,999,734	3,494,698
Rent	519,870	519,020			519,870	519,020
Gain on sale of capital		5,071				5,071
Loss on sale of capital	(82,697)		(90,615)	(4,875)	(173,312)	(4,875)
Contributions			1,419,483	2,009,935	1,419,483	2,009,935
Interest	962,506	1,658,211	17,889	12,768	980,395	1,670,979
Other	2,529,686	1,736,805	120,295	29,092	2,649,981	1,765,897
Total general revenues	33,878,100	31,921,761	1,467,052	2,046,920	35,345,152	33,968,681
Total revenues	74,359,676	71,118,859	5,699,074	5,944,152	80,058,750	77,063,011
Transfers	122,500	106,000	(122,500)	(106,000)		
Total revenues and transfers	74,482,176	71,224,859	5,576,574	5,838,152	80,058,750	77,063,011
Program Expenses						
General government						
Legislative and executive	10,783,939	11,178,551			10,783,939	11,178,551
Judicial	9,188,757	8,289,975			9,188,757	8,289,975
Public safety	9,745,852	8,638,906			9,745,852	8,638,906
Public works	6,899,270	8,989,885			6,899,270	8,989,885
Health						
Mental retardation and developmental disabilities	11,403,198	11,319,600			11,403,198	11,319,600
Other health	459,312	601,158			459,312	601,158
Human services						
Job and family services	10,595,730	9,714,355			10,595,730	9,714,355
Children services	5,077,859	5,144,793			5,077,859	5,144,793
Other human services	893,677	821,698			893,677	821,698
Conservation and recreation	2,203,812	1,724,589			2,203,812	1,724,589
Other	117,752	30,801			117,752	30,801
Intergovernmental	48,440	43,000			48,440	43,000
Interest and fiscal charges	1,055,163	1,255,550			1,055,163	1,255,550
Sanitary sewer			4,313,378	4,393,199	4,313,378	4,393,199
Total expenses	68,472,761	67,752,861	4,313,378	4,393,199	72,786,139	72,146,060
Increase in net assets	\$6,009,415	\$3,471,998	\$1,263,196	\$1,444,953	\$7,272,611	\$4,916,951

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

For governmental activities, general revenues, which consist primarily of property and sales taxes and unrestricted grants and entitlements represent 45.5 percent of total revenues, and of the total general revenues, property taxes and sales taxes represent 76.6 percent of that revenue. Almost 60 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 65.2 percent of program revenues and was able to charge for 16 percent of the services provided by the various programs.

General government activities account for almost 53.5 percent of the total program expenditures. These activities include the operation of various county departments, the judicial branch, public safety and public works activities. Human services related expenditures represent over 24.2 percent of the total. These expenditures are for children's services and for the Department of Job and Family Services. Health related expenditures account for about 17.3 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 2004.

For business-type activities, program specific revenues are 75.9 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	
	2004	2003	2004	2003
General Government				
Legislative and Executive	\$10,783,939	\$11,178,551	\$5,684,840	\$6,595,577
Judicial	9,188,757	8,289,975	4,500,252	3,821,674
Public Safety	9,745,852	8,638,906	8,100,727	6,942,794
Public Works	6,899,270	8,989,885	(4,124,347)	(25,279)
Health				
Mental Retardation and Developmental Disabilities	11,403,198	11,319,600	6,944,213	5,805,632
Other Health	459,312	601,158	458,423	499,380
Human Services				
Job and Family Services	10,595,730	9,714,355	1,051,964	122,564
Children's Service	5,077,859	5,144,793	1,745,996	1,594,827
Other Human Services	893,677	821,698	881,677	790,032
Conservation and Recreation	2,203,812	1,724,589	1,526,085	\$1,079,211
Other	117,752	30,801	117,752	30,801
Intergovernmental	48,440	43,000	48,440	43,000
Interest and Fiscal Charges	1,055,163	1,255,550	1,055,163	1,255,550
Total Expenses	\$68,472,761	\$67,752,861	\$27,991,185	\$28,555,763

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) pay for 43.7 percent of the services provided by the County. However, a review of the table above demonstrates that program revenues contributed significantly to the public works services. The funding for general government related activities as well as the sheriff continues to be primarily from general revenue sources.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Sanitary Sewer Fund had loss before transfers for 2004, of \$33,787. After contributions from participants, the fund ended with an increase in net assets of \$1,263,196.

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 resulted from the final budget to the actual revenues collected by \$1,133,767 an increase of 4.9 percent over the estimate. Actual expenditures were less than budgeted by \$1,651,517 as the County was able to reduce expenditures significantly for general government operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The County's investment in capital assets net of related debt for governmental and business-type activities as of December 31, 2004, was \$16,714,120 and \$20,393,170 respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, roads, bridges, machinery and equipment, computer equipment, furniture and fixtures, and vehicles. Additions to governmental activities capital assets consisted primarily of the addition of bridges. For 2004, capital assets being reported for roads and bridges are limited to current year addition amounts. The historical inventory of roads and bridges will be added in future years when those amounts can be accumulated. Changes in capital assets for business-type activities were attributable to decrease in debt and increases in sewer infrastructure. At December 31, 2004, the County had \$2,600,000 in special assessment notes payable and \$2,875,000 in bond anticipation notes payable from governmental activities. The County also had various long-term obligations outstanding. These obligations included \$14,015,823 of general obligation bonds and \$7,064,177 of special assessment bonds.

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

CURRENT ISSUES

The unemployment rate for the County is currently 6.3 percent, which is an increase from a rate of 6.1 percent one year ago. This rate is above the State's current rate of 6.1 percent and above the national rate of 5.0 percent.

Sales tax revenues for the County continue to be favorable. Receipts through December 2004 are higher than for the same period last year. Net sales tax revenue in 2004 in the General Fund was \$11,140,859 compared to \$10,990,117 in 2003. Net sales taxes are equal to total sales tax revenues less the amounts allocated monthly to other funds.

The County continues to move forward with capital projects without issuing debt. Projects currently on going are the building of a administration facility for Sanitary Sewer, expansion of the county museum, upgrade of the county's telephone system, and the installation of new accounting and payroll software.

REQUEST FOR INFORMATION

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

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**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	LODDI	Marimor Industries
Assets:					
Equity in pooled cash and cash equivalents	\$32,290,697	\$1,788,736	\$34,079,433		
Cash and cash equivalents in segregated accounts	320,324		320,324	\$14,190	\$424,787
Investment in segregated accounts					242,309
Accounts receivable	190,957	1,039,752	1,230,709		109,830
Accrued interest receivable	199,018		199,018		
Due from other governments	8,786,086		8,786,086		
Internal balances	(423,661)	423,661			
Prepaid items	477,216	21,249	498,465	7,358	3,811
Materials and supplies inventory	763,944	82,010	845,954		
Property tax receivable	12,106,904		12,106,904		
Notes receivable	912,170		912,170		
Special assessments receivable	8,593,285	328,721	8,922,006		
Unamortized bond issuance costs		378,193	378,193		
Restricted assets:					
Equity in pooled cash and cash equivalents		2,064,935	2,064,935		
Cash and cash equivalents with fiscal agents		642,945	642,945		
Nondepreciable capital assets	5,469,421	51,219	5,520,640	91,263	
Depreciable capital assets, net	25,588,140	27,047,019	52,635,159	568,390	164,523
Total Assets	95,274,501	33,868,440	129,142,941	681,201	945,260
Liabilities:					
Accrued wages payable	792,894	33,703	826,597		8,772
Accounts payable	588,383	1,808	590,191		18,370
Contracts payable	9,826		9,826		
Due to other governments	877,769	33,335	911,104		1,508
Accrued interest payable	113,542	20,268	133,810	823	
Retainage payable	275,730		275,730		
Deferred revenue	11,561,378		11,561,378		
Matured interest payable	754		754		
Long-Term Liabilities:					
Due Within One Year	8,497,324	445,802	8,943,126	26,498	
Due in More Than One Year	21,116,776	6,359,270	27,476,046	144,767	
Total Liabilities	43,834,376	6,894,186	50,728,562	172,088	28,650
Net Assets:					
Invested in capital assets, net of related debt	16,714,120	20,393,170	37,107,290		
Restricted for:					
Debt service	1,817,811		1,817,811		
Capital projects	2,895,961		2,895,961		
Other purposes	22,396,794	2,724,712	25,121,506		17,289
Unrestricted	7,615,439	3,856,372	11,471,811	509,113	899,321
Total Net Assets	\$51,440,125	\$26,974,254	\$78,414,379	\$509,113	\$916,610

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, 2004**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental activities:				
General government				
Legislative and executive	\$10,783,939	\$3,926,563	\$1,172,536	
Judicial	9,188,757	2,337,336	2,351,169	
Public safety	9,745,852	788,774	466,330	\$390,021
Public works	6,899,270	3,141,644	5,132,571	2,749,402
Health				
Mental retardation and developmental disabilities	11,403,198	98,463	4,360,522	
Other health	459,312		889	
Human services				
Job and family services	10,595,730	129	9,543,637	
Children services	5,077,859	110,445	3,221,418	
Other human services	893,677		12,000	
Conservation and recreation	2,203,812	531,727	146,000	
Other	117,752			
Intergovernmental	48,440			
Interest and fiscal charges	1,055,163			
Total governmental activities	<u>68,472,761</u>	<u>10,935,081</u>	<u>26,407,072</u>	<u>3,139,423</u>
Business-type activities:				
Sanitary Sewer	4,313,378	4,232,022		
Total primary government	<u>72,786,139</u>	<u>15,167,103</u>	<u>26,407,072</u>	<u>3,139,423</u>
Component Units:				
LODDI	91,413	92,080		
Marimor Industries	857,464	791,857	22,615	
Total component units	<u>\$948,877</u>	<u>\$883,937</u>	<u>\$22,615</u>	<u>\$0</u>

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
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
(\$5,684,840)		(\$5,684,840)		
(4,500,252)		(4,500,252)		
(8,100,727)		(8,100,727)		
4,124,347		4,124,347		
(6,944,213)		(6,944,213)		
(458,423)		(458,423)		
(1,051,964)		(1,051,964)		
(1,745,996)		(1,745,996)		
(881,677)		(881,677)		
(1,526,085)		(1,526,085)		
(117,752)		(117,752)		
(48,440)		(48,440)		
(1,055,163)		(1,055,163)		
(27,991,185)		(27,991,185)		
	(\$81,356)	(81,356)		
(27,991,185)	(81,356)	(28,072,541)		
			\$667	
				(\$42,992)
			667	(42,992)
4,828,337		4,828,337		
5,382,318		5,382,318		
1,632,400		1,632,400		
14,105,946		14,105,946		
3,999,734		3,999,734		
962,506	17,889	980,395	164	15,343
519,870		519,870		
				19,620
(82,697)	(90,615)	(173,312)		(3,803)
	1,419,483	1,419,483		13,423
2,529,686	120,295	2,649,981		9,538
33,878,100	1,467,052	35,345,152	164	54,121
122,500	(122,500)			
6,009,415	1,263,196	7,272,611	831	11,129
45,430,710	25,711,058	71,141,768	508,282	905,481
\$51,440,125	\$26,974,254	\$78,414,379	\$509,113	\$916,610

**FINANCIAL CONDITION
ALLEN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$5,587,811	\$709,285	\$2,939,479
Cash and cash equivalents in segregated accounts	4,877		
Accounts receivable	178,294		
Accrued interest receivable	199,018		
Due from other governments	3,059,198		1,871,307
Interfund receivable	588,264		77,577
Prepaid items	380,700		9,431
Materials and supplies inventory	293,450	27,159	67,814
Property tax receivable	4,064,193		5,817,006
Notes receivable	270,000		
Special assessments receivable			
Total assets	14,625,805	736,444	10,782,614
Liabilities			
Accrued wages payable	306,174	102,146	172,233
Accounts payable	104,771	189,556	75,779
Contracts payable			
Due to other governments	338,605	167,982	172,319
Interfund payable	1,752,362	259,480	
Retainage payable			
Deferred revenue	6,454,815		6,412,876
Matured interest payable			
Total liabilities	8,956,727	719,164	6,833,207
Fund balances:			
Reserved for notes receivable	270,000		
Reserved for encumbrances	90,619	1,514,292	49,611
Reserved for unclaimed monies	155,124		
Reserved for budget reserve	1,152,980		
Unreserved, reported in:			
General fund	4,000,355		
Special revenue funds		(1,497,012)	3,899,796
Debt service funds			
Capital projects funds			
Total fund balances	5,669,078	17,280	3,949,407
Total liabilities and fund balances	\$14,625,805	\$736,444	\$10,782,614

See accompanying notes to the basic financial statements.

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
\$4,823,658	\$1,707,295	\$15,660,110	\$31,427,638
21,050		274,650	300,577
		12,663	190,957
			199,018
		3,855,581	8,786,086
181,903		2,087,362	2,935,106
33,937		53,148	477,216
5,073		370,448	763,944
1,727,106		498,599	12,106,904
		642,170	912,170
	6,601,609	1,991,676	8,593,285
<u>6,792,727</u>	<u>8,308,904</u>	<u>25,446,407</u>	<u>66,692,901</u>
53,760		158,581	792,894
72,732		144,855	587,693
		9,826	9,826
53,591		144,207	876,704
	40,534	1,306,391	3,358,767
		275,730	275,730
1,727,106	6,601,609	5,524,784	26,721,190
	754		754
<u>1,907,189</u>	<u>6,642,897</u>	<u>7,564,374</u>	<u>32,623,558</u>
		887,968	1,157,968
		2,537,100	4,191,622
			155,124
			1,152,980
			4,000,355
4,885,538		8,626,187	15,914,509
	1,666,007	645,168	2,311,175
		5,185,610	5,185,610
<u>4,885,538</u>	<u>1,666,007</u>	<u>17,882,033</u>	<u>34,069,343</u>
<u>\$6,792,727</u>	<u>\$8,308,904</u>	<u>\$25,446,407</u>	<u>\$66,692,901</u>

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**FINANCIAL CONDITION
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Total governmental fund balances	\$34,069,343
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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.	31,057,561
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Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:

Accounts receivable	\$169,710	
Accrued interest receivable	198,018	
Due from other governments	5,652,273	
Property taxes receivable	546,526	
Special assessments receivable	8,593,285	
		15,159,812

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued interest payable	(113,542)	
Compensated absences payable	(2,555,482)	
General obligation bonds payable	(14,015,823)	
Special assessment bonds payable	(7,064,177)	
Issue II loans payable	(294,401)	
Notes payable	(5,651,000)	
Capital leases payable	(33,217)	
		(29,727,642)

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.

881,051

Net assets of governmental activities

\$51,440,125

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, 2004**

	<u>General Fund</u>	<u>Job and Family Services</u>	<u>Mental Retardation and Developmental Disabilities</u>
Revenues:			
Property taxes	\$4,155,611		\$5,379,194
Sales tax	11,140,859		
Charges for services	4,464,825	\$129	149,768
Licenses and permits	38,391		
Fines, costs, and forfeitures	159,313		
Intergovernmental	2,861,150	9,543,637	5,594,106
Special assessments			
Interest	429,679		
Rent	497,381		
Other	189,751	550,137	659,590
Total revenues	<u>23,936,960</u>	<u>10,093,903</u>	<u>11,782,658</u>
Expenditures:			
Current:			
General government:			
Legislative and executive	8,260,765		
Judicial	5,298,811		
Public safety	8,076,769		
Public works	331,215		
Health	271,448		11,365,176
Human services	857,084	10,575,457	
Conservation and recreation	724,157		
Other	49,624		
Capital outlay			
Intergovernmental	48,440		
Debt Service:			
Principal retirement	41,992		
Interest and fiscal charges	8,206		
Total expenditures	<u>23,968,511</u>	<u>10,575,457</u>	<u>11,365,176</u>
Excess of revenues over(under) expenditures	(31,551)	(481,554)	417,482
Other financing sources (uses)			
Sale of fixed assets	9,956		
Proceeds of notes			
Inception of capital lease	8,937		
Operating transfers - in	434,000		
Operating transfers - out	(342,443)		
Total other financing sources (uses)	<u>110,450</u>		
Excess of revenues and other financing sources over (under) expenditures and other financing uses	78,899	(481,554)	417,482
Fund balances at beginning of year	<u>5,590,179</u>	<u>498,834</u>	<u>3,531,925</u>
Fund balance at end of year	<u><u>\$5,669,078</u></u>	<u><u>\$17,280</u></u>	<u><u>\$3,949,407</u></u>

See accompanying notes to the basic financial statements.

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
\$1,631,268		\$670,460	\$11,836,533
		2,951,271	14,092,130
74,752	\$94,512	2,973,095	7,757,081
		173,951	212,342
		241,662	400,975
3,446,059		13,254,992	34,699,944
	725,579	1,060,322	1,785,901
	418,307	33,276	881,262
		521,216	1,018,597
39,469	4,000	1,048,096	2,491,043
5,191,548	1,242,398	22,928,341	75,175,808
		2,127,366	10,388,131
		3,702,391	9,001,202
		1,424,911	9,501,680
	5,890	5,800,149	6,137,254
		192,642	11,829,266
5,115,612			16,548,153
		1,063,086	1,787,243
			49,624
		4,560,600	4,560,600
			48,440
	811,403	6,617,597	7,470,992
	357,602	685,265	1,051,073
5,115,612	1,174,895	26,174,007	78,373,658
75,936	67,503	(3,245,666)	(3,197,850)
			9,956
		5,493,803	5,493,803
			8,937
		634,260	1,068,260
		(603,317)	(945,760)
		5,524,746	5,635,196
75,936	67,503	2,279,080	2,437,346
4,809,602	1,598,504	15,602,953	31,631,997
\$4,885,538	\$1,666,007	\$17,882,033	\$34,069,343

**FINANCIAL CONDITION
ALLEN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds		\$2,437,346
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	\$26,906	
Capital outlay - depreciable capital assets	4,258,704	
Depreciation	<u>(1,957,415)</u>	2,328,195
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain on sale of capital assets on the statement of activities:		
Sale of capital assets	(9,956)	
Loss on sale of capital assets	<u>(82,697)</u>	(92,653)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Property taxes	6,522	
Sales taxes	13,816	
Special assessments	(250,257)	
Charges for services	45,041	
Intergovernmental	(331,537)	
Interest	70,919	
Rent	<u>(25,675)</u>	(471,171)
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	923,597	
Special assessment bonds	811,403	
Notes payable	5,680,000	
Long-term note payable	22,000	
Issue II loans payable	12,082	
Capital leases payable	<u>21,910</u>	7,470,992
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		(4,090)
Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.		
Notes payable	(5,475,000)	
Issue II Loan Payable	(18,803)	
Capital lease proceeds	<u>(8,937)</u>	(5,502,740)
Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:		
Compensated absences payable		<u>(156,464)</u>
Change in net assets of governmental activities		<u><u>\$6,009,415</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND CASH BALANCE
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$4,339,254	\$4,331,162	\$4,161,422	(\$169,740)
Sales taxes	10,302,700	10,302,700	11,016,569	713,869
Charges for services	4,267,127	4,270,127	4,486,325	216,198
Licenses and permits	11,500	11,500	10,559	(941)
Fines, costs, and forfeitures	155,000	155,000	161,567	6,567
Intergovernmental	2,465,966	2,586,248	2,861,972	275,724
Interest	800,000	800,000	818,839	18,839
Rent	481,000	481,000	497,381	16,381
Other	71,100	72,100	128,970	56,870
Total revenues	<u>22,893,647</u>	<u>23,009,837</u>	<u>24,143,604</u>	<u>1,133,767</u>
Expenditures				
Current:				
General government:				
Legislative and executive	9,922,351	9,579,547	8,705,146	874,401
Judicial	5,818,575	5,845,871	5,436,514	409,357
Public safety	7,663,604	8,149,267	8,007,408	141,859
Public works	459,206	468,686	330,060	138,626
Health	273,970	276,644	271,002	5,642
Human services	924,212	924,212	853,939	70,273
Conservation and recreation	723,990	723,989	722,369	1,620
Other		52,800	49,624	3,176
Intergovernmental	47,940	48,440	48,440	
Debt service:				
Principal retirement	28,563	28,563	22,000	6,563
Interest and fiscal charges	4,437	4,437	4,437	
Total expenditures	<u>25,866,848</u>	<u>26,102,456</u>	<u>24,450,939</u>	<u>1,651,517</u>
Excess of revenues under expenditures	(2,973,201)	(3,092,619)	(307,335)	2,785,284
Other financing sources (uses)				
Other financing sources	115,000	80,000	68,793	(11,207)
Sale of fixed assets			9,956	9,956
Advances - in		2,000	69,105	67,105
Advances - out		(164,700)	(164,700)	
Operating transfers - in	434,000	432,493	434,000	1,507
Operating transfers - out		(443,443)	(342,443)	101,000
Total other financing sources (uses)	<u>549,000</u>	<u>(93,650)</u>	<u>74,711</u>	<u>168,361</u>
Excess of revenues and other financing sources under expenditures and other financing uses	(2,424,201)	(3,186,269)	(232,624)	2,953,645
Fund balances at beginning of year	5,269,312	5,269,312	5,269,312	
Unexpended prior year encumbrances	295,662	295,662	295,662	
Fund balances at end of year	<u>\$3,140,773</u>	<u>\$2,378,705</u>	<u>\$5,332,350</u>	<u>\$2,953,645</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
JOB AND FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$14,486,000	\$15,988,427	\$9,876,732	(\$6,111,695)
Charges for services	500	500	129	(371)
Total revenues	14,486,500	15,988,927	9,876,861	(6,112,066)
Expenditures				
Current:				
Human Services	13,119,393	15,331,216	12,344,732	2,986,484
Excess of revenues over (under) expenditures	1,367,107	657,711	(2,467,871)	(3,125,582)
Other financing sources (uses)				
Other financing sources	572,500	582,500	550,137	(32,363)
Operating transfers - in	544,000			
Operating transfers - out		(306,101)		306,101
Total other financing sources (uses)	1,116,500	276,399	550,137	273,738
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,483,607	934,110	(1,917,734)	(2,851,844)
Fund balances at beginning of year	(1,443,542)	(1,443,542)	(1,443,542)	
Unexpended prior year encumbrances	2,043,466	2,043,466	2,043,466	
Fund balances at end of year	<u><u>\$3,083,531</u></u>	<u><u>\$1,534,034</u></u>	<u><u>(\$1,317,810)</u></u>	<u><u>(\$2,851,844)</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$6,630,701	\$6,635,314	\$5,387,547	(\$1,247,767)
Charges for services	150,500	150,500	143,877	(6,623)
Intergovernmental	5,405,530	4,552,768	4,852,966	300,198
Other	341,000	341,000	374,484	33,484
Total revenues	12,527,731	11,679,582	10,758,874	(920,708)
Expenditures				
Current:				
Health	14,260,305	13,127,611	11,298,263	1,829,348
Excess of revenues under expenditures	(1,732,574)	(1,448,029)	(539,389)	908,640
Other financing sources (uses)				
Other financing sources	304,184	329,064	285,107	(43,957)
Advances - in	50,000	33,702	1,047,537	1,013,835
Advances - out		(37,406)		37,406
Operating transfers - in	125,100	26,640		(26,640)
Operating transfers - out		(70,064)		70,064
Total other financing sources (uses)	479,284	281,936	1,332,644	1,050,708
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,253,290)	(1,166,093)	793,255	1,959,348
Fund balances at beginning of year	1,867,154	1,867,154	1,867,154	
Unexpended prior year encumbrances	10,573	10,573	10,573	
Fund balances at end of year	<u>\$624,437</u>	<u>\$711,634</u>	<u>\$2,670,982</u>	<u>\$1,959,348</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
CHILDREN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$1,750,000	\$1,594,251	\$1,634,294	\$40,043
Charges for services	85,000	45,000	28,093	(16,907)
Intergovernmental	3,093,500	3,178,881	3,599,427	420,546
Total revenues	4,928,500	4,818,132	5,261,814	443,682
Expenditures				
Current:				
Human Services	5,198,378	5,231,010	4,964,592	266,418
Excess of revenues over (under) expenditures	(269,878)	(412,878)	297,222	710,100
Other financing sources				
Other financing sources	40,000	40,000	39,469	(531)
Excess of revenues and other financing sources over (under) expenditures	(229,878)	(372,878)	336,691	709,569
Fund balances at beginning of year	4,407,660	4,407,660	4,407,660	
Fund balances at end of year	\$4,177,782	\$4,034,782	\$4,744,351	\$709,569

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	<u>Business-Type Activity</u>	<u>Governmental Activity</u>
	<u>Sewer</u>	<u>Internal Service</u>
Assets:		
Current assets		
Equity in pooled cash and cash equivalents	\$1,788,736	\$863,059
Cash and cash equivalents in segregated accounts		19,747
Accounts receivable	1,039,752	
Interfund receivable	423,661	
Special assessments receivable	328,721	
Prepaid items	21,249	
Materials and supplies inventory	82,010	
Total current assets	<u>3,684,129</u>	<u>882,806</u>
Restricted assets		
Equity in pooled cash and cash equivalents	2,064,935	
Cash and cash equivalents with fiscal agent	642,945	
Total restricted assets	<u>2,707,880</u>	
Noncurrent assets		
Unamortized bond issuance costs	378,193	
Non-Depreciable capital assets	51,219	
Depreciable Capital Assets	27,047,019	
Total noncurrent assets	<u>27,476,431</u>	
Total assets	<u>33,868,440</u>	<u>882,806</u>
Liabilities:		
Current liabilities		
Accrued wages payable	33,703	
Accounts payable	1,808	690
Compensated Absences Payable	65,526	
Due to other governments	33,335	1,065
Accrued interest payable	20,268	
Issue II loans payable	10,276	
Revenue bonds payable	370,000	
Total current liabilities	<u>534,916</u>	<u>1,755</u>
Long-term liabilities		
Compensated absences payable	34,478	
Issue II loans payable	230,907	
Revenue bonds payable	6,093,885	
Total long-term liabilities	<u>6,359,270</u>	
Total liabilities	<u>6,894,186</u>	<u>1,755</u>
Net assets:		
Invested in capital assets, net of related debt	20,393,170	
Restricted for:		
Debt service		
Other purposes	2,724,712	300,000
Unrestricted	3,856,372	581,051
Total net assets	<u>\$26,974,254</u>	<u>\$881,051</u>

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, 2004**

	<u>Business-Type Activities</u>	<u>Governmental Activity</u>
	<u>Sewer</u>	<u>Internal Service</u>
Operating Revenues:		
Charges for services	\$3,965,542	
Licenses, permits, inspections	266,480	
Other	120,295	\$81,515
Total operating revenues	<u>4,352,317</u>	<u>81,515</u>
Operating expenses:		
Personal services	1,729,679	
Contractual services	732,868	30,239
Materials and supplies	310,080	2,708
Claims		5,479
Other		29,702
Depreciation	1,264,811	
Total operating expenses	<u>4,037,438</u>	<u>68,128</u>
Operating income	314,879	13,387
Non-Operating revenues (expenses)		
Loss on disposal of capital assets	(90,615)	
Interest revenue	17,889	10,325
Interest expense	(275,940)	
Total Non-Operating revenues (expenses)	<u>(348,666)</u>	<u>10,325</u>
Income (loss) before transfers	(33,787)	23,712
Capital contributions	1,419,483	
Transfer in	2,500	
Transfers out	(125,000)	
Change in net assets	1,263,196	23,712
Net assets at beginning of year	<u>25,711,058</u>	<u>857,339</u>
Net assets at end of year	<u><u>\$26,974,254</u></u>	<u><u>\$881,051</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-Type Activities	Governmental Activity
	Sewer	Internal Service
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities		
Cash received from customers	\$4,014,271	
Cash received from other revenues	120,295	\$81,515
Cash payments for personal services	(1,715,264)	
Cash payments to suppliers	(336,447)	(2,708)
Cash payments for contractual services	(732,868)	(28,484)
Cash payments for claims		(408,160)
Cash payments for other expenses		(29,702)
	<u>1,349,987</u>	<u>(387,539)</u>
Net cash provided by (used for) operating activities		
Cash flows from noncapital financing activities		
Cash received from advances - in	382,271	
Cash payments for advances - out	(93,000)	
Cash received from operating transfers - in	2,500	
Cash payments for operating transfers - out	(125,000)	
	<u>166,771</u>	<u></u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities		
Acquisition of fixed assets	(665,773)	
Principal paid on revenue bonds	(375,275)	
Interest paid on revenue bonds	(249,445)	
Principal paid on Issue II loan payable	(10,276)	
	<u>(1,300,769)</u>	<u></u>
Net cash used for capital and related financing activities		
Cash flows from investing activities		
Interest on investments	13,020	10,325
	<u>13,020</u>	<u>10,325</u>
Net increase (decrease) in cash and cash equivalents		
	229,009	(377,214)
Cash and cash equivalents at beginning of year	3,624,662	1,260,020
	<u>3,624,662</u>	<u>1,260,020</u>
Cash and cash equivalents at end of year	<u>3,853,671</u>	<u>882,806</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	314,879	13,387
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,264,811	
Changes in assets and liabilities:		
Increase in accounts receivable	(27,953)	
Increase in due from special assessments	(189,798)	
Increase in materials and supplies inventory	(28,175)	
Increase in prepaid items	(2,029)	
Increase in accounts payable	1,808	690
Increase in accrued wages payable	10,627	
Decrease in compensated absences payable	(2,172)	
Decrease in claims payable		(402,681)
Increase in due to other governments	7,989	1,065
	<u>1,035,108</u>	<u>(400,926)</u>
Total adjustments	<u>1,035,108</u>	<u>(400,926)</u>
Net cash provided by (used for) operating activities	<u>\$1,349,987</u>	<u>(\$387,539)</u>

Non-cash capital transactions

The Sewer Enterprise Fund received donated assets from developers and other funds with a fair market value of \$1,419,483.

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

	<u>Investment Trust</u>	<u>Martha Mark Private Purpose Trust</u>	<u>Agency</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,379,611	\$12,609	\$10,603,504
Cash and cash equivalents in segregated accounts		7,108	972,386
Accounts receivable			11,101,219
Due from other governments			5,652,242
Property tax receivable			75,083,119
Special assessments receivable			3,037,404
Total assets	<u>2,379,611</u>	<u>19,717</u>	<u>106,449,874</u>
Liabilities			
Due to other governments			88,379,299
Undistributed monies		19,717	18,063,023
Deposits held and due to others			7,552
Total liabilities		<u>\$19,717</u>	<u>\$106,449,874</u>
Net Assets			
Held in trust for external pool participants	<u>2,379,611</u>		
Total net assets	<u>\$2,379,611</u>		

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, 2004**

	Investment Trust
Revenue	
Interest	\$30,101
Expenses	
Operating Expenses	<hr/>
Net increase in assets resulting from operations	30,101
Distributions to participants	(28,349)
Capital transactions	<hr/> 48,258
Total increase net assets	50,010
Net assets at beginning of year	<hr/> 2,329,601
Net assets at end of year	<hr/> <hr/> \$2,379,611

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

Discretely Presented Component Units

The component unit columns on the financial statements identify the financial data of the County's component units, Marimor Industries and LODDI. They are reported separately to emphasize that they are legally separate from the County. Information about these component units is presented in Notes 23 and 24 to the basic financial statements.

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

1. REPORTING ENTITY (Continued)

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

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 20, 21, and 22 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 accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the County's accounting policies.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements

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

B. Fund Accounting

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

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

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 – This fund accounts for the collection of special assessment revenue and the retirement of outstanding special assessment sewer, water, and ditch improvement bonds of the County.

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

2. Proprietary Funds

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's major enterprise fund:

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

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

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

The County's investment trust fund accounts for the external portion of the County's investment pool. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

The investment trust fund is accounted for using a flow of economic resources measurement focus.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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, 2004, but were levied to finance 2005 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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 object level within each department for the General Fund and at the department 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During 2004, 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, 2004.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2004 was \$429,679, which includes \$374,078 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, 2004, 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

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

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

For 2004, capital assets being reported for roads and bridges are limited to current year addition amounts. The historical inventory of roads and bridges will be added in future years when those amounts can be accumulated.

L. Capital Contributions

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

M. Receivables and Payables

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

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Receivables/Payables

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

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

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

P. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, special assessment bonds, and capital leases are recognized as liabilities on the fund financial statements when due.

Q. Net Assets

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

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance Reserves

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for notes receivable, encumbrances, unclaimed money and a budget reserve.

S. Operating Revenues and Expenses

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

T. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

U. Estimates

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2004, the Dog and Kennel special revenue fund and the Sewer capital project fund had deficit fund balances of \$235,297, and \$207,130, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

Reduced amended certificates were not obtained when estimated revenues were less than anticipated, nor were appropriations reduced in violation of Ohio Rev. Code Section 5705.36.

The County continually monitors budgetary transactions to eliminate compliance errors.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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; and the Job and Family Services; Mental Retardation and Developmental Disabilities; 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).
4. The County has certain activities within the General Fund that are not budgeted by the County Commissioners. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Net Change in Fund Balances

	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Children Services
GAAP Basis	\$78,899	(\$481,554)	\$417,482	\$75,936
Increase (Decrease) Due To:				
Revenue Accruals	275,675	333,095	(738,677)	109,735
Expenditure Accruals	(199,084)	156,219	123,817	(28,658)
Outside Cash	(238)	0	0	184,571
Prepaid Items	(175,100)	0	(7,293)	(4,893)
Inception of Capital Lease	(8,937)	0	0	0
Advances In	69,105	0	1,047,537	0
Advances Out	(164,700)	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(108,244)	(1,925,494)	(49,611)	0
Budget Basis	(\$232,624)	(\$1,917,734)	\$793,255	\$336,691

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

5. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are classified as inactive and can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the County had \$154,627 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

At year end, the carrying amount of the County's deposits was \$9,182,033 and the bank balance was \$10,676,853. Of the bank balance \$1,234,530 was covered by federal depository insurance, \$900,000 was collateralized by securities specifically pledged by the financial institution, and \$8,542,323 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

	Category 3	Fair Value
Federal Farm Credit Bank Notes	\$990,630	\$990,630
Federal Home Loan Bank Notes	7,935,770	7,935,770
Federal Home Loan Mortgage Corporation Notes	9,334,148	9,334,148
Federal National Mortgage Association Notes	14,875,170	14,875,170
Repurchase Agreements (Clerk of Courts)	556,237	556,237
	\$33,691,955	33,691,955
STAR Ohio		7,411,295
U.S. Treasury Security Money Market Fund		642,945
Total Investments		\$41,746,195

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$51,082,855	\$
Cash on Hand	(154,627)	
Investments:		
Federal Farm Credit Bank Notes	(990,630)	990,630
Federal Home Loan Bank Notes	(7,935,770)	7,935,770
Federal Home Loan Mortgage Corporation Notes	(9,334,148)	9,334,148
Federal National Mortgage Association Notes	(14,875,170)	14,875,170
Repurchase Agreements	(556,237)	556,237
STAR Ohio	(7,411,295)	7,411,295
U.S. Treasury Security Money Market Fund	(642,945)	642,945
GASB Statement No. 3	\$9,182,033	\$41,746,195

6. INVESTMENT POOL

The County serves as fiscal agent for the Allen County Metropolitan Park District and the North Central Ohio Solid Waste Management Districts, 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, 2004	
Assets	
Equity in Pooled Cash and Cash Equivalents	\$47,075,157
Accrued Interest Receivable	199,018
Restricted Assets	
Equity in Pooled Cash and Cash Equivalents	2,064,935
Total Assets	\$49,339,110
Net Assets Held in Trust for Pool Participants	
Internal Portion	\$46,959,499
External Portion	2,379,611
Total Net Assets Held in Trust for Pool Participants	\$49,339,110

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

6. INVESTMENT POOL (Continued)

**Statement of Changes in Net Assets
December 31, 2004**

Revenues	
Interest	\$597,646
Expenses	
Operating Expenses	0
Net Increase in Assets Resulting from Operations	597,646
Distributions to Participants	(885,291)
Capital Transactions	2,578,182
Total Increase in Net Assets	2,290,537
Net Assets Beginning of Year	47,048,573
Net Assets End of Year	\$49,339,110

At year end, the carrying amount of the pool's deposits was \$9,437,519 and the bank balance was \$9,076,665. Of the bank balance, \$400,000 was covered by federal depository insurance and \$8,676,665 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

At year end, the investments of the pool classified according to GASB Statement No. 3 were as follows:

	<u>Category 3</u>	<u>Fair Value</u>
Federal Farm Credit Bank Notes	\$990,630	\$990,630
Federal Home Loan Bank Notes	7,935,770	7,935,770
Federal Home Loan Mortgage Corporation Notes	9,334,148	9,334,148
Federal National Mortgage Association Notes	14,875,170	14,875,170
	<u>\$33,135,718</u>	<u>33,135,718</u>
STAR Ohio		<u>6,412,228</u>
Total Investments		<u>\$39,547,946</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$49,140,092	\$0
Cash on Hand	(154,627)	0
Investments:		
Federal Farm Credit Bank Notes	(990,630)	990,630
Federal Home Loan Bank Notes	(7,935,770)	7,935,770
Federal Home Loan Mortgage Corporation Notes	(9,334,148)	9,334,148
Federal National Mortgage Association Notes	(14,875,170)	14,875,170
STAR Ohio	(6,412,228)	6,412,228
GASB Statement No. 3	<u>\$9,437,519</u>	<u>\$39,547,946</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

7. RECEIVABLES

Receivables at December 31, 2004, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property and permissive sales taxes; notes; and special assessments. All receivables are considered collectible within one year except for loans and special assessments. All receivables are considered collectible in full except for the pay to stay costs for county jail recorded in the General Fund.

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

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

Additionally, the County has loaned money 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:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government and Local Government Revenue Assistance	\$970,816
Sales Tax	1,807,248
Sheriff's Contracts	17,095
Fines and Costs	2,285
Detention Center Tuition and Treatment	38,180
Public Defender	109,826
Election Costs	106,645
Federal Breakfast and Lunch Program	7,103
Total General Fund	3,059,198
Mental Retardation and Developmental Disabilities	
Title V	354
IDEA	77,630
Federal Breakfast and Lunch Program	7,827
Ohio Department of Education	579,468
Title XIX & XX	1,205,246
Other	782
Total Mental Retardation and Developmental Disabilities	1,871,307
Total Major Funds	4,930,505

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

7. RECEIVABLES (Continued)

Nonmajor Funds	Amount
Motor Vehicle and Gas Tax	
Gas Tax	933,858
Motor Vehicle License Tax	1,551,031
Fines and Costs	14,120
Other	26,756
911 System	
Sales Tax	60,416
Dog and Kennel	
Fines and Costs	226
Children Services Enforcement Agency	
CSEA	141,784
Adult Probation	
Diversion	201,737
Pretrial Release	6,581
Emergency Management Agency	
Emergency Management Grants	384,222
Community Development	
Community Development Block Grant	72,000
General Obligation Bond Debt Retirement	
Sales Tax	168,250
Building and Expansion	
Sales Tax	178,600
Economic Development	
Sales Tax	116,000
Total Nonmajor Funds	3,855,581
Total Governmental Activities	8,786,086
 Agency Funds	
Local Government and Local Government Revenue Assistance	\$2,657,024
Library Local Government	2,090,331
Gasoline Tax	435,839
Motor Vehicle License Tax	467,983
Other	1,065
Total Agency Funds	5,652,242
Total Intergovernmental Receivables	\$14,438,328

8. PERMISSIVE SALES AND USE TAX

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

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2004. On a full accrual basis, the amount of the receivable is recognized as revenue, and on the modified accrual basis the amount received outside the available period is deferred.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

9. 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 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2004, 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 2004 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, 2004, was \$8.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$1,476,376,650
Public Utility Property	91,021,080
Tangible Personal Property	390,291,796
Total Assessed Value	<u>\$1,957,689,526</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

10. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$5,442,515	\$0	\$0	\$5,442,515
Construction in Progress	770,536	26,906	(770,536)	26,906
Total Nondepreciable Capital Assets	<u>6,213,051</u>	<u>26,906</u>	<u>(770,536)</u>	<u>5,469,421</u>
Depreciable Capital Assets				
Buildings	43,257,261	1,037,313	(29,962)	44,264,612
Machinery and Equipment	2,086,586	0	0	2,086,586
Licensed Vehicles	4,390,214	459,554	(193,206)	4,656,562
Office Furniture and Equipment	6,021,591	898,126	(284,850)	6,634,867
Roads	187,275	0	0	187,275
Bridges	1,311,613	2,634,247	0	3,945,860
Total Depreciable Capital Assets	<u>57,254,540</u>	<u>5,029,240</u>	<u>(508,018)</u>	<u>61,775,762</u>
Less Accumulated Depreciation for				
Buildings	(25,776,211)	(808,372)	11,985	(26,572,598)
Machinery and Equipment	(1,190,666)	(132,348)	0	(1,323,014)
Licensed Vehicles	(3,373,811)	(472,165)	164,332	(3,681,644)
Office Furniture and Equipment	(4,265,484)	(447,293)	239,047	(4,473,730)
Roads	(11,940)	(11,940)	0	(23,880)
Bridges	(27,460)	(85,296)	0	(112,756)
Total Accumulated Depreciation	<u>(34,645,572)</u>	<u>(1,957,414)</u>	<u>415,364</u>	<u>(36,187,622)</u>
Total Depreciable Capital Assets, Net	<u>22,608,968</u>	<u>3,071,826</u>	<u>92,654</u>	<u>25,588,140</u>
Governmental Activities Capital Assets, Net	<u>\$28,822,019</u>	<u>\$3,098,732</u>	<u>(\$863,190)</u>	<u>\$31,057,561</u>
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$51,219	\$0	\$0	\$51,219
Depreciable Capital Assets				
Machinery, Equipment, and Vehicles	1,361,301	285,773	(155,240)	1,491,834
Infrastructure	41,037,019	1,799,483	0	42,836,502
Total Depreciable Capital Assets	<u>42,398,320</u>	<u>2,085,256</u>	<u>(155,240)</u>	<u>44,328,336</u>
Less Accumulated Depreciation for				
Machinery, Equipment, and Vehicles	(734,373)	(133,573)	64,625	(803,321)
Infrastructure	(15,346,758)	(1,131,238)	0	(16,477,996)
Total Accumulated Depreciation	<u>(16,081,131)</u>	<u>(1,264,811)</u>	<u>64,625</u>	<u>(17,281,317)</u>
Total Depreciable Capital Assets, Net	<u>26,317,189</u>	<u>820,445</u>	<u>(90,615)</u>	<u>27,047,019</u>
Business-Type Activities Capital Assets, Net	<u>\$26,368,408</u>	<u>\$820,445</u>	<u>(\$90,615)</u>	<u>\$27,098,238</u>

For 2004, capital assets being reported for roads and bridges are limited to current year addition amounts. The historical inventory of roads and bridges will be added in future years when those amounts can be accumulated.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

10. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government:	
Legislative and Executive	\$386,961
Judicial	146,753
Public Safety	270,942
Public Works	482,257
Health	213,217
Human Services	53,799
Conservation and Recreation	403,486
Total Depreciation Expense - Governmental Activities	<u><u>\$1,957,415</u></u>

11. INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2004, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Special Assessments Debt Retirement	\$7,534
Other Governmental	580,730
Total General Fund	<u><u>\$588,264</u></u>
Due to Mental Retardation and Developmental Disabilities from:	
Job and Family Services	<u><u>\$77,577</u></u>
Due to Children Services from:	
Job and Family Services	<u><u>\$181,903</u></u>
Due to Other Governmental from:	
General Fund	\$1,752,362
Other Governmental	302,000
Special Assessment Debt	33,000
Total Other Governmental Funds	<u><u>\$2,087,362</u></u>
Due to Sewer from:	
Other Governmental	<u><u>\$423,661</u></u>

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

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

12. 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 2004, 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 2004, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (see Note 22). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants.

The worker's compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

During 2004, 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

12. RISK MANAGEMENT (Continued)

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
2003	\$323,546	\$3,929,655	(\$3,850,520)	\$402,681
2004	402,681	5,479	(408,160)	0

13. 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2004, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$3,263,506, \$2,912,614, and \$2,854,518, respectively; 92 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$230,526, is recorded as a liability. Contributions to the member-directed plan for 2004 were \$91,239 made by the County and \$57,235 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2004, 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, 2004, 2003, and 2002 was \$109,221, \$122,467, and \$87,893, respectively; 100 percent has been contributed for fiscal years 2003, 2002 and 2001. Contributions to the DCP and CP plans for 2004 were \$3,150 and \$7,715, respectively, made by the County and \$3,000 and \$4,565, respectively, made by the plan members.

14. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "*Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 4.00 percent was the portion used to fund health care.

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$1,323,455. 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, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

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

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. State Teachers Retirement System

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was \$9,440.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.1 million at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

15. 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.

16. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2004 is as follows:

Governmental Activities	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Bond Anticipation Notes					
General Obligation Notes					
West Side of Interstate 75	1.95	\$1,566,000	\$1,306,500	\$1,566,000	\$1,306,500
East Side of Interstate 75	1.95	1,502,000	1,218,500	1,502,000	1,218,500
Road Improvement	2.0	0	350,000	0	350,000
Total General Obligation Notes		3,068,000	2,875,000	3,068,000	2,875,000
Special Assessment Notes					
Bath Township Trustees	1.73	79,000	\$24,000	79,000	\$24,000
Bear Ditch	1.73	29,500	12,500	29,500	12,500
Bellinger Ditch #1188	1.73	30,500	25,000	30,500	25,000
Dug Run Ditch #1151	1.73	81,500	58,500	81,500	58,500
Spencerville Ditch #1202	1.73	30,300	7,000	30,300	7,000
Tom Ahl Ditch #1203	1.73	16,500	12,500	16,500	12,500
Mayer Ditch #1205	1.73	55,100	14,000	55,100	14,000
Belmont Ditch #1218	1.73	128,500	56,000	128,500	56,000
Pike Run Ditch #1150	1.73	91,000	91,000	91,000	91,000
Zimmerman Ditch #1219	1.73	124,000	124,000	124,000	124,000
Jennings Creek #1160	1.73	265,000	297,200	265,000	297,200
Village of Lafayette #1223	1.73	20,000	20,000	20,000	20,000
Bath Township Ditch #1169	1.73	229,000	100,000	229,000	100,000
Flat Fork Ditch #1224	1.73	0	130,000	0	130,000
Earl Gaskill Ditch #1229	1.73	0	40,000	0	40,000
Jeff Brown Ditch #1230	1.73	0	22,000	0	22,000
Southwood Waterline DPA	1.73	81,600	77,600	81,600	77,600
Early/Lutz Road Waterline	1.73	23,000	16,500	23,000	16,500
Berryman Waterline	1.73 – 2.0	170,500	138,700	170,500	138,700
Delmar/Glenn	1.73	0	340,000	0	340,000
Hamernik Ditch #1193	1.73	24,000	19,500	24,000	19,500
Oakview Sewer Improvement	1.73 – 2.65	1,133,000	974,000	1,133,000	974,000
Total Special Assessment Notes		2,612,000	2,600,000	2,612,000	2,600,000
Total Bond Anticipation Notes		\$5,680,000	5,475,000	\$5,680,000	5,475,000

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

16. NOTES PAYABLE (Continued)

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.

17. LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due within a Year
General Obligation Bonds						
2002 Court of Appeals (Original Amount \$2,744,85)	1.5-5.25	\$2,565,689	\$0	187,542	2,378,147	189,216
2002 County Justice Center (Original Amount \$7,655,435)	1.5-5.25	7,155,731	0	523,055	6,632,676	527,725
2001 Downtown Parking (Original Amount \$1,310,000)	3.3-5.0	1,235,000	0	50,000	1,185,000	55,000
2001 Civic Center (Original Amount \$4,230,000)	3.3-5.0	3,983,000	0	163,000	3,820,000	157,000
Total General Obligation Bonds		14,939,420	0	923,597	14,015,823	928,941
Special Assessment Bonds						
1985 St. John's Waterline	8.875	20,000	0	10,000	10,000	10,000
2002 Project #17-700 and 17-800 (Original Amount \$380,000)	1.50-5.25	340,000	0	45,000	295,000	45,000
2002 Waterline Improvement (Original Amount \$450,000)	1.50-5.25	410,000	0	45,000	365,000	45,000
2002 Hixenbaugh/Copus/ Indianbrook (Original Amount \$310,000)	1.50-5.25	275,000	0	35,000	240,000	35,000
2002 Project #17-400, 17-500, and 11-800 (Original Amount \$2,039,707)	1.50-5.25	1,648,580	0	409,403	1,239,177	413,059
1994 Ft. Shawnee Waterline (Original Amount \$3,235,000)	5.75	2,205,000	0	145,000	2,060,000	155,000
2002 Findlay/Ada/Stewart Road (Original Amount \$2,110,000)	1.50-5.25	2,030,000	0	85,000	1,945,000	85,000
2001 Allentown Road Sewer (Original Amount \$865,000)	3.3-5.0	815,000	0	30,000	785,000	30,000
2001 East Road Waterline (Original Amount \$50,000)	3.3-5.0	46,000	0	2,000	44,000	3,000
2001 Ottawa River Bend Waterline (Original Amount \$95,000)	3.3 – 5.0	86,000	0	5,000	81,000	5,000
Total Special Assessment Bonds		7,875,580	0	811,403	7,064,177	826,059

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due within a Year
Other Long-Term Obligations						
Compensated Absences Payable		\$2,399,018	\$262,724	106,260	\$2,555,482	\$1,222,231
Airport Improvement Note	1%+TSR	198,000	0	22,000	176,000	22,000
Issue II Loan Payable	0.00	117,872	0	7,367	110,505	3,683
Issue II Loan Payable	0.00	169,808	18,803	4,715	183,896	4,715
Capital Leases Payable		46,190	8,937	21,910	33,217	14,695
Total Other Long-Term Obligations		<u>2,930,888</u>	<u>290,464</u>	<u>162,252</u>	<u>3,059,100</u>	<u>1,267,324</u>
Total Governmental Activities		<u>25,745,888</u>	<u>290,464</u>	<u>1,897,252</u>	<u>24,139,100</u>	<u>3,022,324</u>
Business-Type Activities						
Revenue Bonds						
2002 Sewer System	3.10-5.75					
(Original Amount \$7,171,583)		6,810,000	0	365,000	6,445,000	370,000
Bond Premium		20,234	0	1,349	18,885	0
Total Revenue Bonds		<u>6,830,234</u>	<u>0</u>	<u>366,349</u>	<u>6,463,885</u>	<u>370,000</u>
Other Long-Term Obligations						
Compensated Absences Payable		102,176	0	2,172	100,004	65,526
Issue II Loan	0.00	261,734	0	20,551	241,183	10,276
Total Other Long-Term Obligations		<u>363,910</u>	<u>0</u>	<u>22,723</u>	<u>341,187</u>	<u>75,802</u>
Total Business-Type Activities		<u>\$7,194,144</u>	<u>0</u>	<u>389,072</u>	<u>6,805,072</u>	<u>445,802</u>

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

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

During 2004, the County received Issue II loan funds for a bridge construction project with payments beginning January 1, 2005.

On November 1, 2002, the County issued \$7,150,000 sewer system revenue bonds for a current refunding of \$6,995,000 in sewer system revenue bonds. The callable bonds required a premium payment of \$139,100 on the call date. The refunding bonds were issued at 99.22 percent for sixteen years with interest rates ranging from 1.5 percent to 5.25 percent to repay the original debt issued for the district, and are to be paid from the enterprise fund. The reacquisition price exceeded the net carrying amount of the old debt \$302,221 and is being amortized over the life of the new debt.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

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

Restricted assets relating to the sewer revenue bonds consisted of the following at December 31, 2004:

Restricted assets held by the trustee for debt service	\$642,945
Restricted assets held by the County for operations	2,015,000
Restricted assets held by the County for replacement and improvement	46,499
Restricted assets held by the County for future debt service	3,436

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of the certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2004 are an overall debt margin of \$37,963,438 and an unvoted debt margin of \$10,098,095.

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

Year	Issue II Loans		General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$8,399	\$0	\$928,941	\$575,897	\$826,059	\$329,624
2006	16,798	0	952,975	561,446	847,026	299,225
2007	16,798	0	919,908	512,734	845,092	260,695
2008	16,798	0	987,000	488,553	453,000	228,848
2009	16,798	0	1,016,000	457,087	479,000	208,439
2010-2014	83,988	0	5,705,999	1,688,993	2,254,000	695,465
2015-2019	83,988	0	2,700,000	513,753	995,000	230,610
2020-2021	50,834	0	805,000	60,750	365,000	24,300
	<u>\$294,401</u>	<u>\$0</u>	<u>\$14,015,823</u>	<u>\$4,859,213</u>	<u>\$7,064,177</u>	<u>\$2,277,206</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

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

Year	Issue II Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2005	\$10,276	\$0	\$370,000	\$243,240
2006	20,551	0	385,000	235,840
2007	20,551	0	390,000	226,793
2008	20,551	0	400,000	216,457
2009	20,551	0	410,000	204,457
2010-2014	102,751	0	2,285,000	798,698
2015-2017	45,952	0	2,205,000	261,231
	<u>\$241,183</u>	<u>\$0</u>	<u>\$6,445,000</u>	<u>\$2,186,716</u>

Conduit Debt

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

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

During 1988 and 1994, the County issued health care facility revenue bonds in the amounts of \$2,865,000 and \$3,145,000, respectively.

The above 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, 2004 the aggregate principal amount payable on these bonds is \$16,895,000.

18. 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 \$68,317. Capital lease payments are reflected as debt service expenditures in the general fund on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Principal payments in 2004 were \$21,910 for governmental funds.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

18. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

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, 2004.

Year	Governmental Activities
2005	\$17,863
2006	11,807
2007	5,782
2008	3,893
2009	865
Total	40,210
Less Amount Representing Interest	(6,993)
Present Value of Net Minimum Lease Payments	\$33,217

19. INTERFUND TRANSFERS

During 2004 the following transfers were made:

Transfers In	Transfers Out			
	General	Other Governmental	Business-Type Activities	Total
Governmental Activities				
General	\$0	434,000	\$0	\$434,000
Other Governmental	342,443	166,817	125,000	634,260
Total Governmental Activities	342,443	600,817	125,000	1,068,260
Business-Type Activities	\$0	\$2,500	\$0	\$2,500

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

20. 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

20. JOINT VENTURES (Continued)

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 21). The agreement was signed between the County and the City on February 19, 2004.

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 Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties is a joint venture since continued participation by the County is necessary for the continued existence.

Allen County acts as the fiscal agent for the 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.

21. JOINTLY GOVERNED ORGANIZATIONS

A. Lima-Allen County Regional Planning Commission

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

During 2004, the County did not pay membership fees. Complete financial statements can be obtained from the Lima-Allen County Regional Planning Commission, Allen County, Ohio.

B. North Central Ohio Solid Waste Management District

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

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

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

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

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Lima-Allen County Joint Parking Commission

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

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

22. INSURANCE POOLS

A. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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

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

B. County Employee Benefits Consortium of Ohio, Inc.

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

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

23. MARIMOR INDUSTRIES

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The Industries is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Industries uses the accrual basis of accounting. 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 \$259,371. The investments are carried at fair market values. Of these investments, mutual funds have a fair value of \$242,309 and long-term certificates of deposit have a fair value of \$165,416, for a total investment amount of \$407,725.

C. Capital Assets

The Industries had capital assets equipment, in the amount of \$647,016, as of December 31, 2004. Accumulated depreciation was \$482,493, with a net capital asset amount of \$164,523. Depreciation is computed using the straight-line method over a useful life of three to seven years.

24. LODDI

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

24. LODDI (Continued)

B. Deposits and Investments

At year end, the carrying amount of deposits was \$14,190. 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 corporation.

C. Capital Assets

LODDI had capital assets of land and buildings, in the amounts of \$91,263 and \$719,204, respectively, as of December 31, 2004. Accumulated depreciation was \$150,814, with a net capital asset amount of \$659,653. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Mortgage Notes Payable	5.0-6.5%	\$194,394	\$ 0	\$23,126	\$171,265	\$26,498

25. RELATED PARTY TRANSACTIONS

Marimor Industries, a discretely presented component unit of Allen County, 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. During 2004, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker's compensation, repairs, supplies, equipment, medicare, and other expenses was \$3,236,354.

26. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County had various outstanding contractual commitments at December 31, 2004. The following amounts remain on these contracts.

Company	Project	Outstanding Balance
Munis Inc.	Accounting and Payroll Software	\$244,368
URS Corporation Ohio	Administration Facility	249,330
Lima City School District	WIA Youth Services	174,190
Sprint	Telephone System Upgrade	296,555
E Lee Construction Inc.	Roof Replacement – Savings Building	172,960
Poggemeyer Design Group	Museum Expansion Design	273,970
Williams Excavating Inc.	Reed Road	137,175
Finkbeiner, Pettis, & Strout Ltd	American II Wastewater Treatment Plant	103,249
Miller Pipeline Corporation	Seriff Subbasin Relining	333,596
Kohler & Kaiher	Eastown Road Phase #2	124,697
Mannik & Smith Group	Eastown Road Phase #3	100,480
Total Commitments		<u>\$2,210,570</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

27. CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

28. SUBSEQUENT EVENTS

On April 5, 2005, The County authorized the re-issuance of various purpose bond anticipation notes for water, sewer and ditch construction projects, Series 2004, First Renewal in the amount \$1,010,000.

On April 19, 2005, the County entered into a Water Pollution Control Loan Agreement with the Environmental Protection Agency for the construction of wastewater facilities in the amount of \$750,000.

On May 10, 2005, the County approved a note issue in the amount of \$2,000,000 for the Eastown Road construction project.

On May 24, 2005, the County authorized the issuance of sewer system improvement bonds for the Oakview Subdivision Improvement Area in the amount of \$950,000 and for the Delmar Glenn sewer project the amount of \$340,000.

On May 24, 2005, the County authorized the issuance of waterline improvement bonds which consist of the Fort Shawnee waterline improvement, the Berryman, the Southwood and the Trebor Drive waterline projects in a total amount not to exceed \$2,235,000.

On May 25, 2005 the County authorized the issuance of \$3,255,000 of Various Purpose General Obligation Bonds, Series 2005.

On August 23, 2005, the County approved the re-issuance of \$1,575,000 in various purpose bond anticipation notes, Series 2002A, third renewal, divided for the purposes of economic development \$783,500, and Fort Shawnee Industrial Drive \$791,500.

On August 23, 2005, the County accepted various contracts for the construction of the Sanitary Engineer's administration office and vehicle storage building project in the total amount of \$2,928,220.

On September 9, 2005, the County accepted and awarded the contract for the construction of the Early/Lutz road improvement project in the amount of \$1,296,812.

**FINANCIAL CONDITON
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S Department of Agriculture						
<i>Passed Through Ohio Department of Agriculture:</i>						
School Breakfast Program						
Marimor School	065821-05-PU	10.553	\$14,889		\$14,889	
Detention Center	069971-05-PU		16,764		16,764	
Total National School Breakfast Program			31,653		31,653	
National School Lunch Program						
Marimor School	065821-LL-P4	10.555	26,273		26,273	
Detention Center	069971-LL-P4		25,688		25,688	
Total National School Lunch Program			51,961		51,961	
Food Distribution Program						
Marimor School	N/A	10.550		11,790		11,790
Detention Center	N/A			6,017		6,017
Total Food Distribution Program				17,807		17,807
Total U.S. Department of Agriculture (Nutrition Cluster)			83,614	17,807	83,614	17,807
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster						
Special Education Grants to States (IDEA Part B)	065821-6B-SD-04P	84.027	18,000		20,337	
	065821-6B-SD-05P		11,250		5,998	
	065821-6BSF-04-P		63,874		57,483	
	065821-6BSF-05-P		38,911		44,585	
Total Special Education Grants to States (IDEA Part B)			132,035		128,403	
Special Education-Preschool Disabilities (IDEA Part B)	065821-PGS1-04-P	84.173	20,221		20,997	
	065821-PGS1-05-P		13,993		15,651	
	065821-PGD7-04-P		5,400		5,400	
Total Special Education-Preschool Disabilities			39,614		42,048	
Total Special Education Cluster			171,649		170,451	
Innovative Education Program Strategies	065821-C2S1-2004	84.298	528		168	
	065821-C2S1-2005		39			
Total Innovative Education Program Strategies			567		168	
Total U.S. Department of Education			172,216		170,619	
U.S. Department of Homeland Security						
<i>Passed Through Ohio Emergency Management Agency</i>						
State Domestic Preparedness Equipment Support Program	2001-TE-CX-0016	97.004	13,070			
	2002-TE-CX-0049		28,223		41,174	
	2003-MUP-30015		24,700		24,700	
	2003-TE-TX-0199		16,766		16,766	
	2002-TE-CX-0106		129,860		103,260	
Total State Domestic Preparedness Equipment Support Program			212,619		185,900	
Emergency Management Performance Grant	EMC-04-GR-7007	97.042	33,992		33,992	
	EMC-03-GR-7026		18,065		18,065	
Total Emergency Management Performance Grant			52,057		52,057	
Total U.S. Department of Homeland Security			264,676		237,957	
U.S. Department of Health and Human Services						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Social Services Block Grant - Title XX	N/A	93.667	97,157		97,157	
Medical Assistance Program - Title XIX (CAFS)	N/A	93.778	912,168		912,168	
<i>Passed through Ohio Department of Job and Family Services</i>						
Independent Living	N/A	93.674	8,907		8,907	
Child Abuse and Neglect State Grants		93.669	680		680	
Promoting Safe and Stable Families		93.556	26,578		26,578	
Child Welfare Services - State Grants		93.645	15,864		15,864	
Total U.S. Department of Health and Human Services			1,061,354		1,061,354	

**FINANCIAL CONDITON
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Labor						
<i>Passed through Ohio Department of Job and Family Services</i>						
Workforce Investment Act Adult	FY2003	17.258	83,801		93,841	
Workforce Investment Act Adult Administrative			974		20,057	
Workforce Investment Act Adult Total			84,775		113,898	
Workforce Investment Act Adult	FY2004	17.258	172,619		162,967	
<i>Passed through Area 7 Workforce Investment Board</i>						
Workforce Investment Act Adult	FY2004	17.258	80,509		64,656	
Workforce Investment Act Adult Administrative			-		3,588	
Workforce Investment Act Adult Total			80,509		68,244	
Workforce Investment Act Adult	FY2005	17.258	-		29,606	
Total Workforce Investment Act Adult			337,903		374,715	
<i>Passed through Ohio Department of Job and Family Services</i>						
Workforce Investment Act Youth	FY2002	17.259	90,886		105,669	
Workforce Investment Act Youth Administrative			-		26,007	
Workforce Investment Act Youth Total			90,886		131,676	
Workforce Investment Act Youth	FY2003	17.259	161,640		146,976	
Workforce Investment Act Youth Administrative			1,878		(37,954)	
Workforce Investment Act Youth Total			163,518		109,022	
<i>Passed through Area 7 Workforce Investment Board</i>						
Workforce Investment Act Youth	FY2003	17.259	5,667		67,759	
Workforce Investment Act Youth	FY2004	17.259	34,971		29,480	
Workforce Investment Act Youth Administrative			-		3,812	
Workforce Investment Act Youth Total			34,971		33,292	
Total Workforce Investment Act Youth			295,042		341,749	
<i>Passed through Ohio Department of Job and Family Services</i>						
Workforce Investment Act Dislocated Worker	FY2003	17.260	50,919		51,079	
Workforce Investment Act Dislocated Worker Administrative			569		(2,389)	
Workforce Investment Act Rapid Response			(1,923)		30	
Workforce Investment Act Dislocated Worker Total			49,565		48,720	
Workforce Investment Act Dislocated Worker	FY2004	17.260	41,763		41,763	
<i>Passed through Area 7 Workforce Investment Board</i>						
Workforce Investment Act Dislocated Worker	FY2004	17.260	76,516		65,125	
Workforce Investment Act Dislocated Worker Administrative			28		5,666	
Workforce Investment Act Dislocated Worker Total			76,544		70,791	
Total Workforce Investment Act Dislocated Worker			167,872		161,274	
Total Workforce Investment Act Cluster			800,817		877,738	
<i>Passed through Ohio Department of Job and Family Services</i>						
Reed Act -One Stop Administration	FY2004	17.260	17,638		17,638	
Total U.S. Department of Labor			818,455		895,376	
U.S. Department of Justice:						
<i>Passed Through Ohio Department of Criminal Justice:</i>						
Local Law Enforcement Block Grant	2004-LB-BX-0827	16.592	10,348			
	2003-LB-BX-1701		27,980		27,980	
	2002-LB-BX-0945				21,344	
Total Local Law Enforcement Block Grant			38,328		49,324	
Byrne Formula Grant Program - Narcotics Task Force	2003-DG-A01-7006	16.579	78,000		78,000	
	2003-DG-B01-7048		83,225		86,862	
Total Byrne Formula Grant Program - Narcotics Task Force			161,225		164,862	
Juvenile Accountability Incentive BG - Mentoring for Success	2002-JV-T50-5105	16.548	42,417		52,323	
Juvenile Accountability Incentive BG - Day Treatment	2000-JB-002-A099	16.523	4,331		13,068	
Juvenile Accountability Incentive BG - Partnership for Success	2002-JB-007-A304	16.523			28,788	
Status Offender Solutions	2001-JJ-D11-0094	16.540	30,000		30,000	
Total U.S. Department of Justice			276,301		338,365	

**FINANCIAL CONDITON
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Transportation						
National Highway Traffic Safety Administration,						
<i>Passed Through Ohio Department of Public Safety:</i>						
Young Safe Drivers/Cops in Shops						
State and Community Highway Safety - Mixed Enforcement		20.600	50,215		46,537	
Federal Highway Administration						
<i>Passed Through Ohio Department of Transportation</i>						
Highway Planning and Construction	02N217	20.205	1,429,171		1,429,171	
Total U.S. Department of Transportation			<u>1,479,386</u>		<u>1,475,708</u>	
Federal Election Commission						
<i>Passed through the Ohio Secretary of State:</i>						
Help America Vote Act	04-SOS-HAVA-02	39.011	16,350		6,600	
U.S. Department of Housing and Urban Development						
<i>Passed Through Ohio Department of Development:</i>						
HOME Investment Partnerships Program	B-C-02-002-2	14.239	227,143		346,840	
Community Development Block Grant-Entitlement Grants						
Formula Allocation Program FY03	B-F-03-002-1	14.228	228,200		227,396	
Formula Allocation Program FY02	B-F-02-002-1		154,000		161,559	
Home Community Housing Improvement Program	B-C-02-002-1		107,136		87,014	
Economic Development Program FY02 (Menards)	B-E-02-002-1		111,000		111,016	
Delmar-Glenn Sewer Department	B-W-02-002-1		300,000		300,000	
Port Authority			140,000		140,000	
Total CDBG Entitlement Grants			<u>1,040,336</u>		<u>1,026,985</u>	
Total U.S. Department of Housing and Urban Development			<u>1,267,479</u>		<u>1,373,825</u>	
Total Federal Financial Assistance			<u>\$ 5,439,831</u>	<u>\$ 17,807</u>	<u>\$ 5,643,418</u>	<u>\$ 17,807</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 - GENERAL

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

NOTE 2 - BASIS OF ACCOUNTING

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

NOTE 3 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

The Allen County CDBG received periodic loan repayments from individuals awarded loans for rehabilitation programs. In addition, the County received payments from individuals who did not reside in a rehabilitated dwelling for the required ten-year period. The activity for the loan fund is scheduled below and is not reflected in the federal receipts, expenditures, and cash balances on the schedule of federal financial assistance. The loan receivable activity and cash balances available for rehabilitation loans under the revolving loan program for 2004 are as follows:

<u>Rehabilitation Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$139,921	\$36,480
Loan Principal Receipts	(6,592)	6,592
Loan Interest Repayment Receipts		2,920
Interest on Bank Account		109
Grant Revenue		7,070
Grant Disbursements	-	(27,619)
Ending Balance	<u>\$133,329</u>	<u>\$25,552</u>

In addition to the rehabilitation loans under the direct control of Allen County, the County also provides oversight for the CDBG Small Business Revolving Loans administered by the Allen County Port Authority whose 2004 activity is as follows:

<u>Small Business Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$243,027	\$26,304
Grant Receipts		147,158
Loan Repayment Receipts	(37,358)	37,358
Loan Interest Repayment Receipts		9,557
Loan Fee Receipts		684
Interest on Bank Account		38
Loan Disbursements	175,000	(183,500)
Administration		(13,876)
Ending Balances	<u>\$380,669</u>	<u>\$23,723</u>

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

NOTE 5 - MATCHING REQUIREMENTS

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

NOTE 6 - OHIO DEPARTMENT JOB AND FAMILY SERVICES

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

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

NOTE 7 - FEDERAL FOOD STAMP PROGRAM

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

Balance at Beginning of Year	\$ 16,428
Amount Distributed to Recipients	300
Amount Destroyed	<u>13,138</u>
Balance at End of Year	<u>\$ 2,990</u>

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

NOTE 8 - WORKFORCE INVESTMENT ACT

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

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Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 16, 2005. 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*. The financial statements of Marimor Industries and LODDI, Inc. were audited by other auditors in accordance with auditing standards generally accepted in the United States of America and not accordance with *Government Auditing Standards* and accordingly this report does not extend to those component units.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated September 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the County's management dated September 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

Financial Condition
Allen County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

September 16, 2005



**Auditor of State
Betty Montgomery**

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Allen County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. 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, Allen 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, 2004.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

September 16, 2005

**FINANCIAL CONDITION
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program – Title XIX (CAFS)–CFDA #93.778 Highway Planning and Construction – CFDA #20.205 Community Development Block Grant (CDBG) – CFDA #14.228
(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 2004-001

Amended Certificates

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

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. During 2004, the County had the following funds where a reduced amended certificate was needed, but was not obtained:

Fund	Estimated Revenue per Amended Certificate	Actual Revenue	Variance (Actual vs. Estimated Revenue)
006 (Public Assistance)	\$16,818,000	\$10,426,998	(\$6,391,002)
012 (CSEA)	3,839,100	2,894,859	(944,241)
080 (Adult Probation)	973,618	531,889	(441,729)
091 (EMA)	656,481	284,850	(371,631)
414(CDBG)	2,117,215	1,294,190	(823,025)
101 (Sewer Projects)	6,385,206	2,241,496	(4,143,710)

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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE.

**FINANCIAL CONDITION
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004
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; <i>Explain:</i>
2003-001	Finding for Recovery (Former County Dog Warden)	Partially	The former Dog Warden continues to make payments, and the balance at August 31, 2005 was \$7,076.
2003-002	Finding for Recovery (Children Services Board)	Yes	
2003-003	Ohio Rev. Code Section 5705.36; Amended Certificates	No	Not Corrected, repeated as finding 2004-001.
2003-004	Animal Control Facility Policies and Controls	Yes	
2003-005	Advances Not Repaid	Partially	Reported in a separate letter to management of the County.



**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

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 1, 2005**