

Allen County Financial Condition

Allen County, Ohio

Single Audit

January 1, 2007 through December 31, 2007



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Commissioners
Allen County
301 North Main Street
Lima, Ohio 45802

We have reviewed the *Independent Auditor's Report* of Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 20, 2008

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Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the County's discretely presented component units, LODDI, Inc. and Marimor Industries, which represent 43 percent, 40 percent and 87 percent, respectively, of assets, net assets, and revenues for the aggregate discretely presented component units. Other auditors audited those financial statements. They have furnished their reports thereon to us and we base our opinion, insofar as it relates to the amounts included for LODDI, Inc. and Marimor Industries on the reports of the other auditors.

Except as described in the following paragraph, 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. 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 reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Port Authority of Allen County (the Authority) were not audited, and we were not engaged to audit the Authority's financial statements as part of our audit of the County's basic financial statements. The Authority's financial statements are included in the County's basic financial statements as a discretely presented component unit and represent 57 percent, 60 percent and 13 percent of the assets, net assets, and revenues, respectively, of the County's aggregate discretely presented component units.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Port Authority of Allen County's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the County, as of December 31, 2007, and the changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

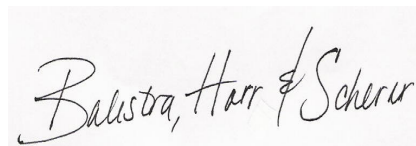
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General fund, Job and Family Services fund, Mentally Retarded and Developmental Disabled fund and the Children Services fund 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 5, 2008, 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 on pages 3 through 9 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 form opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying 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 not a required part of the basic financial statements. We have 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.

As described in Note 3, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues."



Balestra, Harr & Scherer, CPAs, Inc.
September 5, 2008

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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, 2007. 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 and the related notes to enhance their understanding of the County's performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

In total the County's total net assets decreased by \$3.7 million from 2006, which was due to decreased revenues and increased expenditures between years.

The County changed its capitalization threshold policy in 2007, from \$3,000 to \$10,000 for the capitalization of capital assets.

During 2007, the County fully implemented new real estate tax software and started Phase 2 of the Eastown Road project

Using this Annual Report

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the County's most significant funds individually and the County's non-major funds in a single column. The County's major funds are the General; Job and Family Services; Mental Retardation and Developmental Disabilities; Children's Services; Special Assessment Debt Retirement; and 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 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

Reporting the County's Most Significant Funds

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and 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 statements because the resources from these funds are not available to support the County's programs. These funds also use the accrual basis of accounting.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2007 compared to 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006
<u>Assets</u>						
Current and Other Assets	\$64,126,220	\$69,090,165	\$5,969,547	\$4,327,439	\$70,095,767	\$73,417,604
Capital Assets, Net	51,670,031	51,843,302	37,670,005	32,351,779	89,340,036	84,195,081
Total Assets	115,796,251	120,933,467	43,639,552	36,679,218	159,435,803	157,612,685

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006
<u>Liabilities</u>						
Current and Other Liabilities	\$16,505,896	\$16,661,028	\$505,282	\$197,431	\$17,011,178	\$16,858,459
Long-Term Liabilities	29,463,101	31,047,420	15,847,264	8,858,702	45,310,365	39,906,122
Total Liabilities	<u>45,968,997</u>	<u>47,708,448</u>	<u>16,352,546</u>	<u>9,056,133</u>	<u>62,321,543</u>	<u>56,764,581</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	25,057,814	34,992,390	22,261,505	25,880,513	47,319,319	60,872,903
Restricted	40,766,540	31,908,444	1,678,081	1,298,129	42,444,621	33,206,573
Unrestricted	4,002,900	6,324,185	3,347,420	444,443	7,350,320	6,768,628
Total Net Assets	<u>\$69,827,254</u>	<u>\$73,225,019</u>	<u>\$27,287,006</u>	<u>\$27,623,085</u>	<u>\$97,114,260</u>	<u>\$100,848,104</u>

*As restated. See Note 3 to the basic financial statements.

Governmental activities total assets were down in 2007 due mainly to the change in the capital assets threshold from \$3,000 in 2006 to \$10,000 in 2007 and the write down of investments to market value of \$3,383,251. Long-term liabilities increased significantly during 2007 for business-type activities due to the issuance of an Issue II loan.

Table 2 reflects the changes in net assets for 2007.

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
<u>Revenues</u>						
Program revenues						
Charges for services	\$9,396,116	\$9,609,676	\$5,434,655	\$4,798,058	\$14,830,771	\$14,407,734
Operating grants, contributions and Interest	32,225,824	31,208,880	0	0	32,225,824	31,208,880
Capital grants and contributions	2,555,295	2,008,563	0	0	2,555,295	2,008,563
Total program revenues	<u>44,177,235</u>	<u>42,827,119</u>	<u>5,434,655</u>	<u>4,798,058</u>	<u>49,611,890</u>	<u>47,625,177</u>

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2
Changes in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General revenues						
Property taxes levied for:						
General Operating	\$5,015,408	\$5,146,398	\$0	\$0	\$5,015,408	\$5,146,398
Health – mental retardation and developmental disabilities	5,304,132	5,742,866	0	0	5,304,132	5,742,866
Human services – children	1,619,840	1,746,925	0	0	1,619,840	1,746,925
Services	14,878,545	14,452,886	0	0	14,878,545	14,452,886
Sales tax	4,784,125	4,342,274	0	0	4,784,125	4,342,274
Intergovernmental not restricted	15,437	0	0	0	15,437	0
Gain on sale of capital assets	0	(214,129)	0	(3,425)	0	(217,554)
Loss on sale of capital assets	126,100	332,000	193,760	1,409,930	319,860	1,741,930
Contributions	330,330	2,602,146	39,946	117,141	370,276	2,719,287
Interest	3,344,886	4,193,296	42,109	79,744	3,386,995	4,273,040
Other	35,418,803	38,344,662	275,815	1,603,390	35,694,618	39,948,052
Total general revenues	79,596,038	81,171,781	5,710,470	6,401,448	85,306,508	87,573,229
Total revenues	0	115,688	0	(115,688)	0	0
Transfers	79,596,038	81,287,469	5,710,470	6,285,760	85,306,508	87,573,229
Total revenues and transfers						
<u>Program Expenses</u>						
General government						
Legislative and executive	15,088,475	15,319,981	0	0	15,088,475	15,319,981
Judicial	8,888,082	8,608,924	0	0	8,888,082	8,608,924
Public safety	10,508,141	10,381,882	0	0	10,508,141	10,381,882
Public works	8,875,804	9,058,075	0	0	8,875,804	9,058,075
Health						
Mental retardation and developmental disabilities	12,342,523	11,245,072	0	0	12,342,523	11,245,072
Other health	767,622	468,092	0	0	767,622	468,092

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2
Changes in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Human services						
Job and family services	\$12,926,799	\$12,518,630	\$0	\$0	\$12,926,799	\$12,518,630
Children services	7,275,613	6,035,647	0	0	7,275,613	6,035,647
Other human services	2,084,107	876,387	0	0	2,084,107	876,387
Conservation and recreation	1,957,317	2,038,955	0	0	1,957,317	2,038,955
Other	361,526	166,413	0	0	361,526	166,413
Intergovernmental	663,019	194,523	0	0	663,019	194,523
Interest and fiscal charges	1,254,775	1,265,706	0	0	1,254,775	1,265,706
Sanitary sewer	0	0	6,046,549	5,432,141	6,046,549	5,432,141
Total expenses	82,993,803	78,178,287	6,046,549	5,432,141	89,040,352	83,610,428
Increase (decrease) in net assets	<u>(\$3,397,765)</u>	<u>\$3,109,182</u>	<u>(\$336,079)</u>	<u>\$853,619</u>	<u>(\$3,733,844)</u>	<u>\$3,962,801</u>

For governmental activities, general revenues, which consist primarily of property and sales taxes and unrestricted grants and entitlements represent 44 percent of total revenues, and of the total general revenues, property taxes and sales taxes represent 76 percent of that revenue. Almost 53 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.

General government activities account for 29 percent of the total program expenditures. These activities include the operation of various county departments including general government and judicial activities. Human services related expenditures represent 27 percent of the total. These expenditures are mainly for Children's Services and for the Department of Job and Family Services. Health related expenditures account for about 16 percent of the expenditures which are primarily for the operation of Marimor School. Combined, these three areas account for 72 percent of the County's expenditures for 2007.

For business-type activities, program specific revenues are 95 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.

Allen County, Ohio
Management's Discussion and Analysis
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Unaudited

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General Government				
Legislative and Executive	\$15,088,475	\$15,319,981	\$10,154,402	\$9,816,158
Judicial	8,888,082	8,608,924	3,947,584	3,554,292
Public Safety	10,508,141	10,381,882	9,348,859	8,500,405
Public Works	8,875,804	9,058,075	(1,245,819)	(145,157)
Health				
Mental Retardation and Developmental Disabilities	12,342,523	11,245,072	7,313,548	6,081,792
Other Health	767,622	468,092	584,074	251,876
Human Services				
Job and Family Services	12,926,799	12,518,630	595,483	1,148,853
Children's Service	7,275,613	6,035,647	2,036,334	1,831,967
Other Human Services	2,084,107	876,387	2,051,133	864,387
Conservation and Recreation	1,957,317	2,038,955	1,751,650	1,819,953
Other	361,526	166,413	361,526	166,413
Intergovernmental	663,019	194,523	663,019	194,523
Interest and Fiscal Charges	1,254,775	1,265,706	1,254,775	1,265,706
Total Expenses	\$82,993,803	\$78,178,287	\$38,816,568	\$35,351,168

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) pay for 47 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 governmental funds are the General Fund; Job and Family Services Fund; Mental Retardation and Developmental and Disabilities Fund; Children's Services Fund; and the Special Assessment Debt Retirement Fund. The primary funding for Job and Family Services is from operating grants. The Mental Retardation and Developmental Disabilities Fund and the Children's Services Fund revenues are primarily from taxes and grants. The Mental Retardation and Developmental Disabilities Fund and the Children's Services Fund have a specific property tax levy to support the activities of the fund as well.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Sewer District Fund had an operating loss for 2007, of \$155,082. After contributions from participants, the fund ended with a decrease in net assets of \$336,079.

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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 \$748,189. Actual expenditures were less than budgeted by \$1,461,256 as the County was able to reduce expenditures significantly for general government operations.

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

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2007, was \$25,057,814 and \$22,261,505, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings and building improvements, roads, bridges, machinery and equipment, computer equipment, furniture and fixtures, infrastructure, and vehicles. Additions to governmental activities capital assets consisted primarily of the addition of roads. For more information on the County's capital assets, see Note 11 to the basic financial statements.

At December 31, 2007, the County had \$4,480,000 in special assessment notes payable from governmental activities and \$2,325,000 in bond anticipation notes payable from governmental activities and \$2,800,000 in bond anticipation notes payable in business-type activities. The County also had various long-term obligations outstanding. These obligations included \$11,213,999 of general obligation bonds and \$5,769,523 of special assessment bonds. For more information on the County's debt obligations, see Notes 18 and 19 to the basic financial statements.

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

Current Issues

The unemployment rate for the County is currently 5.9 percent, which is a slight decrease from one year ago. This rate is above the State's current rate of 5.6 percent and above the national rate of 5 percent.

Sales tax revenue for the County was up slightly in 2007 due to allocating less to other funds. Net sales tax revenue in 2007 in the General Fund was \$13,694,554 compared to \$12,657,816 in 2006. Net sales taxes are equal to total sales tax revenues less the amounts allocated monthly to other funds.

Request for Information

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

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Allen County, Ohio
Statement of Net Assets
Primary Government and Discretely Presented Component Units
December 31, 2007

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	LODDI	Marimor Industries	Port Authority of Allen County
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$33,918,500	\$2,046,648	\$35,965,148	\$0	\$0	\$0
Cash and cash equivalents in segregated accounts	439,170	0	439,170	15,498	611,981	519,175
Investment in segregated accounts	0	0	0	0	323,871	0
Accounts receivable, net	51,398	1,528,758	1,580,156	0	54,633	0
Accrued interest receivable	376,851	0	376,851	0	0	0
Due from other governments	5,637,410	0	5,637,410	0	0	0
Internal balances	(243,548)	243,548	0	0	0	0
Prepaid items	555,790	23,864	579,654	0	1,468	0
Materials and supplies inventory	829,247	48,556	877,803	0	0	0
Property tax receivable	13,576,130	0	13,576,130	0	0	0
Sales tax receivable	2,506,247	0	2,506,247	0	0	0
Notes receivable	301,658	0	301,658	0	0	987,938
Special assessments receivable	6,114,367	102,941	6,217,308	0	0	0
Unamortized bond issuance costs	63,000	297,151	360,151	0	0	0
Restricted assets:						
Equity in pooled cash and cash equivalents	0	1,052,420	1,052,420	0	0	0
Cash and cash equivalents with fiscal agents	0	625,661	625,661	0	0	0
Nondepreciable capital assets	5,537,015	6,314,344	11,851,359	105,367	0	947,414
Depreciable capital assets, net	46,133,016	31,355,661	77,488,677	627,281	96,287	0
Total Assets	115,796,251	43,639,552	159,435,803	748,146	1,088,240	2,454,527
<u>Liabilities:</u>						
Accrued wages payable	971,469	45,095	1,016,564	0	2,586	0
Accounts payable	1,118,997	79,687	1,198,684	0	63,559	0
Due to other governments	1,035,393	44,160	1,079,553	0	2,794	0
Accrued interest payable	442,990	18,038	461,028	402	0	0
Retainage payable	12,536	318,302	330,838	0	0	0
Deferred revenue	12,760,988	0	12,760,988	0	0	0
Unamortized premiums on bonds	163,523	0	163,523	0	0	0
Long-Term Liabilities:						
Due Within One Year	9,954,315	3,313,129	13,267,444	24,884	0	0
Due in More Than One Year	19,508,786	12,534,135	32,042,921	95,769	0	0
Total Liabilities	45,968,997	16,352,546	62,321,543	121,055	68,939	0
<u>Net Assets:</u>						
Invested in capital assets, net of related debt	25,057,814	22,261,505	47,319,319	0	0	947,414
Restricted for:						
Debt service	5,850,863	0	5,850,863	0	0	0
Capital projects	8,673,412	0	8,673,412	0	0	0
Board of mental retardation and developmental disabilities	9,447,583	0	9,447,583	0	0	0
Children services	3,597,269	0	3,597,269	0	0	0
Motor vehicle gas tax	3,912,126	0	3,912,126	0	0	0
Auditor/recorder/clerk fees	1,951,100	0	1,951,100	0	0	0
Child support enforcement agency	1,298,426	0	1,298,426	0	0	0
Real estate assessments	2,877,412	0	2,877,412	0	0	0
Other purposes	3,158,349	0	3,158,349	0	9,134	0
Debt service for sewer projects	0	1,678,081	1,678,081	0	0	0
Unrestricted	4,002,900	3,347,420	7,350,320	627,091	1,010,167	1,507,113
Total Net Assets	\$69,827,254	\$27,287,006	\$97,114,260	\$627,091	\$1,019,301	\$2,454,527

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Activities
For the Year Ended December 31, 2007

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental activities:</u>				
General government				
Legislative and executive	\$15,088,475	\$4,128,351	\$805,722	\$0
Judicial	8,888,082	1,986,442	2,954,056	0
Public safety	10,508,141	316,607	842,675	0
Public works	8,875,804	2,060,611	5,505,717	2,555,295
Health				
Mental retardation and developmental disabilities	12,342,523	536,756	4,492,219	0
Other health	767,622	183,548	0	0
Human services				
Job and family services	12,926,799	99	12,331,217	0
Children services	7,275,613	91,061	5,148,218	0
Other human services	2,084,107	32,974	0	0
Conservation and recreation	1,957,317	59,667	146,000	0
Other	361,526	0	0	0
Intergovernmental	663,019	0	0	0
Interest and fiscal charges	1,254,775	0	0	0
Total governmental activities	82,993,803	\$9,396,116	\$32,225,824	\$2,555,295
<u>Business-type activities:</u>				
Sanitary Sewer	6,046,549	5,434,655	0	0
Total primary government	\$89,040,352	\$14,830,771	\$32,225,824	\$2,555,295
<u>Component Units:</u>				
LODDI	120,492	103,596	50,000	0
Marimor Industries	3,785,723	519,676	0	0
Port Authority of Allen County	46,222	50,734	148,435	378,000
Total component units	\$3,952,437	\$674,006	\$198,435	\$378,000

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
Increase in fair value of investments
Sale of capital assets
Contributions
Other
Total general revenues
Change in net assets
Net assets beginning of year - As restated
Net assets end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	LODDI	Marimor Industries	Port Authority of Allen County	
(\$10,154,402)	\$0	(\$10,154,402)	\$0	\$0	\$0	
(3,947,584)	0	(3,947,584)	0	0	0	
(9,348,859)	0	(9,348,859)	0	0	0	
1,245,819	0	1,245,819	0	0	0	
(7,313,548)	0	(7,313,548)	0	0	0	
(584,074)	0	(584,074)	0	0	0	
(595,483)	0	(595,483)	0	0	0	
(2,036,334)	0	(2,036,334)	0	0	0	
(2,051,133)	0	(2,051,133)	0	0	0	
(1,751,650)	0	(1,751,650)	0	0	0	
(361,526)	0	(361,526)	0	0	0	
(663,019)	0	(663,019)	0	0	0	
(1,254,775)	0	(1,254,775)	0	0	0	
(38,816,568)	0	(38,816,568)	0	0	0	
0	(611,894)	(611,894)	0	0	0	
(38,816,568)	(611,894)	(39,428,462)	0	0	0	
0	0	0	33,104	0	0	
0	0	0	0	(3,266,047)	0	
0	0	0	0	0	530,947	
0	0	0	33,104	(3,266,047)	530,947	
5,015,408	0	5,015,408	0	0	0	
5,304,132	0	5,304,132	0	0	0	
1,619,840	0	1,619,840	0	0	0	
14,878,545	0	14,878,545	0	0	0	
4,784,125	0	4,784,125	0	0	0	
330,330	39,946	370,276	41	52,527	40,472	
0	0	0	0	2,675	0	
15,437	0	15,437	0	0	0	
126,100	193,760	319,860	0	3,249,012	0	
3,344,886	42,109	3,386,995	0	8,643	0	
35,418,803	275,815	35,694,618	41	3,312,857	40,472	
(3,397,765)	(336,079)	(3,733,844)	33,145	46,810	571,419	
73,225,019	27,623,085	100,848,104	593,946	972,491	1,883,108	
\$69,827,254	\$27,287,006	\$97,114,260	\$627,091	\$1,019,301	\$2,454,527	

Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,942,341	\$1,083,385	\$8,751,623
Cash and cash equivalents in segregated accounts	6,890	0	0
Accounts receivable, net	50,174	0	0
Accrued interest receivable	376,851	0	0
Due from other governments	1,124,408	0	1,221,172
Interfund receivable	241,395	0	65,130
Prepaid items	450,746	0	0
Materials and supplies inventory	255,742	51,483	71,586
Property tax receivable	3,382,858	0	6,108,222
Sales tax receivable	2,343,831	0	0
Notes receivable	0	0	0
Special assessments receivable	0	0	0
Total assets	<u>\$10,175,236</u>	<u>\$1,134,868</u>	<u>\$16,217,733</u>
<u>Liabilities</u>			
Accrued wages payable	\$379,259	\$119,181	\$203,646
Accounts payable	180,697	525,431	63,546
Due to other governments	430,187	124,540	212,080
Interfund payable	981,190	379,147	0
Retainage payable	0	0	0
Deferred revenue	6,030,967	0	6,906,638
Total liabilities	<u>8,002,300</u>	<u>1,148,299</u>	<u>7,385,910</u>
<u>Fund balances:</u>			
Reserved for notes receivable	0	0	0
Reserved for encumbrances	191,788	3,123,600	0
Reserved for unclaimed monies	161,177	0	0
Reserved for budgetary reserve	1,266,980	0	0
Reserved for long-term loans	99,296	0	0
Unreserved, reported in:			
General fund	453,695	0	0
Special revenue funds	0	(3,137,031)	8,831,823
Debt service funds	0	0	0
Capital projects funds	0	0	0
Total fund balances	<u>2,172,936</u>	<u>(13,431)</u>	<u>8,831,823</u>
Total liabilities and fund balances	<u>\$10,175,236</u>	<u>\$1,134,868</u>	<u>\$16,217,733</u>

See accompanying notes to the basic financial statements

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
\$3,378,676	\$793,966	\$17,184,449	\$33,134,440
20,157	0	412,123	439,170
0	0	1,224	51,398
0	0	0	376,851
332,982	0	2,958,848	5,637,410
314,017	0	1,231,190	1,851,732
35,307	0	69,737	555,790
6,728	0	443,708	829,247
2,018,585	0	2,066,465	13,576,130
0	0	162,416	2,506,247
0	0	301,658	301,658
0	4,475,074	1,639,293	6,114,367
<u>\$6,106,452</u>	<u>\$5,269,040</u>	<u>\$26,471,111</u>	<u>\$65,374,440</u>
\$76,035	\$0	\$193,348	\$971,469
197,697	665	150,961	1,118,997
73,091	0	195,495	1,035,393
32,974	133,910	568,059	2,095,280
12,536	0	0	12,536
2,332,602	4,475,074	6,262,916	26,008,197
<u>2,724,935</u>	<u>4,609,649</u>	<u>7,370,779</u>	<u>31,241,872</u>
0	0	301,658	301,658
67,646	0	3,461,297	6,844,331
0	0	0	161,177
0	0	0	1,266,980
0	0	1,230,000	1,329,296
0	0	0	453,695
3,313,871	0	8,651,653	17,660,316
0	659,391	633,782	1,293,173
0	0	4,821,942	4,821,942
<u>3,381,517</u>	<u>659,391</u>	<u>19,100,332</u>	<u>34,132,568</u>
<u>\$6,106,452</u>	<u>\$5,269,040</u>	<u>\$26,471,111</u>	<u>\$65,374,440</u>

Allen County, Ohio
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2007

Total governmental fund balances		\$34,132,568
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		51,670,031
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:</p>		
Accounts receivable	383,796	
Accrued interest receivable	376,851	
Due from other governments	4,484,962	
Property taxes receivable	815,142	
Sales tax receivable	1,072,091	
Special assessments receivable	6,114,367	
		13,247,209
<p>Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Accrued interest payable	(442,990)	
Compensated absences payable	(3,014,407)	
General obligation bonds payable	(11,213,999)	
Unamortized bond issuance costs/premium	(100,523)	
Special assessment bonds payable	(5,606,000)	
Issue II loans payable	(2,303,494)	
Notes payable	(7,211,000)	
Capital leases payable	(114,201)	
		(30,006,614)
<p>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.</p>		784,060
Net assets of governmental activities		\$69,827,254

See accompanying notes to the basic financial statements

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Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
<u>Revenues:</u>			
Property taxes	\$3,053,882	\$0	\$5,305,509
Sales tax	13,694,554	0	0
Charges for services	4,367,999	99	536,756
Licenses and permits	0	0	0
Fines, costs, and forfeitures	169,306	0	0
Intergovernmental	2,880,257	12,545,657	6,544,316
Special assessments	0	0	0
Interest	0	0	7,713
Rent	0	0	0
Other	535,343	730,410	679,745
Total revenues	<u>24,701,341</u>	<u>13,276,166</u>	<u>13,074,039</u>
<u>Expenditures:</u>			
Current:			
General government:			
Legislative and executive	11,062,638	0	0
Judicial	5,002,482	0	0
Public safety	8,885,854	0	0
Public works	164,199	0	0
Health	228,817	0	12,273,077
Human services	877,333	12,929,119	0
Conservation and recreation	715,726	0	0
Other	339,472	0	0
Capital outlay	0	0	0
Intergovernmental	175,378	0	0
Debt Service:			
Principal retirement	51,670	0	0
Interest and fiscal charges	24,460	0	0
Total expenditures	<u>27,528,029</u>	<u>12,929,119</u>	<u>12,273,077</u>
Excess of revenues over (under) expenditures	(2,826,688)	347,047	800,962
<u>Other financing sources (uses)</u>			
Sale of capital assets	10,122	0	0
Proceeds of notes	0	0	0
Operating transfers - in	1,027,711	0	0
Operating transfers - out	(169,306)	0	0
Total other financing sources (uses)	<u>868,527</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,958,161)	347,047	800,962
Fund balances at beginning of year, restated	<u>4,131,097</u>	<u>(360,478)</u>	<u>8,030,861</u>
Fund balance at end of year	<u>\$2,172,936</u>	<u>(\$13,431)</u>	<u>\$8,831,823</u>

See accompanying notes to the basic financial statements

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
\$1,620,338	\$0	\$1,962,603	\$11,942,332
0	0	962,496	14,657,050
91,061	27,553	3,344,042	8,367,510
0	0	310,368	310,368
0	0	242,243	411,549
5,349,251	0	13,523,253	40,842,734
0	379,856	763,093	1,142,949
0	259,839	53,694	321,246
0	0	0	0
49,802	0	1,508,121	3,503,421
<u>7,110,452</u>	<u>667,248</u>	<u>22,669,913</u>	<u>81,499,159</u>
0	0	3,596,138	14,658,776
0	0	3,780,808	8,783,290
0	0	1,354,977	10,240,831
0	665	7,348,529	7,513,393
0	0	701,617	13,203,511
7,247,280	0	829,932	21,883,664
0	0	0	715,726
0	0	0	339,472
0	0	3,670,067	3,670,067
11,579	0	487,641	674,598
0	845,093	8,558,110	9,454,873
0	217,671	872,431	1,114,562
<u>7,258,859</u>	<u>1,063,429</u>	<u>31,200,250</u>	<u>92,252,763</u>
(148,407)	(396,181)	(8,530,337)	(10,753,604)
0	0	20,798	30,920
0	0	7,589,623	7,589,623
0	0	254,306	1,282,017
0	0	(1,112,711)	(1,282,017)
<u>0</u>	<u>0</u>	<u>6,752,016</u>	<u>7,620,543</u>
(148,407)	(396,181)	(1,778,321)	(3,133,061)
<u>3,529,924</u>	<u>1,055,572</u>	<u>20,878,653</u>	<u>37,265,629</u>
<u>\$3,381,517</u>	<u>\$659,391</u>	<u>\$19,100,332</u>	<u>\$34,132,568</u>

Allen County, Ohio
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended December 31, 2007

Net change in fund balances - total governmental funds (\$3,133,061)

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 - land	94,500	
Capital outlay - depreciable capital assets	2,534,683	
Depreciation	<u>(2,786,971)</u>	(157,788)

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.

Proceeds from sale of capital assets	(30,920)	
Loss on sale of capital assets	<u>15,437</u>	(15,483)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Property taxes	(2,952)	
Sales taxes	(140,570)	
Special assessments	(255,896)	
Charges for services	157,510	
Intergovernmental	(953,386)	
Interest	(51,006)	
Other	<u>(277,396)</u>	(1,523,696)

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	919,908	
Special assessment bonds	890,091	
Notes payable	7,463,000	
Issue II loans payable	134,242	
Capital leases payable	<u>47,632</u>	9,454,873

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of activities.

Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued interest payable	(136,713)
Amortization of premium/discount	5,584

(continued)

Allen County, Ohio
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended December 31, 2007
(continued)

Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

Notes payable	(\$7,560,000)
Issue II loans payable	(29,623)

The internal service fund used by management to charge the cost of insurance is reported on the statement of activities. The change is reported for the year

(20,927)

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>(280,931)</u>
------------------------------	------------------

Change in net assets of governmental activities

(\$3,397,765)

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property taxes	\$3,191,808	\$3,205,483	\$3,153,132	(\$52,351)
Sales taxes	13,434,360	13,434,360	13,778,801	344,441
Charges for services	4,401,528	4,490,628	4,345,038	(145,590)
Licenses and permits	9,000	9,000	11,323	2,323
Fines, costs, and forfeitures	181,000	181,000	168,306	(12,694)
Intergovernmental	3,025,267	3,062,281	2,874,982	(187,299)
Interest	2,100,000	2,100,000	2,929,533	829,533
Rent	667,200	667,200	655,623	(11,577)
Other	138,578	138,578	119,981	(18,597)
Total revenues	27,148,741	27,288,530	28,036,719	748,189
<u>Expenditures</u>				
Current:				
General government:				
Legislative and executive	11,311,552	11,931,043	10,823,307	1,107,736
Judicial	5,147,852	5,179,397	5,028,222	151,175
Public safety	8,802,343	8,982,317	8,877,437	104,880
Public works	162,909	178,389	164,142	14,247
Health	214,106	230,923	229,330	1,593
Human services	959,148	960,538	878,243	82,295
Conservation and recreation	715,156	715,156	712,916	2,240
Other	45,000	195,000	208,299	(13,299)
Intergovernmental	175,378	175,378	175,378	0
Debt service:				
Principal retirement	40,000	39,300	29,000	10,300
Interest and fiscal charges	20,000	20,700	20,611	89
Total expenditures	27,593,444	28,608,141	27,146,885	1,461,256
Excess of revenues under expenditures	(444,703)	(1,319,611)	889,834	2,209,445
<u>Other financing sources (uses)</u>				
Other financing sources	246,500	246,500	265,891	19,391
Sale of fixed assets	0	0	10,122	10,122
Proceeds of Notes				0
Other financing uses	(500)	(74,445)	(131,155)	(56,710)
Advances - in	100,000	100,000	198,061	98,061
Advances - out	(130,000)	(806,670)	(756,670)	50,000
Operating transfers - in	454,711	1,125,211	1,027,711	(97,500)
Operating transfers - out	(192,567)	(196,873)	(169,306)	27,567
Total other financing sources (uses)	478,144	393,723	444,654	50,931
Excess of revenues and other financing sources under expenditures and other financing uses	33,441	(925,888)	1,334,488	2,260,376
Fund balances at beginning of year	3,239,971	3,239,971	3,239,971	0
Unexpended prior year encumbrances	280,463	280,463	280,463	0
Fund balances at end of year	\$3,553,875	\$2,594,546	\$4,854,922	\$2,260,376

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Special Revenue Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$16,194,778	\$16,122,768	\$12,545,657	(\$3,577,111)
Charges for services	500	500	99	(401)
Other	0	0	180,000	180,000
Total revenues	<u>16,195,278</u>	<u>16,123,268</u>	<u>12,725,756</u>	<u>(3,397,512)</u>
<u>Expenditures</u>				
Current:				
Human Services	<u>15,401,000</u>	<u>17,337,321</u>	<u>16,399,318</u>	<u>938,003</u>
Excess of revenues over (under) expenditures	794,278	(1,214,053)	(3,673,562)	(2,459,509)
<u>Other financing sources (uses)</u>				
Other financing sources	<u>2,026,722</u>	<u>2,026,722</u>	<u>550,410</u>	<u>(1,476,312)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,821,000	812,669	(3,123,152)	(3,935,821)
Fund balances at beginning of year	(2,255,365)	(2,255,365)	(2,255,365)	0
Unexpended prior year encumbrances	<u>2,711,678</u>	<u>2,711,678</u>	<u>2,711,678</u>	<u>0</u>
Fund balances at end of year	<u><u>\$3,277,313</u></u>	<u><u>\$1,268,982</u></u>	<u><u>(\$2,666,839)</u></u>	<u><u>(\$3,935,821)</u></u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Mental Retardation and Developmental Disabilities Special Revenue Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$6,441,920	\$6,441,920	\$5,513,034	(\$928,886)
Charges for services	556,200	529,307	549,022	19,715
Intergovernmental	4,774,952	5,420,711	6,807,771	1,387,060
Interest	6,000	7,825	7,770	(55)
Other	392,250	313,750	318,514	4,764
Total revenues	<u>12,171,322</u>	<u>12,713,513</u>	<u>13,196,111</u>	<u>482,598</u>
<u>Expenditures</u>				
Current:				
Health	<u>18,789,389</u>	<u>18,893,702</u>	<u>12,199,497</u>	<u>6,694,205</u>
Excess of revenues under expenditures	<u>(6,618,067)</u>	<u>(6,180,189)</u>	<u>996,614</u>	<u>7,176,803</u>
<u>Other financing sources (uses)</u>				
Other financing sources	357,860	371,705	361,231	(10,474)
Other financing uses	(106,000)	(110,000)	(23,027)	86,973
Advances - in	40,121	20,121	0	(20,121)
Advances - out	(40,000)	(44,043)	0	44,043
Operating transfers - in	130,005	130,005	0	(130,005)
Operating transfers - out	(19,721)	(133,933)	0	133,933
Total other financing sources (uses)	<u>362,265</u>	<u>233,855</u>	<u>338,204</u>	<u>104,349</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(6,255,802)</u>	<u>(5,946,334)</u>	<u>1,334,818</u>	<u>7,281,152</u>
Fund balances at beginning of year	<u>0</u>	<u>7,177,801</u>	<u>7,177,801</u>	<u>0</u>
Fund balances at end of year	<u>(\$6,255,802)</u>	<u>\$1,231,467</u>	<u>\$8,512,619</u>	<u>\$7,281,152</u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Children Services
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$1,793,000	\$1,442,827	\$1,695,528	\$252,701
Charges for services	114,650	114,650	74,571	(40,079)
Intergovernmental	5,773,625	6,171,553	5,773,482	(398,071)
Total revenues	<u>7,681,275</u>	<u>7,729,030</u>	<u>7,543,581</u>	<u>(185,449)</u>
<u>Expenditures</u>				
Current:				
Human services	<u>6,927,095</u>	<u>8,052,554</u>	<u>7,441,860</u>	<u>610,694</u>
Excess of revenues over (under) expenditures	754,180	(323,524)	101,721	425,245
<u>Other financing sources</u>				
Other financing sources	<u>51,000</u>	<u>51,000</u>	<u>49,802</u>	<u>(1,198)</u>
Excess of revenues and other financing sources over (under) expenditures	805,180	(272,524)	151,523	424,047
Fund balances at beginning of year	1,947,212	1,947,212	1,947,212	0
Unexpended prior year encumbrances	<u>1,092,942</u>	<u>1,092,942</u>	<u>1,092,942</u>	<u>0</u>
Fund balances at end of year	<u><u>\$3,845,334</u></u>	<u><u>\$2,767,630</u></u>	<u><u>\$3,191,677</u></u>	<u><u>\$424,047</u></u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2007

	Business-Type Activity	Governmental Activity
	Sewer	Internal Service
<u>Assets:</u>		
<u>Current assets</u>		
Equity in pooled cash and cash equivalents	\$2,046,648	\$784,060
Accounts receivable	1,528,758	0
Interfund receivable	243,548	0
Special assessments receivable	102,941	0
Prepaid items	23,864	0
Materials and supplies inventory	48,556	0
Total current assets	<u>3,994,315</u>	<u>784,060</u>
<u>Restricted assets</u>		
Equity in pooled cash and cash equivalents	1,052,420	0
Cash and cash equivalents with fiscal agent	625,661	0
Total restricted assets	<u>1,678,081</u>	<u>0</u>
<u>Noncurrent assets</u>		
Unamortized bond issuance costs	297,151	0
Non-depreciable capital assets	6,314,344	0
Depreciable capital assets	31,355,661	0
Total noncurrent assets	<u>37,967,156</u>	<u>0</u>
Total assets	<u><u>\$43,639,552</u></u>	<u><u>\$784,060</u></u>
<u>Liabilities:</u>		
<u>Current liabilities</u>		
Accrued wages payable	\$45,095	\$0
Accounts payable	79,687	0
Retainage payable	318,302	0
Due to other governments	44,160	0
Accrued interest payable	18,038	0
Notes payable	2,800,000	0
Compensated absences payable	91,229	0
Issue II loans payable	20,551	0
Revenue bonds payable	401,349	0
Total current liabilities	<u>3,818,411</u>	<u>0</u>
<u>Long-term liabilities</u>		
Compensated absences payable	50,384	0
Issue II loans payable	7,570,262	0
Revenue bonds payable	4,913,489	0
Total long-term liabilities	<u>12,534,135</u>	<u>0</u>
Total liabilities	<u>16,352,546</u>	<u>0</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	22,261,505	0
Restricted for:		
Other purposes	1,678,081	0
Unrestricted	3,347,420	784,060
Total net assets	<u><u>\$27,287,006</u></u>	<u><u>\$784,060</u></u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities	Governmental Activity
	Sewer	Internal Service
<u>Operating Revenues:</u>		
Charges for services	\$5,433,355	\$0
Licenses, permits, inspections	1,300	0
Other	42,109	1,127
Total operating revenues	<u>5,476,764</u>	<u>1,127</u>
<u>Operating expenses:</u>		
Personal services	2,032,302	0
Contractual services	1,159,519	22,009
Materials and supplies	850,081	45
Depreciation	1,589,944	0
Total operating expenses	<u>5,631,846</u>	<u>22,054</u>
Operating loss	(155,082)	(20,927)
<u>Non-Operating revenues (expenses)</u>		
Loss on disposal of capital assets	(57,403)	0
Interest revenue	39,946	0
Interest expense	(357,300)	0
Total Non-Operating revenues (expenses)	<u>(374,757)</u>	<u>0</u>
Income (loss) before capital contributions	(529,839)	(20,927)
Capital contributions	193,760	0
Change in net assets	(336,079)	(20,927)
Net assets at beginning of year - as restated	<u>27,623,085</u>	<u>804,987</u>
Net assets at end of year	<u>\$27,287,006</u>	<u>\$784,060</u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities	Governmental Activity
	Sewer	Internal Service
Increase (decrease) in cash and cash equivalents:		
<u>Cash flows from operating activities</u>		
Cash received from customers	\$5,173,346	\$0
Cash received from other revenues	41,584	1,127
Cash payments for personal services	(2,000,483)	0
Cash payments to suppliers	(572,462)	(45)
Cash payments for contractual services	(1,159,519)	(22,009)
Net cash provided by (used for) operating activities	<u>1,482,466</u>	<u>(20,927)</u>
<u>Cash flows from noncapital financing activities</u>		
Cash received from advances - in	0	0
Cash received from other non operating revenue	525	0
Cash payments for advances - out	(111,200)	0
Cash payments for other non operating expenses	(399)	0
Net cash used for noncapital financing activities	<u>(111,074)</u>	<u>0</u>
<u>Cash flows from capital and related financing activities</u>		
Acquisition of capital assets	(6,773,912)	0
Proceeds of bond anticipation notes	2,800,000	0
Proceeds of Issue II loans	6,845,986	0
Principal paid on bond anticipation notes	(2,265,000)	0
Interest paid on bond anticipation notes	(133,651)	0
Principal paid on revenue bonds	(390,000)	0
Interest paid on revenue bonds	(196,656)	0
Principal paid on Issue II loan payable	(20,252)	0
Net cash used for capital and related financing activities	<u>(133,485)</u>	<u>0</u>
<u>Cash flows from investing activities</u>		
Interest on investments	38,597	0
Net increase (decrease) in cash and cash equivalents	1,276,504	(20,927)
Cash and cash equivalents at beginning of year	<u>1,822,564</u>	<u>804,987</u>
Cash and cash equivalents at end of year	<u>\$3,099,068</u>	<u>\$784,060</u>

(continued)

Allen County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007
(continued)

	Sewer	Internal Service
Reconciliation of operating loss to <u>net cash provided by (used for) operating activities</u>		
Operating loss	(\$155,082)	(\$20,927)
Adjustments to reconcile operating loss to <u>net cash provided by (used for) operating activities</u>		
Depreciation	1,589,944	0
Changes in assets and liabilities:		
Increase in accounts receivable	(241,209)	0
Increase in due from special assessments	(18,127)	0
Increase in materials and supplies inventory	(19,710)	0
Increase in prepaid items	(1,239)	0
Increase in accounts payable	38,327	0
Increase in accrued wages payable	8,303	0
Increase in compensated absences payable	19,177	0
Increase in retainage payable	256,504	0
Increase in due to other governments	5,578	0
Total adjustments	1,637,548	0
Net cash provided by (used for) operating activities	\$1,482,466	(\$20,927)

Non-cash capital transactions

The Sewer Enterprise Fund received donated assets from developers and other funds with a fair market value of \$193,760.

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007

	Investment Trust	Martha Mark Private Purpose Trust	Agency
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,974,101	\$12,619	\$11,176,191
Cash and cash equivalents in segregated accounts	0	7,141	2,227,695
Accounts receivable	0	0	13,866,831
Due from other governments	0	0	5,639,165
Property tax receivable	0	0	75,501,280
Special assessments receivable	0	0	4,235,951
Total assets	<u>2,974,101</u>	<u>\$19,760</u>	<u>\$112,647,113</u>
<u>Liabilities</u>			
Due to other governments	0	0	89,248,384
Undistributed monies	0	0	23,383,412
Deposits held and due to others	0	0	15,317
Total liabilities	<u>0</u>	<u>0</u>	<u>\$112,647,113</u>
<u>Net Assets</u>			
Held in trust for others	0	19,760	
Held in trust for external pool participants	<u>2,974,101</u>	<u>0</u>	
Total net assets	<u>\$2,974,101</u>	<u>\$19,760</u>	

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2007

	Investment Trust Funds	Martha Mark Private Purpose Trust
<u>Additions</u>		
Interest	\$125,615	\$10
Net increase in assets resulting from operations	125,615	10
<u>Deductions</u>		
Distributions to participants	(124,494)	0
Capital transactions	575,531	0
Total Deductions	451,037	0
Change in net assets	576,652	10
Net assets beginning of year	2,397,449	19,750
Net assets end of year	<u>\$2,974,101</u>	<u>\$19,760</u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Reporting Entity

Allen County, Ohio (County) was created in 1831. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges, a Probate/Juvenile Court Judge, and a Domestic Relations Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

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

A. Primary Government

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

B. Component Units

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

Discretely Presented Component Units

The component unit columns on the financial statements identify the financial data of the County's component units, Marimor Industries, LODDI, and the Port Authority of Allen County. They are reported separately to emphasize that they are legally separate from the County. Information about these component units are presented in Notes 25, 26, and 27 to the basic financial statements.

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Reporting Entity (continued)

B. Component Units (continued)

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

Port Authority of Allen County. The Port Authority of Allen County was created pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Allen County including rendering financial and other assistance to such enterprises situated in Allen County and to induce the location in Allen County of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell and lease real property in Allen County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Allen County. The Port Authority Board of Directors consists of seven member who are appointed by the Allen County Commissioners. The Port Authority operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Port Authority of Allen County, Perry Building Suite 305, 545 West Market Street, Lima, Ohio 45801.

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

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

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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.

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

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

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

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

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.

Special Assessments Debt Retirement - The fund accounts for the collection of special assessment revenue and the retirement of outstanding special assessment sewer, water, and ditch improvement bonds of the County.

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

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

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.

Fund Financial Statements

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

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

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

D. Basis of Accounting

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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.

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, 2007, but were levied to finance 2008 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.

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the Commissary special revenue fund and the component units is not reported because they are not included in the entity for which the “appropriated budget” is adopted. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners’ authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by County Commissioners. The legal level of control has been established by the County Commissioners at the personal services and other expenses classification level within each department for all funds.

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

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

F. Cash and Investments

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

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

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

During 2007, the County invested in nonnegotiable certificates of deposit, U.S. Treasury Notes, 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, 2007.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. No interest revenue was credited to the General Fund as a result of the recognition of a loss on investments for 2007.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Investments (continued)

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, 2007, 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.

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 ten 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

K. Capital Assets (continued)

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

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

L. Interfund Receivables/Payables

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

M. Compensated Absences

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

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Of the County's restricted net assets of \$42,444,621, \$1,266,980 is restricted by enabling legislation.

P. Fund Balance Reserves

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for 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.

R. Interfund Transactions

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The County did not have any extraordinary or special items during 2007.

T. 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

U. 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.

V. Receivables and Payables

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

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

Note 3 – Restatement of Net Assets/Change in Accounting Principles

Restatement of Net Assets

For 2007, the County has changed its capitalization threshold for recording capital assets from \$3,000 to \$10,000. Errors were also identified in previously reported notes receivable and debt balances. The restatement had the following effect on net assets for governmental and business type activities as previously reported.

	Governmental Activities	Business Type Activities	General Fund	Other Governmental Funds	Sewer Fund	Port Authority of Allen County
Net Assets December 31, 2006	\$77,674,744	\$27,961,601	\$4,351,097	\$20,886,153	\$27,961,601	\$2,152,111
Restatements:						
Other	0	0	0	0	0	(269,003)
Capital Assets	(4,230,535)	(338,516)	0	0	(338,516)	0
Notes Receivable	(227,500)	0	(220,000)	(7,500)	0	0
OWDA Debt Balance	8,310	0	0	0	0	0
Adjusted Net Assets	<u>\$73,225,019</u>	<u>\$27,623,085</u>	<u>\$4,131,097</u>	<u>\$20,878,653</u>	<u>\$27,623,085</u>	<u>\$1,883,108</u>

Change in Accounting Principles

For the year ended December 31, 2007, the County implemented Governmental Accounting Standards Board Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This principle establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The implementation of this principle had no effect on previously reported net assets or fund balances.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 4- Accountability and Compliance

Accountability – At December 31, 2007, the Dog and Kennel, and EMA special revenue funds and the Water Projects and Sewer Projects capital project funds had deficit fund balances of \$239,346, \$3,499, \$12,231, and \$8,106 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.

Compliance – The County did not obtain reduced amended certificates as required by the Ohio Revised Code. The County also incurred negative fund balances, which is contrary to the Ohio Revised Code.

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund; Job and Family Services; Mental Retardation and Developmental Disabilities; and 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 that are not budgeted by the County Commissioners, such as advances. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

	Net Change in Fund Balance			
	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Children Services
GAAP Basis	(\$1,958,161)	\$347,047	\$800,962	(\$148,407)
<u>Increase (Decrease) Due To</u>				
Revenue Accruals	3,601,269	0	483,303	482,931
Expenditure Accruals	158,005	268,690	55,406	(122,534)
Outside Cash	(2,771)	0	0	9,820
Materials and Supplies Inventory	82,273	11,335	(4,853)	448
Prepaid Items	236,768	0	0	(3,089)
Advances In	198,061	0	0	0
Advances Out	(756,670)	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(224,286)	(3,750,224)	0	(67,646)
Budget Basis	\$1,334,488	(\$3,123,152)	\$1,334,818	\$151,523

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 6 - Deposits and Investments

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

Monies held by the County which are not considered active are classified as inactive and can be deposited or invested in the following securities provided a written investment policy has been filed the Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred and seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 6 - Deposits and Investments (continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

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

Cash on Hand and Cash and Cash Equivalents with Fiscal Agents

At December 31, 2007, the County had \$18,957 in cash on hand and \$625,661 in cash and cash equivalents with fiscal agents.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$11,732,371 of the County's bank balance of \$17,595,591 was collateralized in the manner discussed in the following paragraph and the remaining balance is insured by the FDIC. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 6 - Deposits and Investments (continued)

Investments

As of December 31, 2007 the County had the following investments:

	Fair Value	Investment Maturities (in Years)			
		less than 1	2	3	4 – 5
Federal Home Loan Bank	\$8,207,631	\$1,000,310	\$610,513	\$486,597	\$6,110,211
Federal Farm Credit Bank	506,636	0	506,636	0	0
Federal Home Loan Mortgage Corporation	11,772,312	2,297,644	305,661	805,517	8,363,490
Federal National Mortgage Association	9,214,296	1,496,255	1,807,762	307,503	5,602,776
U.S. Treasury Notes	1,742,110	0	1,126,797	615,313	0
STAR Ohio	8,266,547	8,266,547	0	0	0
Certificates of Deposits	5,707,067	4,667,463	1,039,604	0	0
Total Investments	\$45,416,599	\$17,728,219	\$5,396,973	\$2,214,930	\$20,076,477

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All federal agency securities carry a rating of AAA by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County has adopted a policy that its portfolio shall remain sufficiently liquid to meet current obligations of the County. Minimum levels may be established in order to meet current obligations; however, the County has not limited the amount that may be invested in a particular security. The following table indicates the percentage of each investment compared to the County's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$8,207,631	18.07%
Federal Home Loan Mortgage Corporation	11,772,312	25.92
Federal National Mortgage Association	9,214,296	20.29
STAR Ohio	8,266,547	18.20

Note 7 - Investment Pool

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 - Investment Pool (continued)

Condensed financial information for the investment pool is as follows:

Statement of Net Assets
December 31, 2007

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$50,128,059
Accrued Interest Receivable	376,851
<u>Restricted Assets</u>	
Equity in Pooled Cash and Cash Equivalents	1,052,420
Total Assets	<u><u>51,557,330</u></u>
 <u>Net Assets Held in Trust for Pool Participants</u>	
Internal Portion	48,583,229
External Portion	2,974,101
Total Net Assets Held in Trust for Pool Participants	<u><u>\$51,557,330</u></u>

Statement of Changes in Net Assets
December 31, 2007

<u>Revenues</u>	
Interest	\$486,817
Net Increase in Assets Resulting from Operations	<u>486,817</u>
<u>Deductions</u>	
Distributions to Participants	(3,187,461)
Capital Transactions	(21,860)
Total Deductions	<u>(3,209,321)</u>
Total Decrease in Net Assets	(2,722,504)
Net Assets Beginning of Year	<u>54,279,834</u>
Net Assets End of Year	<u><u>\$51,557,330</u></u>

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,965,831 of the County's bank balance of \$15,020,480 was collateralized in the manner discussed in the following paragraph and the remaining balance is insured by the FDIC. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 - Investment Pool (continued)

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

Investments

As of December 31, 2007 the County had the following investments:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	2	3	4 - 5
Federal Home Loan Bank	\$8,207,631	\$1,000,310	\$610,513	\$486,597	\$6,110,211
Federal Farm Credit Bank	506,636	0	506,636	0	0
Federal Home Loan Mortgage Corporation	11,772,312	2,297,644	305,661	805,517	8,363,490
Federal National Mortgage Association	9,214,296	1,496,255	1,807,762	307,503	5,602,776
U.S. Treasury Note	1,742,110	0	1,126,797	615,313	0
STAR Ohio	8,266,547	8,266,547	0	0	0
Certificates of Deposits	5,707,067	4,667,463	1,039,604	0	0
Total Investments	\$45,416,599	\$17,728,219	\$5,396,973	\$2,214,930	\$20,076,477

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All federal agency securities carry a rating of AAA by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County has adopted a policy that its portfolio shall remain sufficiently liquid to meet current obligations of the County. Minimum levels may be established in order to meet current obligations; however, the County has not limited the amount that may be invested in a particular security. The following table indicates the percentage of each investment compared to the County's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$8,207,631	18.07%
Federal Home Loan Mortgage Corporation	11,772,312	25.92
Federal National Mortgage Association	9,214,296	20.29
STAR Ohio	8,266,547	18.20

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 8 - Receivables

Receivables at December 31, 2007, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property taxes; notes; and special assessments. All receivables are considered collectible within one year except for loans and special assessments. All receivables are considered collectible in full except for pay to stay costs for the 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	\$970,386
Sheriff's Contracts	21,779
Public Defender	66,657
Election Costs	34,069
Other	31,517
Total General Fund	1,124,408
Mental Retardation and Developmental Disabilities	
Title V	198
IDEA	73,487
Federal Breakfast and Lunch Program	4,178
Ohio Department of Education	444,985
Title XIX & XX	586,822
Other	111,502
Total Mental Retardation and Developmental Disabilities	1,221,172
Children Services	
OWF/PRC	314,017
Other	18,965
Total Children Services	332,982
Total Major Funds	2,678,562

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 8 – Receivables (continued)

Nonmajor Funds	
Motor Vehicle and Gas Tax	
Gas Tax	\$1,198,420
Motor Vehicle License Tax	1,512,997
Fines and Costs	167
Other	47,254
Adult Probation	
Diversion	193,231
Pretrial Release	6,779
Total Nonmajor Funds	2,958,848
Total Governmental Activities	5,637,410
Agency Funds	
Local Government and Local Government Revenue Assistance	2,657,051
Library Local Government	1,943,378
Gasoline Tax	592,079
Motor Vehicle License Tax	446,657
Total Agency Funds	5,639,165
Total Intergovernmental Receivables	\$11,276,575

Note 9 - Permissive Sales and Use Tax

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

Proceeds of the permissive sales tax were credited to the General, 911 System, Building and Expansion, and Economic Development Funds. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2007. On the full accrual basis, the amount of the receivable is recognized as revenue, and on the modified accrual basis the amount received outside the available period is deferred.

Note 10 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 10 - Property Taxes (continued)

Public utility property tax revenues received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2005, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 12.5 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2007, 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 2007 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, 2007, was \$8.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$1,684,668,310
Public Utility Property	76,794,020
Tangible Personal Property	208,619,910
Total Assessed Value	<u>\$1,970,082,240</u>

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Restated Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 5,442,515	\$ 94,500	\$ 0	\$ 5,537,015
Construction in Progress	1,853,685	0	(1,853,685)	0
Total Nondepreciable Capital Assets	<u>7,296,200</u>	<u>94,500</u>	<u>(1,853,685)</u>	<u>5,537,015</u>
Depreciable Capital Assets				
Buildings	46,076,579	2,941,340	0	49,017,919
Machinery and Equipment	2,534,736	75,000	0	2,609,736
Licensed Vehicles	4,510,612	562,603	(95,858)	4,977,357
Office Furniture and Equipment	4,774,631	241,325	(16,616)	4,999,340
Roads	12,105,782	568,100	(18,672)	12,655,210
Bridges	21,724,234	0	0	21,724,234
Total Depreciable Capital Assets	<u>91,726,574</u>	<u>4,388,368</u>	<u>(131,146)</u>	<u>95,983,796</u>
Less Accumulated Depreciation for				
Buildings	(28,157,029)	(934,775)	0	(29,091,804)
Machinery and Equipment	(1,514,257)	(162,339)	0	(1,676,596)
Licensed Vehicles	(3,985,826)	(304,967)	87,380	(4,203,413)
Office Furniture and Equipment	(3,191,318)	(326,936)	16,616	(3,501,638)
Roads	(5,096,089)	(617,090)	11,667	(5,701,512)
Bridges	(5,234,953)	(440,864)	0	(5,675,817)
Total Accumulated Depreciation	<u>(47,179,472)</u>	<u>(2,786,971)</u>	<u>115,663</u>	<u>(49,850,780)</u>
Total Depreciable Capital Assets, Net	<u>44,547,102</u>	<u>1,601,397</u>	<u>(15,483)</u>	<u>46,133,016</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,843,302</u>	<u>\$ 1,695,897</u>	<u>(\$ 1,869,168)</u>	<u>\$ 51,670,031</u>

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 11 - Capital Assets

	Restated Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$51,219	\$0	\$0	\$51,219
Construction in Progress	0	6,263,125	0	6,263,125
	<u>51,219</u>	<u>6,263,125</u>	<u>0</u>	<u>6,314,344</u>
Depreciable Capital Assets				
Machinery, Equipment, and Vehicles	1,717,330	65,810	(82,004)	1,701,136
Building and Building Improvements	3,500,778	51,028	0	3,551,806
Infrastructure	47,234,747	585,610	0	47,820,357
Total Depreciable Capital Assets	<u>52,452,855</u>	<u>702,448</u>	<u>(82,004)</u>	<u>53,073,299</u>
Less Accumulated Depreciation for				
Machinery, Equipment, and Vehicles	(1,032,599)	(214,028)	24,601	(1,222,026)
Building and Building Improvements	(100,022)	(101,480)	0	(201,502)
Infrastructure	(19,019,674)	(1,274,436)	0	(20,294,110)
Total Accumulated Depreciation	<u>(20,152,295)</u>	<u>(1,589,944)</u>	<u>24,601</u>	<u>(21,717,638)</u>
Total Depreciable Capital Assets, Net	<u>32,300,560</u>	<u>(887,496)</u>	<u>(57,403)</u>	<u>31,355,661</u>
Business-Type Activities Capital Assets, Net	<u>\$32,351,779</u>	<u>\$5,375,629</u>	<u>(\$57,403)</u>	<u>\$37,670,005</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government:	
Legislative and Executive	\$385,884
Judicial	69,624
Public Safety	272,616
Public Works	1,358,123
Health	176,735
Human Services	121,681
Conservation and Recreation	402,308
Total Depreciation Expense - Governmental Activities	<u>\$2,786,971</u>

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 12 - Interfund Receivables/Payables

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Children Services	\$32,974
Special Assessments Debt Retirement	7,534
Other Governmental	200,887
Total General Fund	\$241,395

Due to Mental Retardation and Developmental Disabilities from:

Job and Family Services	\$65,130
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Due to Children Services from:

Job and Family Services	\$314,017
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Due to Other Governmental from:

General Fund	\$981,190
Other Governmental	250,000
Total Other Governmental Funds	\$1,231,190

Due to Sewer from:

Special Assessments Debt Retirement	\$126,376
Other Governmental	117,172
Total Sewer Fund	\$243,548

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.

Portions of amounts above are due to long-term loans outstanding between funds. The County fully anticipates repaying these balances, although not before the year of the next fiscal year. A reserved for long-term loans has been recognized in the balance sheet to reflect the portion of the receivable for that fund that is attributed to the long-term loans.

Note 13 - Risk Management

A. Other Insurance Coverage

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 13 - Risk Management (continued)

B. Workers' Compensation

For 2007, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (see Note 24). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants.

The workers' 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.

In 2007, the County participated in a risk-sharing pool, the County Employee Benefits Consortium of Ohio, Inc. (CEBCO). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into the Health Insurance internal service fund by the participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of \$75,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

D. Self Insurance Program

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

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

All funds of the County except for the funds of the Child Support Enforcement Agency, Job and Family Services, Health Department, and the Mental Retardation and Developmental Disabilities participated in the program and made payments to the Employee Health Insurance Fund based on estimates of the annual cost of claims. These rates were 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 14 - Construction and Other Significant Commitments

The County had various outstanding contracts at December 31, 2007. The following amounts remain on these contracts.

Company	Project	Outstanding Balance
Allen Economic Development	AEDG 2008 Contract	\$101,460
Embarq	Wireless Surcharge	130,091
Maximus	Software	106,569
Sylvester Liebrecht	Merle Miller Ditch	170,228
R.D. Jones Excavating, Inc.	Thayer Road	645,928
Arcadis US Inc.	American II Waste Water Treatment Plant	177,553
Peterson Construction	American II Waste Water Treatment Plant	7,547,045

Note 15 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2007, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 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 9.75 percent. The County's contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.17 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, 2007, 2006, and 2005 were \$3,377,868, \$3,500,579, and \$3,527,007, respectively; 87 percent has been contributed for 2007 and 100 percent has been contributed for 2006 and 2005. The unpaid contribution for 2007, in the amount of \$431,220, is recorded as a liability. Contributions to the member directed plan for 2007 were \$51,277 made by the County and \$35,172 made by plan-members.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 15 - Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

For certified teachers employed by the school for mental retardation and developmental disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DCP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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, 2007, 2006, and 2005 was \$115,015, \$113,350, and \$115,171, respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 16 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plan. 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 2007 employer contribution rate was 13.85 percent of covered payroll (17.17 percent for law enforcement and public safety); 5.0 percent was the portion used to fund health care from January through June 2007 and 6.0 from July through December 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 to 5 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$1,897,166. 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, 2006 (the latest information available), was \$12 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, 2007, and 2008, which allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

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

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 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was \$8,847.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 17 - Compensated Absences

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

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

Note 18 – Notes Payable

A summary of the note transactions for the year ended December 31, 2007 is as follows:

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
<u>Governmental Activities</u>					
Bond Anticipation Notes					
Road Improvement (Eastown)	4.05%	\$2,000,000	\$1,925,000	\$2,000,000	\$1,925,000
Ditch Equipment	3.58	125,000	200,000	225,000	100,000
Thayer Road	3.60	700,000	300,000	700,000	300,000
Total Bond Anticipation Notes		\$2,825,000	\$2,425,000	\$2,925,000	\$2,325,000
<u>Special Assessment Notes</u>					
Bath Township Trustees	3.58%	\$15,100	\$15,200	\$24,100	\$6,200
Bellinger Ditch #1188	3.58	14,700	19,100	24,900	8,900
Dug Run Ditch #1151	3.58	23,200	0	23,200	0
Spencerville Ditch #1202	3.58	2,900	800	3,700	0
Tom Ahl Ditch #1203	3.58	5,400	1,700	7,100	0
Mayer Ditch #1205	3.58	8,200	9,600	13,600	4,200
Belmont Ditch #1218	3.58	34,500	41,200	57,200	18,500
Pike Run Ditch #1150	3.58	1,000,000	1,000,000	1,000,000	1,000,000
Zimmerman Ditch #1219	3.58	44,200	50,500	68,400	26,300
Jennings Creek #1160	3.58	30,500	49,300	53,500	26,300
Village of Lafayette #1223	3.58	20,000	7,500	23,000	4,500
Flat Fork Ditch #1224	3.58	130,000	1,012,500	636,500	506,000
Earl Gaskill Ditch #1229	3.58	220,000	88,000	220,000	88,000
Jeff Brown Ditch #1230	3.58	22,000	10,000	25,000	7,000
Early/Lutz Road Waterline	3.58	5,000	0	5,000	0
Berryman Waterline	3.58	2,900	0	2,900	0

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 18 – Notes Payable (continued)

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
Hamernik Ditch #1193	3.58	\$12,400	\$16,100	\$21,300	\$7,200
Findlay Road Phase II	3.60	505,000	505,000	505,000	505,000
Oakview Sewer Improvement	4.02	13,000	3,700	16,700	0
Perry Sewer	3.60	500,000	480,000	500,000	480,000
Jackson-Auglaize Sewer	3.60	500,000	406,500	500,000	406,500
Ottawa River #1239	3.58	550,000	600,000	550,000	600,000
Girl Scouts #1237	3.58	14,000	0	14,000	0
Airport #1217	3.58	20,000	0	20,000	0
Airport #1217	3.60	0	85,000	0	85,000
Colucci #1243	3.58	30,000	30,000	30,000	30,000
Crites #1244	3.58	0	35,000	17,500	17,500
Merle #1246	3.60	0	300,000	0	300,000
Hollenbacher #1247	3.60	0	23,000	0	23,000
Lost Creek # 1251	3.60	0	75,000	0	75,000
Steinke # 1253	3.60	0	15,000	0	15,000
Speedco #1262	3.60	0	10,000	0	10,000
Berryman #1252	3.58	0	25,000	0	25,000
Warrington #1236	3.58	25,000	135,000	25,000	135,000
Lammers #1235	3.58	40,000	40,000	40,000	40,000
Diane Baughman #1198	3.58	9,000	19,000	18,000	10,000
Moening #1231	3.58	46,000	12,000	46,000	12,000
James Dutton #1231	3.58	11,000	14,300	17,400	7,900
Total Special Assessment Notes		<u>\$3,854,000</u>	<u>\$5,135,000</u>	<u>\$4,509,000</u>	<u>\$4,480,000</u>
<u>Enterprise Activities</u>					
American II Wastewater Treatment	4.03	\$165,000	\$0	\$165,000	\$0
Improvements for Overflow	3.60	<u>2,100,000</u>	<u>2,800,000</u>	<u>2,100,000</u>	<u>2,800,000</u>
Total Enterprise Activities		<u>2,265,000</u>	<u>2,800,000</u>	<u>2,265,000</u>	<u>2,800,000</u>
Total Notes Payable		<u>\$8,944,000</u>	<u>\$10,360,000</u>	<u>\$9,699,000</u>	<u>\$9,605,000</u>

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 19 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within a Year
General Obligation Bonds						
2002 Court of Appeals (Original Amount \$2,744,85)	1.5 – 5.25	\$1,994,692	\$0	\$184,193	\$1,810,499	\$199,261
2002 County Justice Center (Original Amount \$7,655,435)	1.5 – 5.25	5,563,215	0	513,715	5,049,500	555,739
2001 Downtown Parking (Original Amount \$1,310,000)	3.3 -5.0	1,080,000	0	50,000	1,030,000	55,000
2001 Civic Center (Original Amount \$4,230,000)	3.3 – 5.0	3,496,000	0	172,000	3,324,000	177,000
Total General Obligation Bonds		12,133,907	0	919,908	11,213,999	987,000
Special Assessment Bonds						
2002 Project #17-700 and 17-800 (Original Amount \$380,000)	1.50 - 5.25	205,000	0	50,000	155,000	50,000
2002 Waterline Improvement (Original Amount \$450,000)	1.50 - 5.25	270,000	0	50,000	220,000	50,000
2002 Hixenbaugh/Copus/ Indainbrook (Original Amount \$310,000)	1.50 - 5.25	175,000	0	30,000	145,000	30,000
2002 Project #17-400, 17-500, and 11-800 (Original Amount \$2,039,707)	1.50 - 5.25	402,091	0	402,091	0	0
2005 Ft. Shawnee Waterline Refund (Original Amount \$1,892,400)	3.0 – 5.0	1,580,000	0	175,000	1,405,000	180,000
2002 Findlay/Ada/Stewart Road (Original Amount \$2,110,000)	1.50 - 5.25	1,770,000	0	95,000	1,675,000	95,000
2001 Allentown Road Sewer (Original Amount \$865,000)	3.3 – 5.0	720,000	0	35,000	685,000	35,000
2001 East Road Waterline (Original Amount \$50,000)	3.3 – 5.0	38,000	0	3,000	35,000	3,000
2001 Ottawa River Bend Waterline (Original Amount \$95,000)	3.3 – 5.0	71,000	0	5,000	66,000	5,000

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 19 - Long-Term Obligations (continued)

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within a Year
2005 Delmar/Glenn (Original Amount \$342,600)	3.0 – 5.0	\$336,000	\$0	\$11,600	\$324,400	\$11,600
2005 Trebor Drive Waterline (Original Amount \$11,000)	3.0 – 5.0	10,000	0	400	9,600	400
2005 Southwood Waterline (Original Amount \$71,000)	3.0 – 5.0	64,000	0	3,000	61,000	3,000
2005 Berryman Waterline (Original Amount \$133,000)	3.0 – 5.0	120,000	0	5,000	115,000	5,000
2005 Oakview Project (Original Amount \$805,000)	3.0 – 5.0	735,000	0	25,000	710,000	30,000
2005 Bond Premium		172,607		9,084	163,523	9,084
Total Special Assessment Bonds		<u>6,668,698</u>	<u>0</u>	<u>899,175</u>	<u>5,769,523</u>	<u>507,084</u>
Other Long-Term Obligations						
Compensated Absences Payable		2,733,476	434,685	153,754	3,014,407	1,514,624
Airport Improvement Note	4.26	435,000	0	29,000	406,000	29,000
Issue II Loan Payable-Phillips	0.00	95,771	0	7,367	88,404	7,367
Issue II Loan Payable-Second	0.00	165,034	0	9,431	155,603	9,431
Issue II Loan Payable-Eastown 1	0.00	945,886	0	49,784	896,102	49,784
Issue II Loan Payable-Eastown 2	0.00	135,232	0	6,762	128,470	6,762
Issue II Loan Payable- Lutz/Early	0.00	654,684	29,623	34,548	649,759	0
Issue II Loan Payable-4 th /Bowman	0.00	411,506	0	26,350	385,156	0
Capital Leases Payable		161,833	0	47,632	114,201	47,347
Total Other Long-Term Obligations		<u>5,738,422</u>	<u>464,308</u>	<u>364,628</u>	<u>5,838,102</u>	<u>1,664,315</u>
Total Governmental Activities		<u>\$24,541,027</u>	<u>\$464,308</u>	<u>\$2,183,711</u>	<u>\$22,821,624</u>	<u>\$3,158,399</u>

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 19 - Long-Term Obligations (continued)

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due within a Year
<u>Business-Type Activities</u>						
Revenue Bonds						
2002 Sewer System	1.5-5.25					
(Original Amount \$7,171,583)		\$5,690,000	\$0	\$390,000	\$5,300,000	\$400,000
Bond Premium		16,187	0	1,349	14,838	1,349
Total Revenue Bonds		<u>5,706,187</u>	<u>0</u>	<u>391,349</u>	<u>5,314,838</u>	<u>401,349</u>
Other Long-Term Obligations						
Compensated Absences Payable		122,436	19,177	0	141,613	91,229
Issue II Loan Payable-American II	1.00	565,000	6,845,986	0	7,410,986	0
Issue II Loan-Shaw WWTP/ Sewer	0.00	200,079	0	20,252	179,827	20,551
Total Other Long-Term Obligations		<u>887,515</u>	<u>6,865,163</u>	<u>20,252</u>	<u>7,732,426</u>	<u>111,780</u>
Total Business-Type Activities		<u>\$6,593,702</u>	<u>\$6,865,163</u>	<u>\$411,601</u>	<u>\$13,047,264</u>	<u>\$513,129</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 County issued general obligation debt for \$435,000 in December 2006, and will make the proceeds of such debt issuances available to the Allen County Regional Airport Authority for the purpose of constructing and installing improvements and refinancing outstanding Airport Improvement Bond Anticipation Notes dated September 25, 2002.

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

During 2007, the County received the Issue II loan funds for construction of a waste water treatment plant with payments beginning in 2008.

In connection with the Issue II loan funds received from the Ohio Water Development Authority, the County has pledged future customer revenues of the Sewer Fund, net of specified operating expenses and net of debt service requirements on the 2002 Sewer System Revenue Bonds (which have first priority and a lien on net income available for debt service), to repay these loans. The loans are payable, through their final maturities, from net revenues applicable to the Sewer Fund. Total principal remaining to be paid on these loans is \$8,445,901. The American II Issue II loan, which is the only OWDA loan bearing an interest rate, had not been fully drawn as of December 31, 2007, and, consequently, an amortization schedule has not been provided. Total interest payable on this loan is estimated to be \$1,060,448. For 2008, the net revenue available for these loans was \$28,471,291 and principal and interest paid was \$20,252. The coverage ratio for these loan funds was 1,405.85 for the year ended December 31, 2007.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 19 - Long-Term Obligations (continued)

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

On November 1, 2002, the County issued \$7,150,000 of 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 by the County, 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.

In connection with the revenue bonds listed above, the County has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities, solely from net revenues applicable to the Sewer Fund. Total interest and principal remaining to be paid on these bonds is \$6,780,843. For 2008, the net revenue available for these loans was \$29,057,947 and principal and interest paid was \$586,656. The coverage ratio for these bonds was 49.53 for the year ended December 31, 2007.

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, 2007:

Restricted assets held by the trustee for debt service	\$625,661
Restricted assets held by the County for operations	801,918
Restricted assets held by the County for replacement and improvement	120,164
Restricted assets held by the County for future debt	130,338

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, 2007 are an overall debt margin of \$35,642,794 and an unvoted debt margin of \$7,591,560.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 19 - Long-Term Obligations (continued)

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
2008	\$73,344	\$0	\$987,000	\$488,553	\$498,000	\$247,548
2009	73,344	0	1,016,000	457,087	519,000	232,264
2010	73,344	0	1,066,000	422,688	534,000	214,559
2011	73,344	0	1,096,000	384,651	494,000	192,140
2012	73,344	0	1,131,000	343,760	459,000	170,586
2013-2017	366,720	0	4,372,999	915,147	1,722,000	547,834
2018-2022	344,619	0	1,545,000	187,750	1,205,000	185,756
2023-2026	190,520	0	0	0	175,000	11,050
	<u>\$1,268,579</u>	<u>\$0</u>	<u>\$11,213,999</u>	<u>\$3,199,636</u>	<u>\$5,606,000</u>	<u>\$1,801,737</u>

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

Year	Issue II Loans*		Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$20,551	\$0	\$400,000	\$216,457
2009	20,551	0	410,000	204,457
2010	20,551	0	425,000	191,337
2011	20,551	0	440,000	176,888
2012	20,551	0	455,000	161,048
2013-2017	77,072	0	2,575,000	504,625
2018	0	0	595,000	26,031
	<u>\$179,827</u>	<u>\$0</u>	<u>\$5,300,000</u>	<u>\$1,480,843</u>

*OWDA loans have not been fully drawn as of December 31, 2007. As such, a final amortization schedule is not yet available. The loans above are from OPWC funding sources.

Conduit Debt

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

In 2001, the County issued development revenue bonds 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.

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 19 - Long-Term Obligations (continued)

In 2007, the County issued health care facilities revenue bonds in the amount of \$3,000,000. These bonds were issued to provide financial assistance to Lima Convalescent Home Foundation, Inc. with the acquisition, construction and equipping of a 59-unit congregate care facility for the elderly.

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

The County is not obligated in any way to pay the debt and related charges on revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2007 the aggregate principal amount payable on these bonds is \$23,810,000.

Note 20 - Capital Leases - Lessee Disclosure

The County has entered into capitalized leases for machinery and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Equipment acquired by lease has a cost value of \$166,850. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Principal payments in 2007 were \$47,632 for governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

Year	Governmental Activities
2008	\$53,350
2009	51,158
2010	15,170
2011	4,205
Total	123,883
Less Amount Representing Interest	(9,682)
Present Value of Net Minimum Lease Payments	\$114,201

Note 21 - Interfund Transfers

During 2007, the following transfers were made:

	Transfers Out		
	General	Other Governmental	Total
Transfers In			
Governmental Activities			
General	\$0	\$1,027,711	\$1,027,711
Other Governmental	169,306	85,000	254,306
Total Governmental Activities	\$169,306	\$1,112,711	\$1,282,017

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 21 - Interfund Transfers (continued)

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.

In addition to transfers between funds, the County also converted portions of old outstanding advances to transfers once identified that the County could not repay those balances. These balances were converted in accordance with the Ohio Revised Code

Note 22 – Joint Ventures

A. Lima-Allen County Downtown Construction

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

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

The City of Lima has agreed to enter into a long-term lease agreement with the County offering the County a one-half ownership interest in the parking garage, which will be operated and maintained by the Lima-Allen County Joint Parking Commission, in accordance with the rules and regulations established for the JPC (see Note 23). As of December 31, 2007 this lease has not been entered into.

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

The Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, is a three county political organization whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming, while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

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

Allen County acts as the fiscal agent for the Mental Health and Recovery Services Board. The Board receives tax revenue from the three counties and receives federal and state funding through grant monies which are applied for and received by the Board of Trustees. The Mental Health and Recovery Services Board is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 23 – Jointly Governed Organizations

A. Lima-Allen County Regional Planning Commission

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

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

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

In 2007, 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 each individual county's population as compared to the total of all participating counties' populations.

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

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

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 23 – Jointly Governed Organizations (continued)

D. Lima-Allen County Joint Parking Commission

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

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

Note 24 – Insurance Pools

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.

County Employee Benefits Consortium of Ohio, Inc.

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

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.

Note 25 - Marimor Industries

A. Summary of Significant Accounting Policies

Reporting Entity

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 25 - Marimor Industries (continued)

A. Summary of Significant Accounting Policies (continued)

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 \$611,981. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" \$418,526 of the bank balance of \$618,526 was exposed to custodial risk.

C. Capital Assets

The Industries had capital assets in the amount of \$632,402, as of December 31, 2007. Accumulated depreciation was \$536,115, with a net capital asset amount of \$96,287. Depreciation is computed using the straight-line method over a useful life of three to seven years.

Note 26 – LODDI

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

B. Deposits and Investments

At year end, the carrying amount of LODDI deposits was \$15,498. These amounts are classified as "Cash and Cash Equivalents in Segregated Accounts" on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

C. Capital Assets

LODDI had capital assets of land and buildings, in the amounts of \$105,367 and \$839,310, respectively, as of December 31, 2007. Accumulated depreciation was \$212,029, with a net capital asset amount of \$732,648. Depreciation is computed using the straight-line method over a useful life of forty years.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 26 – LODDI (continued)

D. Long-Term Obligations

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Mortgage Notes Payable	4.7-9.25%	\$148,804	\$0	\$28,151	\$120,653	\$24,884

Note 27 – The Port Authority of Allen County

A. Summary of Significant Accounting Policies

Basis of Presentation

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

B. Deposits and Investments

At year end, the carrying amount of the Port Authority deposits was \$519,175. These amounts are classified as “Cash and Cash Equivalents in Segregated Accounts” on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

C. Capital Assets

The Port Authority had capital assets in the amounts of \$947,414 as of December 31, 2007.

D. Loans Receivable

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

Note 28 – Related Party Transactions

Marimor Industries, a discretely presented component unit of Allen County, has entered into a contract with the Allen County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are not reflected in the financial statements of the component unit. In 2007, the contribution to Marimor Industries for salaries, retirement, employee benefits, workers’ compensation, repairs, supplies, equipment, medicare, and other expenses was \$3,249,012.

Note 29 - Contingent Liabilities

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 29 - Contingent Liabilities (continued)

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.

Note 30 - Subsequent Events

On April 24, 2008, the County authorized the issuance of \$1,760,000 of Various Purpose Bond Anticipation Notes (Sewer and Ditch Projects).

Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture				
<i>Passed through the Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program				
Marimor School	065821-05-PU	10.553	\$11,515	\$0
Detention Center	069971-05-PU	10.553	18,809	0
Total School Breakfast Program			30,324	0
National School Lunch Program				
Marimor School	065821-LL-P4	10.555	20,080	0
Detention Center	069971-LL-P4	10.555	29,187	0
Total National School Lunch Program			49,267	0
Total Nutrition Cluster			79,591	0
Food Donation:				
Marimor School	N/A	10.550	0	5,762
Detention Center	N/A	10.550	0	5,919
Total Food Donation			0	11,681
Total U.S. Department of Agriculture			79,591	11,681
U.S. Department of Housing and Urban Development				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants				
Formula Allocation Program	B-F-05-002-1	14.228	64,787	0
Formula Allocation Program	B-F-04-002-1	14.228	230,027	0
Total Formula Allocation Program			294,814	0
Home Community Housing Improvement Program	B-C-04-002-1	14.228	27,588	0
Small Cities CDBG	B-E-06-002-1	14.228	10,000	0
Small Cities CDBG (Early Lutz Sewer Improvement)	B-W-04-002-1	14.228	8,025	0
Port Authority	B-E-05-002-1	14.228	378,000	0
Total Small Cities Program			396,025	0
Total Community Development Block Grants			718,427	0
Home Investment Partnership Program	B-C-04-002-2	14.239	33,935	0
Home Investment Partnership Program	B-C-07-002-2	14.239	12,506	0
Total Home Investment Partnership Program			46,441	0
Total U.S. Department of Housing and Urban Development			764,868	0
U.S. Department of Justice				
<i>Passed through the Ohio Department of Criminal Justice :</i>				
Edward Byrne Memorial Justice Assistance Grant Program				
Narcotics Task Force	2005-JG-A01-6409	16.738	54,042	0
Sex Offender Risk Reduction	2006-JG-D01-6437	16.738	78,480	0
Total Edward Byrne Memorial Justice Assistance Grant Program			132,522	0
Edward Byrne Memorial Formula Grant Program - County Coroner	2003-DG-A0V-V7531	16.579	9,572	0
Juvenile Accountability Incentive Block Grants				
Mentors for Achievement	2006-JB-008-B054	16.523	28,325	0
Juvenile Court Liaison Project	2006-JB-008-A099	16.523	11,175	0
Total Juvenile Accountability Incentive Block Grants			39,500	0
Total U.S. Department of Justice			181,594	0

(continued)

Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Labor				
<i>Passed through the Workforce Investment Act, Area 7:</i>				
Workforce Investment Act Cluster				
Workforce Investment Act Adult Program	N/A	17.258	\$455,373	\$0
Workforce Investment Act Adult Program - Admin	N/A	17.258	20,903	0
Workforce Investment Act Youth Activities	N/A	17.259	275,630	0
Workforce Investment Act Youth Activities - Admin	N/A	17.259	12,652	0
Workforce Investment Act Dislocated Workers	N/A	17.260	324,747	0
Workforce Investment Act Dislocated Workers - Admin	N/A	17.260	14,907	0
Total Workforce Investment Act Cluster			1,104,212	0
Total U.S. Department of Labor			1,104,212	0
U.S. Department of Transportation				
<i>Federal Highway Administration</i>				
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	N/A	20.205	2,574,330	0
Total U.S. Department of Transportation			2,574,330	0
U.S. Department of Education				
<i>Passed through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education-Grants to States	065821-6B-SF-08P	84.027	42,308	0
Special Education-Grants to States	065821-6B-SD-07P	84.027	70,722	0
Total Special Education-Grants to States			113,030	0
Special Education-Preschool Grants	065821-PGS1-08-P	84.173	14,926	0
Special Education-Preschool Grants	065821-PGS1-07-P	84.173	22,489	0
Total Special Education-Preschool Grants			37,415	0
Total Special Education Cluster			150,445	0
State Grants for Innovative Programs	065821-C2S1-2007	84.298	256	0
Total U.S. Department of Education			150,701	0
U.S. Department of Health and Human Services				
<i>Passed through the State Department of MRDD:</i>				
State Children's Insurance Program	N/A	93.767	5,019	0
Social Services Block Grant - Title XX	N/A	93.667	147,411	0
Medical Assistance Program - Title XIX: TCM	N/A	93.778	864,029	0
Medical Assistance Program - Title XIX: Waiver Administration	N/A	93.778	1,788,877	0
Total Medical Assistance Programs			2,652,906	0
Total U.S. Department of Health and Human Services			2,805,336	0
U.S. Department of Homeland Security				
<i>Passed through the Ohio Emergency Management Agency:</i>				
State Homeland Security Program	2006-GE-T6-0051	97.073	81,235	0
Emergency Management Performance Grants	2007-EM-E7-0024	97.042	45,736	0
Hazard Mitigation Grant	DR-1484-OH	97.039	22,425	0
Total U.S. Department of Homeland Security			149,396	0
Total Federal Expenditures			\$7,810,028	\$11,681

N/A - pass through entity number not available

See accompanying notes to the schedule of federal awards expenditures.

Allen County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

NOTE 1 – GENERAL

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

NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

The County has established a revolving loan program to provide low interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. At December 31, 2007, the gross amount of loans outstanding under this program was \$301,658

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

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

NOTE 5 – MATCHING REQUIREMENTS

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

NOTE 6 – OHIO DEPARTMENT JOB AND FAMILY SERVICES

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

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

Allen County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

NOTE 7 – WORKFORCE INVESTMENT ACT

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

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Ohio Society of Certified Public Accountants

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 5, 2008, wherein we noted that the County implemented GASB Statement No. 48 and that we were unable to satisfy ourselves as to the assets, liabilities, net assets, revenues and expenses of the Port Authority of Allen County, which is presented in the financial statements as a discretely presented component unit. Except as described in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements Marimor Industries, as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. Other auditors audited the financial statements of LODDI, Inc. in accordance with auditing standards general accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit. The financial statements of the Port Authority of Allen County were not audited and accordingly this report does not extend to that component unit.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-1.

Internal Control Over Financial Reporting (Continued)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007-1 is also a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated September 5, 2008.

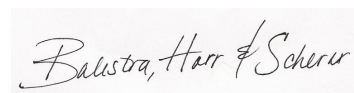
Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-2 and 2007-3.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 5, 2008.

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

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


Balestra, Harr & Scherer, CPAs, Inc.
September 5, 2008

BALESTRA, HARR & SCHERER, CPAs, INC.

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Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Allen County, Ohio (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, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

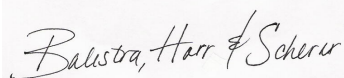
Internal Control Over Compliance (Continued)

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.



Balestra, Harr & Scherer, CPAs, Inc.
September 5, 2008

Allen County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #20.205, Highway Planning and Construction CFDA #93.778, Medical Assistance Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Allen County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007
(Continued)

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2007-1

Material Weakness – Internal Controls Over Financial Reporting

Financial statement misstatements were identified during the audit that should have been prevented or detected by the County's internal controls over financial reporting. Misstatements were identified within the following balances:

- Beginning and current year debt activity and balances.
- Intergovernmental revenue.
- Sales tax receivables.
- Loss on capital assets reported in entity-wide statements.
- Net asset balances.
- Fund balance reservations.
- Interfund receivables/payables.

Errors were also identified in the client-prepared trial balances. Certain prior period audit adjustments were not properly reflected in the beginning balances, and the final unaudited financial statements did not reconcile to the final trial balances.

In addition, although a draft unaudited financial report was filed in accordance with the Ohio Revised Code, the final financial report was not made available for audit until July 2008.

Furthermore, Governmental Accounting Standards Board Statement No. 48 was required to be adopted for 2007. However, the County relied on the audit firm to identify and correct this issue.

The accompanying financial statements were adjusted to reflect correction of material and certain immaterial misstatements. The County should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported and that supporting schedules properly reflect beginning audited balances and final reported balances. In addition, the appropriate controls should be implemented to ensure that the unaudited financial statements are prepared and submitted timely for audit and to ensure that new accounting standards are properly implemented as applicable.

Client Response:

The County makes every attempt to have its financial statements free of errors, material or immaterial, and done on a timely basis. With having limited staff, priorities must be set and the day to day operations must be completed first. All trials are reviewed and tied to the financial statements; however, as changes are made there is a possibility of them not getting reviewed again, which can lead to misstatements. We will make every effort to decrease misstatements and in the future we will have the Director of Accounting initial each individual trial balance when reviewed. The Director of Accounting will also initial statements when they have been tied back to the trial balances. Some reclassifications were made by the auditors when the county believed that the county's classification was correct. We take our financial statements very seriously as evidenced by the fact that we continue to file the GAAP reports required instead of modified cash statements prepared under an OCBOA.

Allen County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007
(Continued)

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2007-2

Material Noncompliance – Amended Certificates

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Instances were identified where amended certificates should have been obtained but were not. The County should implement monitoring procedures to ensure compliance with the Ohio Revised Code.

Client Response:

The primary problem with Amended certificates occurs when our federal/state agencies attempt to budget for the state fiscal year instead of the county's fiscal year which is a calendar year. When this is done their estimated revenues are artificially high and then they appropriate the amount available, and it becomes impossible to reduce the estimated revenue without reducing appropriations without reducing expenditures. The county will continue to review budgetary transactions throughout the year and discuss the issues with the departments as we always have but sometimes they will not comply. We have 475 funds and 3 percent are the only significant ones that do not fully comply.

Finding 2007-3

Material Noncompliance – Negative Fund Balances

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Instances of negative fund balances were noted. The County should implement procedures to ensure that negative fund balances do not occur.

Client Response:

The County has been working with several departments to rectify the negative fund balance that have been occurring for several years. It is caused by our state/federal agencies budgeting and encumbering on the state fiscal year and not the county's fiscal year, which is a calendar year. These agencies are entering into contracts which overlap the county's fiscal year but encumbering the whole contract during the current county fiscal year. This practice creates significant encumbrances at year end which cause the fund balance to be negative. The county has proposed that the agencies only encumber contract amount which will be paid during the county fiscal year but the departments are reluctant to change due to the amount of extra work it would create.

3. Findings and Questioned Costs for Federal Awards

None

Allen County Financial Condition
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2007

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 remaining at December 31, 2007 was \$4,503.
2006-001	Material Weakness – GAAP Conversion and Trial Balance Problems	No	Reissued as Finding 2007-1
2006-002	Noncompliance – Amended Certificates	No	Reissued as Finding 2007-2
2006-003	Noncompliance – Appropriations in Excess of Estimated Resources	Partially	Reissued in Management Letter
2006-004	Significant Deficiency – Federal Schedule	Yes	



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**