

Allen County Financial Condition

Allen County, Ohio

Single Audit

January 1, 2008 through December 31, 2008



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639



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, 2008 through December 31, 2008. 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

November 17, 2009

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Allen County, Ohio
Table of Contents
For the Year Ended December 31, 2008

Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11 – 12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13 – 14
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds.....	16 – 17
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	18 – 19
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund.....	20
Job and Family Services Fund	21
Mentally Retarded and Developmentally Disabled Fund.....	22
Children Services Fund	23
Statement of Fund Net Assets – Proprietary Funds.....	24
Statement of Revenues, Expenses and Changes In Fund Net Assets – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds	26– 27
Statement of Fiduciary Net Assets – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	29
Notes to the Basic Financial Statements.....	30– 73
Schedule of Federal Awards Expenditures	74– 75
Notes to the Schedule of Federal Awards Expenditures.....	76– 78
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	79-80

Allen County, Ohio
Table of Contents
(Continued)
For the Year Ended December 31, 2008

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.....	81-82
Schedule of Findings OMB Circular A-133 Section .505	83-86
Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b).....	87

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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, 2008, 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., Allen County Port Authority and Marimor Industries. 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., Allen County Port Authority and Marimor Industries on the reports of the other auditors.

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

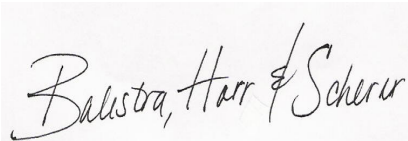
In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2008, 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 Retardation 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 August 31, 2009, 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. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 50, "Pension Disclosures", GASB Statement No. 49 "Accounting and Financial Reporting of Intangible Assets", GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" and Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments".



Balestra, Harr & Scherer, CPAs, Inc.
August 31, 2009

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the County's performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

In total the County's total net assets increased by \$2.5 million from 2007, which represents an overall increase of less than 3 percent from 2007, which is a fairly insignificant change. Governmental activities increased by \$3 million (6 percent) while business-type activities decreased by \$444 thousand (2 percent).

During 2008, the County fully implemented a disaster recovery plan with a two live sites and one cold site.

Using this Annual Report

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

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

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

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2008. 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.

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

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

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

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

Reporting the County's Most Significant Funds

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

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

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

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

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

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2008 compared to 2007.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007	2008	2007
<u>Assets</u>						
Current and Other Assets	\$68,479,521	\$65,006,506	\$5,590,906	\$5,969,547	\$74,070,427	\$70,976,053
Capital Assets, Net	50,999,694	51,670,031	39,090,482	37,670,005	90,090,176	89,340,036
Total Assets	119,479,215	116,676,537	44,681,388	43,639,552	164,160,603	160,316,089
<u>Liabilities</u>						
Current and Other Liabilities	26,197,458	16,505,896	167,961	505,282	26,365,419	17,011,178
Long-Term Liabilities	19,530,230	29,463,101	17,670,774	15,847,264	37,201,004	45,310,365
Total Liabilities	45,727,688	45,968,997	17,838,735	16,352,546	63,566,423	62,321,543
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	30,900,390	25,057,814	22,282,057	22,261,505	53,182,447	47,319,319
Restricted	40,358,418	41,646,826	3,474,059	1,678,081	43,832,477	42,444,621
Unrestricted	2,492,719	4,002,900	1,086,537	3,347,420	3,579,256	8,230,606
Total Net Assets	\$73,751,527	\$70,707,540	\$26,842,653	\$27,287,006	\$100,594,180	\$97,994,546

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

Overall the County reported increases in total net assets for governmental activities from 2007 to 2008, while business type total net assets decreased slightly from 2007 to 2008.

Total net assets for governmental activities increased just above \$3 million. This increase is primarily due to an increase in current and other assets, largely found in the 2.5 million increase in property taxes receivable.

There were no noteworthy changes for business-type activities.

Table 2 reflects the changes in net assets for 2008.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<u>Revenues</u>						
Program revenues						
Charges for services	\$11,398,905	\$9,396,116	\$5,637,517	\$5,434,655	\$17,036,422	\$14,830,771
Operating grants, contributions and Interest	32,494,399	32,225,824	0	0	32,494,399	32,225,824
Capital grants and contributions	2,394,445	2,555,295	0	0	2,394,445	2,555,295
Total program revenues	\$46,287,749	\$44,177,235	\$5,637,517	\$5,434,655	\$51,925,266	\$49,611,890

(continued)

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General revenues						
Property taxes levied for:						
General Operating	\$5,022,864	\$5,015,408	\$0	\$0	\$5,022,864	\$5,015,408
Health – mental retardation and developmental disabilities	5,070,546	5,304,132	0	0	5,070,546	5,304,132
Human services – children Services	1,665,676	1,619,840	0	0	1,665,676	1,619,840
Sales tax	13,972,199	14,878,545	0	0	13,972,199	14,878,545
Intergovernmental not restricted	5,520,898	4,784,125	0	0	5,520,898	4,784,125
Rent	0	0	0	0	0	0
Gain on sale of capital assets	0	15,437	0	0	0	15,437
Loss on sale of capital assets	(116,811)		0	0	(116,811)	0
Contributions	0	126,100	38,500	193,760	38,500	319,860
Interest	5,821,566	330,330	33,364	39,946	5,854,930	370,276
Other	5,887,619	3,344,886	28,850	42,109	5,916,469	3,386,995
Total general revenues	42,844,557	35,418,803	100,714	275,815	42,945,271	35,694,618
Total revenues	89,132,306	79,596,038	5,738,231	5,710,470	94,870,537	85,306,508
Transfers	191,375	0	(191,375)	0	0	0
Total revenues and transfers	89,323,681	79,596,038	5,546,856	5,710,470	94,870,537	85,306,508
<u>Program Expenses</u>						
General government						
Legislative and executive	13,416,858	15,088,475	0	0	13,416,858	15,088,475
Judicial	9,763,365	8,888,082	0	0	9,763,365	8,888,082
Public safety	11,173,374	10,508,141	0	0	11,173,374	10,508,141
Public works	14,483,611	8,875,804	0	0	14,483,611	8,875,804
Health						
Mental retardation and developmental disabilities	13,003,346	12,342,523	0	0	13,003,346	12,342,523
Other health	587,820	767,622	0	0	587,820	767,622
Human services						
Job and family services	13,544,593	12,926,799	0	0	13,544,593	12,926,799
Children services	6,619,395	7,275,613	0	0	6,619,395	7,275,613
Other human services	1,066,946	2,084,107	0	0	1,066,946	2,084,107
Conservation and recreation	1,730,685	1,957,317	0	0	1,730,685	1,957,317
Other	39,292	361,526	0	0	39,292	361,526
Intergovernmental	147,295	663,019	0	0	147,295	663,019
Interest and fiscal charges	703,114	1,254,775	0	0	703,114	1,254,775
Sanitary sewer	0	0	5,991,209	6,046,549	5,991,209	6,046,549
Total expenses	86,279,694	82,993,803	5,991,209	6,046,549	92,270,903	89,040,352
Increase (decrease)in net assets	\$3,043,987	(\$3,397,765)	(\$444,353)	(\$336,079)	\$2,599,634	(\$3,733,844)

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

For governmental activities, general revenues, which consist primarily of property and sales taxes and unrestricted grants and entitlements represent 48 percent of total revenues, and of the total general revenues, property taxes and sales taxes represent 60 percent of that revenue. Almost 52 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 27 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 over 27 percent of the total. These expenditures are for children's services and for the Department of Job and Family Services. Health related expenditures account for about 16 percent of the expenditures which are primarily for the operation of Marimor School. Combined, these three areas account for 70 percent of the County's expenditures for 2008.

For business-type activities, program specific revenues are 98 percent of total revenues. As such, the County's business-type activities are mainly supported by charges for the services provided as well as contributions from customers for tap fees or from contractors. The only business-type activity is the Sanitary Sewer District.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General Government				
Legislative and Executive	\$13,416,858	\$15,088,475	\$8,334,912	\$10,154,402
Judicial	9,763,365	8,888,082	4,362,431	3,947,584
Public Safety	11,173,374	10,508,141	9,152,389	9,348,859
Public Works	14,483,611	8,875,804	4,343,495	(1,245,819)
Health				
Mental Retardation and Developmental Disabilities	13,003,346	12,342,523	6,997,794	7,313,548
Other Health	587,820	767,622	314,599	584,074
Human Services				
Job and Family Services	13,544,593	12,926,799	525,208	595,483
Children's Service	6,619,395	7,275,613	3,033,748	2,036,334
Other Human Services	1,066,946	2,084,107	1,066,946	2,051,133
Conservation and Recreation	1,730,685	1,957,317	970,722	1,751,650
Other	39,292	361,526	39,292	361,526
Intergovernmental	147,295	663,019	147,295	663,019
Interest and Fiscal Charges	703,114	1,254,775	703,114	1,254,775
Total Expenses	<u>\$86,279,694</u>	<u>\$82,993,803</u>	<u>\$39,991,945</u>	<u>\$38,816,568</u>

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) pay for 49 percent of the services provided by the County. However, a review of the table above demonstrates that program revenues contributed significantly to the public works services. The funding for general government related activities as well as the sheriff continues to be primarily from general revenue sources.

Governmental Funds Financial Analysis

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

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Sanitary Sewer Fund had operating income for 2008, of \$22,385. After non-operating activity and transfers and contributions from participants, the fund ended with a decrease in net assets of \$444,353.

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 \$75,422. Actual expenditures were less than budgeted by \$1.1 million 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, 2008, was \$50,999,694 and \$39,090,482 respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, roads, bridges, machinery and equipment, computer equipment, furniture and fixtures, and vehicles. Additions to governmental activities capital assets consisted primarily of the addition of roads.

At December 31, 2008, the County had \$3,685,500 in special assessment notes payable from governmental activities and \$75,000 in bond anticipation notes payable from governmental activities and \$2,800,000 in bond anticipation notes payable business-type activities. The County also had various long-term obligations outstanding. These obligations included \$11,986,999 of general obligation bonds and \$5,262,439 of special assessment bonds.

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 11.7 percent (as of June 2009), which is higher from one year ago. This rate is above the State's current rate of 11.2 percent and above the national rate of 9.7 percent.

Sales tax revenue for the County was down in 2008 due to the economy down turn. Net sales tax revenue in 2008 in the General Fund was \$13,275,545 compared to \$13,694,554 in 2007. 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, 2008

	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, cash equivalents and investments	\$33,690,587	\$1,210,835	\$34,901,422	\$31,871	\$589,114	\$188,580
Cash and cash equivalents in segregated accounts	662,203	0	662,203	0	0	0
Investment in segregated accounts	0	0	0	0	242,864	0
Accounts receivable, net	318,715	1,554,059	1,872,774	0	22,196	0
Accrued interest receivable	363,374	0	363,374	0	0	0
Due from other governments	6,680,469	0	6,680,469	0	0	0
Internal balances	(328,163)	328,163	0	0	0	0
Prepaid items	583,742	24,012	607,754	0	9,882	0
Materials and supplies inventory	734,049	57,003	791,052	0	0	0
Property tax receivable	15,840,695	0	15,840,695	0	0	0
Sales tax receivable	2,144,864	0	2,144,864	0	0	0
Notes receivable	1,788,518	0	1,788,518	0	0	238,175
Special assessments receivable	5,940,968	123,852	6,064,820	0	0	0
Unamortized bond issuance costs	59,500	270,137	329,637	0	0	0
Restricted assets:						
Equity in pooled cash and cash equivalents	0	1,401,520	1,401,520	0	0	0
Cash and cash equivalents with fiscal agents	0	621,325	621,325	0	0	0
Nondepreciable capital assets	5,537,015	8,276,402	13,813,417	117,367	0	695,769
Depreciable capital assets, net	45,467,679	30,814,080	76,276,759	785,138	93,000	22,691
Total Assets	119,479,215	44,681,388	164,160,603	934,376	957,056	1,145,215
<u>Liabilities:</u>						
Accrued wages payable	1,264,455	58,808	1,323,263	0	3,333	0
Accounts payable	1,021,231	23,890	1,045,121	0	66,330	0
Due to other governments	912,046	37,939	949,985	0	5,279	0
Accrued interest payable	128,039	17,038	145,077	232	0	0
Retainage payable	227,543	30,286	257,829	0	0	0
Deferred revenue	15,067,587	0	15,067,587	0	0	0
Unamortized premiums on bonds	154,439	0	154,439	0	0	0
Long-Term Liabilities:						
Due Within One Year	7,422,118	3,319,179	10,741,297	27,815	0	0
Due in More Than One Year	19,530,230	14,351,595	33,881,825	95,034	0	0
Total Liabilities	45,727,688	17,838,735	63,566,423	123,081	74,942	0
<u>Net Assets:</u>						
Invested in capital assets, net of related debt	30,900,390	22,282,057	53,182,447	0	0	718,460
Restricted for:						
Debt service	5,866,522	0	5,866,522	0	0	0
Capital projects	5,289,870	0	5,289,870	0	0	0
Board of mental retardation and developmental disabilities	10,223,634	0	10,223,634	0	0	0
Children services	2,843,189	0	2,843,189	0	0	0
Motor vehicle gas tax	3,538,990	0	3,538,990	0	0	0
Auditor/recorder/clerk fees	2,526,481	0	2,526,481	0	0	0
Child support enforcement agency	1,441,519	0	1,441,519	0	0	0
Real estate assessments	2,629,015	0	2,629,015	0	0	0
Other purposes	5,999,198	0	5,999,198	0	7,483	0
Debt service for sewer projects	0	3,474,059	3,474,059	0	0	0
Unrestricted	2,492,719	1,086,537	3,579,256	811,295	874,631	426,755
Total Net Assets	\$73,751,527	\$26,842,653	\$100,594,180	\$811,295	\$882,114	\$1,145,215

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Activities
For the Year Ended December 31, 2008

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	\$13,416,858	\$3,929,239	\$1,139,556	\$13,151
Judicial	9,763,365	2,394,184	3,006,750	0
Public safety	11,173,374	917,134	927,355	176,496
Public works	14,483,611	2,533,314	5,402,004	2,204,798
Health				
Mental retardation and developmental disabilities	13,003,346	596,345	5,409,207	0
Other health	587,820	273,221	0	0
Human services				
Job and family services	13,544,593	279	13,019,106	0
Children services	6,619,395	145,226	3,440,421	0
Other human services	1,066,946	0	0	0
Conservation and recreation	1,730,685	609,963	150,000	0
Other	39,292	0	0	0
Intergovernmental	147,295	0	0	0
Interest and fiscal charges	703,114	0	0	0
Total governmental activities	<u>86,279,694</u>	<u>\$11,398,905</u>	<u>\$32,494,399</u>	<u>\$2,394,445</u>
<u>Business-type activities:</u>				
Sanitary Sewer	<u>5,991,209</u>	<u>5,637,517</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$92,270,903</u>	<u>\$17,036,422</u>	<u>\$32,494,399</u>	<u>\$2,394,445</u>
<u>Component Units:</u>				
LODDI	104,531	114,212	169,217	0
Marimor Industries	3,930,273	447,791	3,393,665	0
Port Authority of Allen County	<u>1,331,972</u>	<u>2,400</u>	<u>0</u>	<u>0</u>
Total component units	<u>\$5,366,776</u>	<u>\$564,403</u>	<u>\$3,562,882</u>	<u>\$0</u>

General Revenues:

Property taxes levied for:
 General Operating
 Health-mental retardation and developmental disabilities
 Human services-children services
Sales taxes
Intergovernmental not restricted to a particular purpose
Interest
Decrease in fair value of investments
Loss on disposal of capital assets
Sale of capital assets
Contributions
Other
Total general revenues

Transfers

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	
(\$8,334,912)	\$0	(\$8,334,912)	\$0	\$0	\$0	
(4,362,431)	0	(4,362,431)	0	0	0	
(9,152,389)	0	(9,152,389)	0	0	0	
(4,343,495)	0	(4,343,495)	0	0	0	
(6,997,794)	0	(6,997,794)	0	0	0	
(314,599)	0	(314,599)	0	0	0	
(525,208)	0	(525,208)	0	0	0	
(3,033,748)	0	(3,033,748)	0	0	0	
(1,066,946)	0	(1,066,946)	0	0	0	
(970,722)	0	(970,722)	0	0	0	
(39,292)	0	(39,292)	0	0	0	
(147,295)	0	(147,295)	0	0	0	
(703,114)	0	(703,114)	0	0	0	
(39,991,945)	0	(39,991,945)	0	0	0	
0	(353,692)	(353,692)	0	0	0	
(39,991,945)	(353,692)	(40,345,637)	0	0	0	
0	0	0	178,898	0	0	
0	0	0	0	(88,817)	0	
0	0	0	0	0	(1,329,572)	
0	0	0	178,898	(88,817)	(1,329,572)	
5,022,864	0	5,022,864	0	0	0	
5,070,546	0	5,070,546	0	0	0	
1,665,676	0	1,665,676	0	0	0	
13,972,199	0	13,972,199	0	0	0	
5,520,898	0	5,520,898	0	0	0	
5,821,566	33,364	5,854,930	167	32,375	9,292	
0	0	0	0	(94,317)	0	
(116,811)	0	(116,811)	0	0	0	
0	0	0	0	514	0	
0	38,500	38,500	0	9,459	0	
5,887,619	28,850	5,916,469	5,139	3,599	0	
42,844,557	100,714	42,945,271	5,306	(48,370)	9,292	
191,375	(191,375)	0	0	0	0	
3,043,987	(444,353)	2,599,634	184,204	(137,187)	(1,320,280)	
70,707,540	27,287,006	97,994,546	627,091	1,019,301	2,465,495	
\$73,751,527	\$26,842,653	\$100,594,180	\$811,295	\$882,114	\$1,145,215	

Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2008

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
<u>Assets:</u>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$4,302,623	\$1,285,843	\$8,533,486
Cash and cash equivalents in segregated accounts	3,045	0	0
Accounts receivable, net	318,715	0	0
Accrued interest receivable	363,374	0	0
Due from other governments	1,073,704	0	2,273,059
Interfund receivable	111,307	0	89,489
Prepaid items	464,494	0	0
Materials and supplies inventory	239,565	66,580	71,854
Property tax receivable	3,344,983	0	6,277,115
Sales tax receivable	2,036,509	0	0
Notes receivable	0	0	0
Special assessments receivable	0	0	0
Total assets	<u>\$12,258,319</u>	<u>\$1,352,423</u>	<u>\$17,245,003</u>
<u>Liabilities</u>			
Accrued wages payable	\$484,004	\$160,780	\$258,595
Accounts payable	91,079	544,269	31,530
Due to other governments	370,077	124,363	175,379
Interfund payable	780,000	229,226	0
Retainage payable	0	0	12,195
Deferred revenue	6,011,298	0	7,930,853
Total liabilities	<u>7,736,458</u>	<u>1,058,638</u>	<u>8,408,552</u>
<u>Fund balances:</u>			
Reserved for notes receivable	0	0	0
Reserved for encumbrances	96,217	1,106,713	0
Reserved for unclaimed monies	279,110	0	0
Reserved for budgetary reserve	1,266,980	0	0
Unreserved, reported in:			
General fund	2,879,554	0	0
Special revenue funds	0	(812,928)	8,836,451
Debt service funds	0	0	0
Capital projects funds	0	0	0
Total fund balances	<u>4,521,861</u>	<u>293,785</u>	<u>8,836,451</u>
Total liabilities and fund balances	<u>\$12,258,319</u>	<u>\$1,352,423</u>	<u>\$17,245,003</u>

See accompanying notes to the basic financial statements

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
\$3,027,222	\$869,645	\$14,911,887	\$32,930,706
16,858	0	642,300	662,203
0	0	0	318,715
0	0	0	363,374
66,472	0	3,267,234	6,680,469
139,736	0	1,031,590	1,372,122
42,059	0	77,189	583,742
5,485	0	350,565	734,049
4,139,645	0	2,078,952	15,840,695
0	0	108,355	2,144,864
0	0	1,788,518	1,788,518
0	4,095,618	1,845,350	5,940,968
<u>\$7,437,477</u>	<u>\$4,965,263</u>	<u>\$26,101,940</u>	<u>\$69,360,425</u>
\$100,475	\$0	\$260,601	\$1,264,455
174,394	0	179,959	1,021,231
77,532	0	164,695	912,046
2,032	109,585	579,442	1,700,285
0	0	215,348	227,543
4,140,963	4,095,618	6,453,057	28,631,789
<u>4,495,396</u>	<u>4,205,203</u>	<u>7,853,102</u>	<u>33,757,349</u>
0	0	1,788,518	1,788,518
0	0	7,439,719	8,642,649
0	0	0	279,110
0	0	0	1,266,980
0	0	0	2,879,554
2,942,081	0	8,220,089	19,185,693
0	760,060	932,488	1,692,548
0	0	(131,976)	(131,976)
<u>2,942,081</u>	<u>760,060</u>	<u>18,248,838</u>	<u>35,603,076</u>
<u>\$7,437,477</u>	<u>\$4,965,263</u>	<u>\$26,101,940</u>	<u>\$69,360,425</u>

Allen County, Ohio
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2008

Total governmental fund balances		\$35,603,076
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		50,999,694
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:		
Accounts receivable	415,763	
Accrued interest receivable	363,374	
Due from other governments	4,908,008	
Property taxes receivable	773,108	
Sales tax receivable	1,162,981	
Special assessments receivable	5,940,968	
		13,564,202
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued interest payable	(128,039)	
Compensated absences payable	(3,254,518)	
General obligation bonds payable	(11,986,999)	
Unamortized bond issuance costs/premium	(94,939)	
Special assessment bonds payable	(5,108,000)	
Issue II loans payable	(2,187,706)	
Notes payable	(4,248,000)	
Capital leases payable	(167,125)	
		(27,175,326)
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.		759,881
Net assets of governmental activities		\$73,751,527

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, 2008

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
<u>Revenues:</u>			
Property taxes	\$2,991,415	\$0	\$5,090,142
Sales tax	13,275,545	0	0
Permissive motor vehicle license taxes	0	0	0
Charges for services	3,839,232	279	596,345
Licenses and permits	7,094	0	0
Fines, costs, and forfeitures	199,884	0	0
Intergovernmental	2,914,230	13,019,106	6,512,875
Special assessments	0	0	0
Interest	5,543,416	0	4,074
Other	1,760,326	826,747	740,235
Total revenues	<u>30,531,142</u>	<u>13,846,132</u>	<u>12,943,671</u>
<u>Expenditures:</u>			
Current:			
General government:			
Legislative and executive	10,253,236	0	0
Judicial	5,874,362	0	0
Public safety	9,243,338	0	0
Public works	410,435	0	0
Health	162,567	0	12,939,043
Human services	955,338	13,538,916	0
Conservation and recreation	722,002	0	0
Other	39,292	0	0
Capital outlay	0	0	0
Intergovernmental	147,295	0	0
Debt Service:			
Principal retirement	88,228	0	0
Interest and fiscal charges	25,249	0	0
Total expenditures	<u>27,921,342</u>	<u>13,538,916</u>	<u>12,939,043</u>
Excess of revenues over (under) expenditures	2,609,800	307,216	4,628
<u>Other financing sources (uses)</u>			
Sale of capital assets	513	0	0
Proceeds of notes	0	0	0
Proceeds of bonds	0	0	0
Inception of capital lease	138,771	0	0
Operating transfers - in	200,000	0	0
Operating transfers - out	(600,159)	0	0
Total other financing sources (uses)	<u>(260,875)</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,348,925	307,216	4,628
Fund balances at beginning of year, restated	<u>2,172,936</u>	<u>(13,431)</u>	<u>8,831,823</u>
Fund balance at end of year	<u>\$4,521,861</u>	<u>\$293,785</u>	<u>\$8,836,451</u>

See accompanying notes to the basic financial statements

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
\$1,672,777	\$0	\$2,046,786	\$11,801,120
0	0	967,829	14,243,374
0	0	2,993,130	2,993,130
145,226	83,104	3,290,695	7,954,881
0	0	337,538	344,632
0	0	198,892	398,776
4,202,960	0	10,585,719	37,234,890
0	339,018	1,222,279	1,561,297
0	251,580	67,452	5,866,522
164,152	0	3,032,900	6,524,360
<u>6,185,115</u>	<u>673,702</u>	<u>24,743,220</u>	<u>88,922,982</u>
0	0	2,673,516	12,926,752
0	0	3,791,033	9,665,395
0	0	1,535,652	10,778,990
0	0	7,589,264	7,999,699
0	0	230,416	13,332,026
6,624,551	0	0	21,118,805
0	0	596,690	1,318,692
0	0	0	39,292
0	0	7,490,109	7,490,109
0	0	0	147,295
0	448,000	8,684,407	9,220,635
0	191,408	797,908	1,014,565
<u>6,624,551</u>	<u>639,408</u>	<u>33,388,995</u>	<u>95,052,255</u>
(439,436)	34,294	(8,645,775)	(6,129,273)
0	0	57,836	58,349
0	0	4,571,000	4,571,000
0	0	1,760,000	1,760,000
0	0	0	138,771
0	66,375	725,159	991,534
0	0	(200,000)	(800,159)
<u>0</u>	<u>66,375</u>	<u>6,913,995</u>	<u>6,719,495</u>
(439,436)	100,669	(1,731,780)	590,222
<u>3,381,517</u>	<u>659,391</u>	<u>19,980,618</u>	<u>35,012,854</u>
<u>\$2,942,081</u>	<u>\$760,060</u>	<u>\$18,248,838</u>	<u>\$35,603,076</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, 2008

Net change in fund balances - total governmental funds		\$590,222
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>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:</p>		
Capital outlay - depreciable capital assets	2,366,452	
Depreciation	<u>(2,861,629)</u>	(495,177)
<p>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.</p>		
Proceeds from sale of capital assets	58,349	
Loss on sale of capital assets	<u>(233,509)</u>	(175,160)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>		
Property taxes	(42,034)	
Sales taxes	90,890	
Special assessments	(173,399)	
Charges for services	31,967	
Intergovernmental	423,046	
Interest	(13,477)	316,993
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.</p>		
General obligation bonds	987,000	
Special assessment bonds	498,000	
Notes payable	7,533,500	
Issue II loans payable	115,788	
Capital leases payable	<u>85,847</u>	9,220,135
<p>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.</p>		
Accrued interest payable		314,951
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, 2008
(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	(\$4,570,500)
General obligation bonds	(1,760,000)
Capital leases payable	(138,771)

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

(24,179)

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>(240,111)</u>
------------------------------	------------------

Change in net assets of governmental activities

\$3,043,987

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property taxes	\$3,261,000	\$3,368,088	\$2,996,727	(\$371,361)
Sales taxes	13,100,000	13,100,000	13,351,086	251,086
Charges for services	4,479,010	4,479,010	3,836,062	(642,948)
Licenses and permits	11,800	11,800	7,094	(4,706)
Fines, costs, and forfeitures	170,000	170,000	201,924	31,924
Intergovernmental	2,925,500	2,925,500	2,937,356	11,856
Interest	2,500,000	2,500,000	2,268,559	(231,441)
Rent	689,400	689,400	742,914	53,514
Other	248,000	248,000	1,074,654	826,654
Total revenues	27,384,710	27,491,798	27,416,376	(75,422)
<u>Expenditures</u>				
Current:				
General government:				
Legislative and executive	10,809,506	10,728,890	10,390,668	338,222
Judicial	6,136,555	6,175,691	5,870,765	304,926
Public safety	8,938,157	9,510,022	9,110,992	399,030
Public works	431,944	440,058	410,357	29,701
Health	168,340	163,889	162,567	1,322
Human services	1,011,550	1,011,551	952,558	58,993
Conservation and recreation	705,207	728,342	721,434	6,908
Other	75,000	75,000	39,292	35,708
Intergovernmental	148,712	148,712	147,295	1,417
Debt service:				
Principal retirement	29,000	29,000	29,000	0
Interest and fiscal charges	23,000	23,000	17,584	5,416
Total expenditures	28,476,971	29,034,155	27,852,512	1,181,643
Excess of revenues under expenditures	(1,092,261)	(1,542,357)	(436,136)	1,106,221
<u>Other financing sources (uses)</u>				
Sale of fixed assets	10,000	10,000	513	(9,487)
Other financing uses	(11,000)	(64,077)	(96,579)	(32,502)
Advances - in	150,000	150,000	83,199	(66,801)
Advances - out	(150,000)	(265,300)	(215,300)	50,000
Operating transfers - in	361,362	361,362	200,000	(161,362)
Operating transfers - out	(179,000)	(600,159)	(600,159)	0
Total other financing sources (uses)	181,362	(408,174)	(628,326)	(220,152)
Excess of revenues and other financing sources under expenditures and other financing uses	(910,899)	(1,950,531)	(1,064,462)	886,069
Fund balances at beginning of year	4,886,611	4,886,611	4,886,611	0
Unexpended prior year encumbrances	192,561	192,561	192,561	0
Fund balances at end of year	\$4,168,273	\$3,128,641	\$4,014,710	\$886,069

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, 2008

	<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	\$18,902,610	\$18,813,947	\$13,019,106	(\$5,794,841)
Charges for services	500	500	279	(221)
Other	1,012,290	1,012,290	826,747	(185,543)
Total revenues	<u>19,915,400</u>	<u>19,826,737</u>	<u>13,846,132</u>	<u>(5,980,605)</u>
<u>Expenditures</u>				
Current:				
Human Services	<u>16,653,300</u>	<u>18,928,179</u>	<u>14,750,387</u>	<u>4,177,792</u>
Excess of revenues over (under) expenditures	3,262,100	898,558	(904,255)	(1,802,813)
Fund balances at beginning of year	(2,666,840)	(2,666,840)	(2,666,840)	0
Unexpended prior year encumbrances	<u>3,750,224</u>	<u>3,750,224</u>	<u>3,750,224</u>	<u>0</u>
Fund balances at end of year	<u><u>\$4,345,484</u></u>	<u><u>\$1,981,942</u></u>	<u><u>\$179,129</u></u>	<u><u>(\$1,802,813)</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property taxes	\$6,441,920	\$5,586,369	\$5,101,247	(\$485,122)
Charges for services	551,700	551,700	571,986	20,286
Intergovernmental	4,901,911	5,989,987	6,371,954	381,967
Interest	6,000	6,000	4,483	(1,517)
Other	839,804	839,804	740,235	(99,569)
Total revenues	<u>12,741,335</u>	<u>12,973,860</u>	<u>12,789,905</u>	<u>(183,955)</u>
<u>Expenditures</u>				
Current:				
Health	<u>20,448,846</u>	<u>20,662,170</u>	<u>12,923,430</u>	<u>7,738,740</u>
Excess of revenues under expenditures	<u>(7,707,511)</u>	<u>(7,688,310)</u>	<u>(133,525)</u>	<u>7,554,785</u>
<u>Other financing sources (uses)</u>				
Advances - in	26,212	26,367	0	(26,367)
Advances - out	(8,212)	(31,833)	0	31,833
Operating transfers - in	139,450	2,535	0	(2,535)
Operating transfers - out	<u>(139,450)</u>	<u>(2,735)</u>	<u>0</u>	<u>2,735</u>
Total other financing sources (uses)	<u>18,000</u>	<u>(5,666)</u>	<u>0</u>	<u>5,666</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(7,689,511)	(7,693,976)	(133,525)	7,560,451
Fund balances at beginning of year	<u>8,495,293</u>	<u>8,495,293</u>	<u>8,495,293</u>	<u>0</u>
Fund balances at end of year	<u><u>\$805,782</u></u>	<u><u>\$801,317</u></u>	<u><u>\$8,361,768</u></u>	<u><u>\$7,560,451</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
Children Services
For the Year Ended December 31, 2008

	<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	\$1,918,993	\$1,423,642	\$1,676,801	\$253,159
Charges for services	117,500	117,500	99,623	(17,877)
Intergovernmental	4,687,448	5,223,967	4,370,050	(853,917)
Other	53,000	53,000	164,152	111,152
Total revenues	<u>6,776,941</u>	<u>6,818,109</u>	<u>6,310,626</u>	<u>(507,483)</u>
<u>Expenditures</u>				
Current:				
Human services	<u>6,656,935</u>	<u>6,729,109</u>	<u>6,664,661</u>	<u>64,448</u>
Excess of revenues over (under) expenditures	120,006	89,000	(354,035)	(443,035)
Fund balances at beginning of year	3,191,677	3,191,677	3,191,677	0
Unexpended prior year encumbrances	<u>67,646</u>	<u>67,646</u>	<u>67,646</u>	<u>0</u>
Fund balances at end of year	<u><u>\$3,379,329</u></u>	<u><u>\$3,348,323</u></u>	<u><u>\$2,905,288</u></u>	<u><u>(\$443,035)</u></u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activity	Governmental Activity
	Sewer	Internal Service
<u>Assets:</u>		
<u>Current assets</u>		
Equity in pooled cash, cash equivalents and Investments	\$1,210,835	\$759,881
Accounts receivable	1,554,059	0
Interfund receivable	329,750	0
Special assessments receivable	123,852	0
Prepaid items	24,012	0
Materials and supplies inventory	57,003	0
Total current assets	<u>3,299,511</u>	<u>759,881</u>
<u>Restricted assets</u>		
Equity in pooled cash and cash equivalents	1,401,520	0
Cash and cash equivalents with fiscal agent	621,325	0
Total restricted assets	<u>2,022,845</u>	<u>0</u>
<u>Noncurrent assets</u>		
Unamortized bond issuance costs	270,137	0
Non-depreciable capital assets	8,276,402	0
Depreciable capital assets	30,814,080	0
Total noncurrent assets	<u>39,360,619</u>	<u>0</u>
Total assets	<u><u>\$44,682,975</u></u>	<u><u>\$759,881</u></u>
<u>Liabilities:</u>		
<u>Current liabilities</u>		
Accrued wages payable	\$58,808	\$0
Accounts payable	23,890	0
Interfund Payable	1,587	0
Retainage payable	30,286	0
Due to other governments	37,939	0
Accrued interest payable	17,038	0
Notes payable	2,800,000	0
Compensated absences payable	97,554	0
Issue II loans payable	10,276	0
Revenue bonds payable	411,349	0
Total current liabilities	<u>3,488,727</u>	<u>0</u>
<u>Long-term liabilities</u>		
Compensated absences payable	52,170	0
Issue II loans payable	9,797,285	0
Revenue bonds payable	4,502,140	0
Total long-term liabilities	<u>14,351,595</u>	<u>0</u>
Total liabilities	<u>17,840,322</u>	<u>0</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	22,282,057	0
Restricted for:		
Other purposes	3,474,059	0
Unrestricted	1,086,537	759,881
Total net assets	<u><u>\$26,842,653</u></u>	<u><u>\$759,881</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, 2008

	Business-Type Activities	Governmental Activity
	Sewer	Internal Service
<u>Operating Revenues:</u>		
Charges for services	\$5,636,517	\$0
Licenses, permits, inspections	1,000	0
Other	28,850	58
Total operating revenues	<u>5,666,367</u>	<u>58</u>
<u>Operating expenses:</u>		
Personal services	2,088,905	0
Contractual services	1,695,407	24,237
Materials and supplies	496,903	0
Other	4,900	0
Depreciation	1,357,867	0
Total operating expenses	<u>5,643,982</u>	<u>24,237</u>
Operating loss	22,385	(24,179)
<u>Non-Operating revenues (expenses)</u>		
Interest revenue	33,364	0
Interest expense	(347,227)	0
Total Non-Operating revenues (expenses)	<u>(313,863)</u>	<u>0</u>
Income (loss) before capital contributions and transfers	(291,478)	(24,179)
Capital contributions	38,500	0
Transfers out	(191,375)	0
Change in net assets	(444,353)	(24,179)
Net assets at beginning of year - as restated	<u>27,287,006</u>	<u>784,060</u>
Net assets at end of year	<u>\$26,842,653</u>	<u>\$759,881</u>

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	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	\$5,593,278	\$0
Cash received from other revenues	28,850	58
Cash payments for personal services	(2,097,314)	0
Cash payments to suppliers	(1,222,743)	0
Cash payments for contractual services	(1,298,349)	(24,237)
Cash payments for other expenses	(4,900)	0
Net cash provided by (used for) operating activities	998,822	(24,179)
<u>Cash flows from noncapital financing activities</u>		
Cash received from advances - in	189,525	0
Cash payments for advances - out	(277,700)	0
Cash payments for operating transfers - out	(191,375)	0
Net cash used for noncapital financing activities	(279,550)	0
<u>Cash flows from capital and related financing activities</u>		
Acquisition of capital assets	(2,737,871)	0
Proceeds of bond anticipation notes	2,800,000	0
Proceeds of Issue II loans	2,237,299	0
Principal paid on bond anticipation notes	(2,800,000)	0
Interest paid on bond anticipation notes	(109,231)	0
Principal paid on revenue bonds	(400,000)	0
Interest paid on revenue bonds	(207,646)	0
Principal paid on Issue II loan payable	(20,552)	0
Net cash used for capital and related financing activities	(1,238,001)	0
<u>Cash flows from investing activities</u>		
Interest on investments	32,016	0
Net increase (decrease) in cash and cash equivalents	(486,713)	(24,179)
Cash and cash equivalents at beginning of year	3,099,068	784,060
Cash and cash equivalents at end of year	\$2,612,355	\$759,881

(continued)

Allen County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008
(continued)

	Sewer	Internal Service
<u>Reconciliation of operating loss to net cash provided by (used for) operating activities</u>		
Operating loss	\$22,385	(\$24,179)
<u>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</u>		
Depreciation	1,357,867	0
Changes in assets and liabilities:		
Increase in accounts receivable	(25,301)	0
Increase in due from special assessments	(20,911)	0
Increase in materials and supplies inventory	(8,447)	0
Increase in prepaid items	(148)	0
Decrease in accounts payable	(55,797)	0
Increase in contracts payable	1,587	0
Increase in accrued wages payable	13,713	0
Increase in compensated absences payable	8,111	0
Decrease in retainage payable	(288,016)	0
Decrease in due to other governments	(6,221)	0
Total adjustments	976,437	0
Net cash provided by (used for) operating activities	\$998,822	(\$24,179)

Non-cash capital transactions

The Sewer Enterprise Fund received donated assets from developers and other funds with a fair market value of \$38,500.

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

	Investment Trust	Martha Mark Private Purpose Trust	Agency
<u>Assets</u>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$2,846,335	\$12,619	\$11,212,312
Cash and cash equivalents in segregated accounts	0	7,175	1,945,446
Accounts receivable	0	0	16,169,407
Due from other governments	0	0	5,732,608
Property tax receivable	0	0	79,859,026
Special assessments receivable	0	0	4,896,940
Total assets	<u>2,846,335</u>	<u>\$19,794</u>	<u>\$119,815,739</u>
<u>Liabilities</u>			
Due to other governments	0	0	111,620,940
Undistributed monies	0	0	3,116,463
Deposits held and due to others	0	0	5,078,336
Total liabilities	<u>0</u>	<u>0</u>	<u>\$119,815,739</u>
<u>Net Assets</u>			
Held in trust for external pool participants	<u>2,846,335</u>	<u>19,794</u>	
Total net assets	<u>\$2,846,335</u>	<u>\$19,794</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, 2008

	Investment Trust Funds	Martha Mark Private Purpose Trust
<u>Additions</u>		
Interest	\$64,972	\$34
Net increase in assets resulting from operations	64,972	34
<u>Deductions</u>		
Distributions to participants	(74,238)	0
Capital transactions	(118,500)	0
Total Deductions	(192,738)	0
Change in net assets	(127,766)	34
Net assets beginning of year	2,974,101	19,760
Net assets end of year	<u>\$2,846,335</u>	<u>\$19,794</u>

See accompanying notes to the basic financial statements

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 Allen County Port Authority. 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

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.

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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
Workforce Investment Act
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 Employee Benefits Consortium of Ohio, Inc

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

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 bureau, 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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 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.

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

Fund Financial Statements

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

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

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

D. Basis of Accounting

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

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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, 2008, but were levied to finance 2009 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.

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 certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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 2008, 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, 2008.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2008 was \$5,543,416, which includes \$5,319,548 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

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 \$43,832,477, \$1,401,520 is restricted by enabling legislation.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

P. Fund Balance Reserves

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

Q. Operating Revenues and Expenses

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

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, 2008
(continued)

Note 3 – Changes in Accounting Principles and Restatement of Net Assets

A. Changes in Accounting Principles

For 2008, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 50, “Pension Disclosures”, GASB Statement No. 49 “Accounting and Financial Reporting of Intangible Assets”, and Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the Ohio Public Employees Retirement System and the State Teachers Retirement System postemployment healthcare plans, which are the same as the previously reported liability.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this state did not result in any changes to the financial statements.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

B. Restatement of Net Assets

For 2008, the County has begun to record revolving loans on their records. They were previously recorded by the Allen County Port Authority. The restatement had the following effect on net assets for governmental and business type activities as previously reported.

	Governmental Activities	Other Governmental Funds
Net Assets December 31, 2007	\$69,827,254	\$19,100,332
Notes Receivable	880,286	880,286
Adjusted Net Assets	\$70,707,540	\$19,980,618

Note 4- Accountability and Compliance

A. Accountability

At December 31, 2008, the Dog and Kennel and EMA special revenue funds and the Water Projects and Sewer Projects capital project funds had deficit fund balances of \$185,222, \$12,666, \$18,710, and \$97,686 resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The County incurred negative cash fund balances in several funds at year end, which is contrary to the Ohio Revised Code. The County did not obtain reduced amended certificates in the Department of Job and Family Services Fund at year end as required by the Ohio Revised Code. Expenditures exceeded appropriations in the Special Assessment Debt Service Fund at year end, which is contrary to the Ohio Revised Code. The County did not file an annual report with the Auditor of State within 150 days of year end as required by 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; Children Services special revenue funds and Special Assessments Debt Retirement debt service fund 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).

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The County has certain activities within the General Fund that are not budgeted by the County Commissioners. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

	Net Change in Fund Balance			
	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Children Services
GAAP Basis	\$2,348,925	\$307,216	\$4,628	(\$439,436)
<u>Increase (Decrease) Due To</u>				
Revenue Accruals	(3,114,766)	0	(153,766)	125,511
Expenditure Accruals	98,871	(89,661)	15,613	(37,900)
Outside Cash	0	0	0	3,299
Materials and Supplies Inventory	0	(15,097)	0	1,243
Prepaid Items	0	0	0	(6,752)
Advances In	83,199	0	0	0
Advances Out	(215,300)	0	0	0
Inception of Capital Lease	(138,771)	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(126,620)	(1,106,713)	0	0
Budget Basis	<u>(\$1,064,462)</u>	<u>(\$904,255)</u>	<u>(\$133,525)</u>	<u>(\$354,035)</u>

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;

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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;
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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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, 2008, the County had \$13,386 in cash on hand and \$621,325 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, \$14,032,198 of the County's bank balance of \$20,400,532 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 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, 2008
(continued)

Investments

As of December 31, 2008 the County had the following investments:

	Fair value	Investment Maturities (in Years)			
		less than 1	2	3	4 – 5
Federal Home Loan Bank	\$10,325,300	\$630,342	\$2,816,942	\$3,695,490	\$3,182,526
Federal Farm Credit Bank	467,611	206,701	260,910	0	0
Federal Home Loan Mortgage Corporation	8,942,637	0	618,366	5,015,550	3,308,721
Federal National Mortgage Association	11,748,375	300,565	2,936,068	1,420,162	7,091,580
U.S. Treasury Notes	724,844	515,438	209,406	0	0
STAR Ohio	3,031,438	3,031,438	0	0	0
Certificates of Deposits	5,998,303	4,998,303	1,000,000	0	0
Total Investments	<u>\$41,238,508</u>	<u>\$9,682,787</u>	<u>\$7,841,692</u>	<u>\$10,131,202</u>	<u>\$13,582,827</u>

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.

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

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	\$10,325,300	25.03%
Federal Farm Credit Bank	467,611	1.13
Federal Home Loan Mortgage Corporation	8,942,637	21.69
Federal National Mortgage Association	11,748,375	28.49
U.S. Treasury Notes	724,844	1.76

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

Condensed financial information for the investment pool is as follows:

Statement of Net Assets
December 31, 2008

<u>Assets</u>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$49,022,700
Accrued Interest Receivable	363,374
<u>Restricted Assets</u>	
Equity in Pooled Cash and Cash Equivalents	1,401,520
Total Assets	<u>\$50,787,594</u>
 <u>Net Assets Held in Trust for Pool Participants</u>	
Internal Portion	\$47,941,259
External Portion	2,846,335
Total Net Assets Held in Trust for Pool Participants	<u>\$50,787,594</u>

Statement of Changes in Net Assets
December 31, 2008

<u>Revenues</u>	
Interest	\$5,924,329
<u>Expenses</u>	
Operating Expenses	0
Net Increase in Assets Resulting from Operations	5,924,329
Distributions to Participants	(2,410,918)
Capital Transactions	(4,340,291)
Total Decrease in Net Assets	(826,880)
Net Assets Beginning of Year	51,614,474
Net Assets End of Year	<u>\$50,787,594</u>

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$11,000,761 of the County's bank balance 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 successful claim by the FDIC.

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

Investments

As of December 31, 2008 the County had the following investments:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	2	3	4 – 5
Federal Home Loan Bank	\$10,325,300	\$630,342	\$2,816,942	\$3,695,490	\$3,182,526
Federal Farm Credit Bank	467,611	206,701	260,910	0	0
Federal Home Loan Mortgage Corporation	8,942,637	0	618,366	5,015,550	3,308,721
Federal National Mortgage Association	11,748,375	300,565	2,936,068	1,420,162	7,091,580
U.S. Treasury Note	724,844	515,438	209,406	0	0
STAR Ohio	3,031,438	3,031,438	0	0	0
Certificates of Deposits	5,998,303	4,998,303	1,000,000	0	0
Total Investments	<u>\$41,238,508</u>	<u>\$9,682,787</u>	<u>\$7,841,692</u>	<u>\$10,131,202</u>	<u>\$13,582,827</u>

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.

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

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	\$10,325,300	25.03%
Federal Farm Credit Bank	467,611	1.13
Federal Home Loan Mortgage Corporation	8,942,637	21.69
Federal National Mortgage Association	11,748,375	28.49
U.S. Treasury Note	724,844	1.76

Note 8 - Receivables

Receivables at December 31, 2008, 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 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:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Local Government and Local Government Revenue Assistance	\$936,517
Sheriff's Contracts	15,369
Public Defender	58,078
Election Costs	43,406
Federal Breakfast and Lunch Program	9,117

(continued)

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

General Fund (continued)	Amount
Title VI-D	\$10,481
Other	736
Total General Fund	<u>1,073,704</u>
Mental Retardation and Developmental Disabilities	
Title V	155
IDEA	61,339
Federal Breakfast and Lunch Program	1,143
Ohio Department of Education	647,760
Title XIX & XX	1,562,662
Other	0
Total Mental Retardation and Developmental Disabilities	<u>2,273,059</u>
Children Services	
OWF/PRC	1,251
Other	65,221
Total Children Services	<u>66,472</u>
Total Major Funds	<u>3,413,235</u>
Nonmajor Funds	
Motor Vehicle and Gas Tax	
Gas Tax	1,207,908
Motor Vehicle License Tax	1,496,565
Fines and Costs	329
Other	64,349
911 System	
Child Support Enforcement Agency	
Other	300,000
Adult Probation	
Diversion	191,403
Pretrial Release	6,680
Building and Expansion	
Total Nonmajor Funds	<u>3,267,234</u>
Total Governmental Activities	<u>6,680,469</u>
Agency Funds	
Local Government and Local Government Revenue Assistance	2,641,656
Library Local Government	2,067,891
Gasoline Tax	595,721
Motor Vehicle License Tax	427,340
Total Agency Funds	<u>5,732,608</u>
Total Intergovernmental Receivables	<u>\$12,413,077</u>

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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 2008. 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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, 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 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2008 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, 2008, was \$8.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$1,717,185,560
Public Utility Property	80,032,490
Tangible Personal Property	160,487,750
Total Assessed Value	\$1,957,705,800

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 5,537,015	\$0	\$0	\$5,537,015
Depreciable Capital Assets				
Buildings	49,017,919	624,031	(285,316)	49,356,634
Machinery and Equipment	2,609,736	0	0	2,609,736
Licensed Vehicles	4,977,357	323,668	(119,510)	5,181,515
Office Furniture and Equipment	4,999,340	453,245	(128,345)	5,324,240
Roads	12,655,210	965,508	(49,025)	13,571,693
Bridges	21,724,234	0	0	21,724,234
Total Depreciable Capital Assets	95,983,796	2,366,452	(582,196)	97,768,052
Less Accumulated Depreciation for				
Buildings	(29,091,804)	(931,558)	187,496	(29,835,866)
Machinery and Equipment	(1,676,596)	(162,340)	0	(1,838,936)
Licensed Vehicles	(4,203,413)	(307,505)	90,662	(4,420,256)
Office Furniture and Equipment	(3,501,638)	(369,390)	91,356	(3,779,672)
Roads	(5,701,512)	(649,972)	37,522	(6,313,962)
Bridges	(5,675,817)	(440,864)	0	(6,116,681)
Total Accumulated Depreciation	(49,850,780)	(2,861,629)	407,036	(52,305,373)
Total Depreciable Capital Assets, Net	46,133,016	(495,177)	(175,160)	45,462,679
Governmental Activities Capital Assets, Net	\$ 51,670,031	\$ (495,177)	\$ (175,160)	\$ 50,999,694

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$51,219	\$0	\$0	\$51,219
Construction in Progress	6,263,125	1,962,058	0	8,225,183
	<u>6,314,344</u>	<u>1,962,058</u>	<u>0</u>	<u>8,276,402</u>
Depreciable Capital Assets				
Machinery, Equipment, and Vehicles	1,701,136	44,050	(37,359)	1,707,827
Building and Building Improvements	3,551,806	0	0	3,551,806
Infrastructure	47,820,357	772,236	(345,882)	48,246,711
Total Depreciable Capital Assets	<u>53,073,299</u>	<u>816,286</u>	<u>(383,241)</u>	<u>53,506,344</u>
Less Accumulated Depreciation for				
Machinery, Equipment, and Vehicles	(1,222,026)	(112,535)	37,359	(1,297,202)
Building and Building Improvements	(201,502)	(101,480)	0	(302,982)
Infrastructure	(20,294,110)	(1,143,852)	345,882	(21,092,080)
Total Accumulated Depreciation	<u>(21,717,638)</u>	<u>(1,357,867)</u>	<u>383,241</u>	<u>(22,692,264)</u>
Total Depreciable Capital Assets, Net	<u>31,355,661</u>	<u>(541,581)</u>	<u>0</u>	<u>30,814,080</u>
Business-Type Activities Capital Assets, Net	<u>\$ 37,670,005</u>	<u>\$ 1,420,477</u>	<u>\$0</u>	<u>\$ 39,090,482</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities

General Government:

Legislative and Executive	\$447,211
Judicial	47,836
Public Safety	289,331
Public Works	1,363,782
Health	197,068
Human Services	109,123
Conservation and Recreation	407,278

Total Depreciation Expense - Governmental Activities	<u>\$ 2,861,629</u>
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Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

Note 12 - Interfund Receivables/Payables

Interfund balances at December 31, 2008, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Special Assessments Debt Retirement	\$7,534
Children Services	2,032
Other Governmental	101,741
Total General Fund	<u>111,307</u>

Due to Mental Retardation and Developmental Disabilities from:

Job and Family Services	<u>89,489</u>
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Due to Children Services from:

Job and Family Services	<u>139,736</u>
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Due to Other Governmental from:

General Fund	780,000
Other Governmental	250,000
Sewer	1,590
Total Other Governmental Funds	<u>1,031,590</u>

Due to Sewer from:

Special Assessments Debt Retirement	102,050
Other Governmental	227,700
Total Sewer Fund	<u>\$329,750</u>

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

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

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 2008, 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, 2008
(continued)

B. Workers' Compensation

For 2008, the County elected to take advantage of a workers' compensation plan being offered by the State of Ohio. The plan, called retrospective rating, allowed the County to pay a fraction of the premium it would pay as an experience-rated risk, instead charging the County for actual claims incurred subject to the plan's individual claims cost limitation and the County's premium limitation.

C. County Employee Benefits Consortium of Ohio, Inc.

In 2008, the County participated in a risk-sharing pool, the County Employee Benefits Consortium of Ohio, Inc. (CEBCO). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into the Health Insurance internal service fund by the participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of \$75,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

D. Self Insurance Program

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

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

All funds of the County except for the funds of the Child Support Enforcement Agency, Public Assistance, Health Department, and the Mental Retardation and Developmental Disabilities participate in the program and make payments to the Employee Health Insurance Fund based on estimates of the annual cost of claims. These rates are paid by the fund from which the employees' compensation is paid.

Claims payable is based on the requirement of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustments expenses. The County stopped being self insured as of January 1, 2006.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

Note 14 - Construction and Other Significant Commitments

The County had various outstanding contracts at December 31, 2008. The following amounts remain on these contracts.

Company	Project	Outstanding Balance
Ford Motor Company	Social Services	\$222,704
Lima Radio Hospital	Motorola Corp	259,711
Motorola Inc	Equipment	2,520,300
Cardinal Bus Sales & Service	Vehicles	178,590
All Temp Refrigeration	HB 300 Energy	2,182,885
Reynolds Electric Co Inc	HB 300 Energy	218,952
Capitol Aluminum & Glass Corp	HB 300 Energy	346,800
Westerheide Developers, Inc	Construction – Title Bldg	328,780
Kohli & Kaliher Assoc LTD	Westminster Sewer Imp	114,727
The Shelly Company	Eastown Rd	207,984
Hume Supply	Riverwalk Extension	119,500
Kohli & Kaliher Assoc LTD	Riverwalk East	111,846

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, 2008, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 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 10 percent. The County's contribution rate for pension benefits for 2008 was 14 percent,

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.4 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, 2008, 2007, and 2006 were \$2,782,356, \$3,377,868, and \$3,626,693, respectively; 87 percent has been contributed for 2008 and 100 percent has been contributed for 2007 and 2006. The unpaid contribution for 2008, in the amount of \$323,337, is recorded as a liability. Contributions to the member directed plan for 2008 were \$57,106 made by the County and \$40,790 made by plan-members.

B. State Teachers Retirement System

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

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

For the fiscal year ended June 30, 2008, 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, 2008, 2007, and 2006 was \$127,878, \$123,862, and \$122,069, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

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 plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 employer contribution rate was 14 percent of covered payroll (17.4 percent for law enforcement and public safety); 7.0 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, 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 363,503. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$2,653,576. 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, 2007 (the latest information available), was \$12.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17 billion, respectively.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 will be effective January 1, 2008. In addition to the HCPP, OPERS has taken additional action to improve solvency of the Health Care Fund in 2006 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2008, which will allow additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

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

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 2008, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was \$9,134.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$4.1 billion at June 30, 2008. For the fiscal year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000, and STRS had 126,506 eligible benefit recipients.

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

Note 18 – Notes Payable

A summary of the note transactions for the year ended December 31, 2008 is as follows:

	Interest Rate	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
<u>Governmental Activities</u>					
Bond Anticipation Notes					
Road Improvement (Eastown)	4.05%	\$1,925,000	\$0	\$1,925,000	\$0
Ditch Equipment	3.98	100,000	75,000	100,000	75,000
Thayer Road	3.89	300,000	700,000	1,000,000	0
Total Bond Anticipation Notes		2,325,000	775,000	3,025,000	75,000
<u>Special Assessment Notes</u>					
Bath Township Trustees	3.58	6,200	0	6,200	0
Bellinger Ditch #1188	3.98	8,900	5,400	8,900	5,400
Mayer Ditch #1205	3.98	4,200	1,200	4,200	1,200
Belmont Ditch #1218	3.98	18,500	5,700	18,500	5,700
Pike Run Ditch #1150	3.98	1,000,000	1,000,000	1,000,000	1,000,000
Zimmerman Ditch #1219	3.98	26,300	17,600	26,300	17,600
Jennings Creek #1160	3.98	26,300	26,300	26,300	26,300
Village of Lafayette #1223	3.98	4,500	2,800	4,500	2,800
Flat Fork Ditch #1224	3.98	505,000	505,000	505,000	505,000
Earl Gaskill Ditch #1229	3.98	88,000	61,200	88,000	61,200
Jeff Brown Ditch #1230	3.98	7,000	6,300	7,000	6,300
Hamernik Ditch #1193	3.98	7,200	3,200	7,200	3,200
Findlay Road Phase II	3.98	506,000	505,000	505,000	506,000
Perry Sewer	3.98	480,000	480,000	480,000	480,000
Jackson-Auglaize Sewer	3.98	406,500	300,000	406,500	300,000
Ottawa River #1239	3.58	600,000	0	600,000	0
Airport #1217	3.98	85,000	55,500	85,000	55,500
Colucci #1243	3.98	30,000	30,000	30,000	30,000
Crites #1244	3.98	17,500	17,500	17,500	17,500
Merle #1246	3.98	300,000	300,000	300,000	300,000
Hollenbacher #1247	3.98	23,000	19,000	23,000	19,000
Lost Creek # 1251	3.98	75,000	75,500	75,500	75,000
Little Ottawa #1260	3.98	0	110,000	0	110,000
Steinke # 1253	3.98	15,000	15,000	15,000	15,000
Speedco #1262	3.98	10,000	10,000	10,000	10,000
Berryman #1252	3.98	25,000	25,000	25,000	25,000
Warrington #1236	3.98	135,000	135,000	135,000	135,000
Lammers #1235	3.98	40,000	40,000	40,000	40,000
Diane Baughman #1198	3.98	10,000	10,000	10,000	10,000
Moening #1231	3.98	12,000	9,400	12,000	9,400
Shaw & Goddard #1276	3.98	0	16,000	0	16,000
James Dutton #1231	3.98	7,900	7,900	7,900	7,900
Total Special Assessment Notes		\$4,480,000	3,795,500	4,479,500	3,796,000
<u>Enterprise Activities</u>					
Improvements for Overflow	3.98	2,800,000	2,800,000	2,800,000	2,800,000
Total Bond Anticipation Notes		\$9,605,000	\$7,370,500	\$10,304,500	\$6,671,000

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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

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

Note 19 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due within a Year
General Obligation Bonds						
2002 Court of Appeals (Original Amount \$2,744,85)	1.5-5.25%	\$1,810,499	\$0	\$199,261	\$1,611,238	\$205,859
2002 County Justice Center (Original Amount \$7,655,435)	1.5 - 5.25	5,049,500	0	555,739	4,493,761	574,141
2001 Downtown Parking (Original Amount \$1,310,000)	3.3 – 5.0	1,030,000	0	55,000	975,000	55,000
2001 Civic Center (Original Amount \$4,230,000)	3.3 – 5.0	3,324,000	0	177,000	3,147,000	181,000
2008 Road Improvement (Original Amount \$1,760,000)	3.195	0	1,760,000	0	1,760,000	176,000
Total General Obligation Bonds		11,213,999	1,760,000	987,000	11,986,999	1,192,000
Special Assessment Bonds						
2002 Project #17-700 and 17-800 (Original Amount \$380,000)	1.5 – 5.25	155,000	0	50,000	105,000	50,000
2002 Waterline Improvement (Original Amount \$450,000)	1.5 – 5.25	220,000	0	50,000	170,000	55,000
2002 Hixenbaugh/Copus/ Indainbrook (Original Amount \$310,000)	1.5 – 5.25	145,000	0	30,000	115,000	30,000
2006 Ft. Shawnee Waterline Refund (Original Amount \$1,892,400)	3.0 - 5.0	1,405,000	0	180,000	1,225,000	180,000
2002 Findlay/Ada/Stewart Road (Original Amount \$2,110,000)	1.5 – 5.25	1,675,000	0	95,000	1,580,000	100,000
2001 Allentown Road Sewer (Original Amount \$865,000)	3.3 – 5.0	685,000	0	35,000	650,000	40,000
2001 East Road Waterline (Original Amount \$50,000)	3.3 – 5.0	35,000	0	3,000	32,000	3,000
2001 Ottawa River Bend Waterline (Original Amount \$95,000)	3.3 – 5.0	\$66,000	0	5,000	61,000	6,000

(continued)

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

	Interest Rate	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due within a Year
2006 Delmar/Glenn (Original Amount \$342,600)	3.0 – 5.0	\$324,400	\$0	\$11,600	\$312,800	\$16,600
2006 Trebor Drive Waterline (Original Amount \$11,000)	3.0 -5.0	9,600	0	400	9,200	400
2006 Southwood Waterline (Original Amount \$71,000)	3.0 – 5.0	61,000	0	3,000	58,000	3,000
2006 Berryman Waterline (Original Amount \$133,000)	3.0 – 5.0	115,000	0	5,000	110,000	5,000
2006 Oakview Project (Original Amount \$805,000)	3.0 – 5.0	710,000	0	30,000	680,000	30,000
2006 Bond Premium		163,523	0	9,084	154,439	9,084
Total Special Assessment Bonds		5,769,523	0	507,084	5,262,439	528,084
Other Long-Term Obligations						
Compensated Absences Payable		3,014,407	441,951	201,840	3,254,518	1,680,898
Airport Improvement Note		406,000	0	29,000	377,000	29,000
Issue II Loan Payable-Phillips		88,404	0	7,367	81,037	3,684
Issue II Loan Payable-Second		155,603	0	9,431	146,172	4,715
Issue II Loan Payable-Eastown 1		896,102	0	49,783	846,319	24,892
Issue II Loan Payable-Eastown 2		128,470	0	6,762	121,708	3,381
Issue II Loan Payable-Lutz/Early		649,759	0	29,270	620,489	16,765
Issue II Loan Payable-4 th /Bowman		385,156	0	13,175	371,981	0
Capital Leases Payable		114,201	138,771	85,847	167,125	67,699
Total Other Long-Term Obligations		5,838,102	580,722	432,475	5,986,349	1,831,034
Total Governmental Activities		\$22,821,624	\$2,340,722	\$1,926,559	\$23,235,787	\$3,551,118
<u>Business-Type Activities</u>						
Revenue Bonds						
2002 Sewer System (Original Amount \$7,171,583)	1.5-5.25	\$5,300,000	\$0	\$400,000	\$4,900,000	\$410,000
Bond Premium		14,838	0	1,349	13,489	1,349
Total Revenue Bonds		5,314,838	0	401,349	4,913,489	411,349
Other Long-Term Obligations						
Compensated Absences Payable		141,613	8,111	0	149,724	97,554
Issue II Loan Payable-American II	1.00	7,410,986	2,237,299	0	9,648,285	0
Issue II Loan-Shaw WWTP/Sew Re	0.00	179,827	0	20,551	159,276	10,276
Total Other Long-Term Obligations		7,732,426	2,245,410	20,551	9,957,285	107,830
Total Business-Type Activities		\$13,047,264	2,245,410	421,900	14,870,774	519,179

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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

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

On May 25, 2006 the County issued \$3,255,000 various purpose bonds with a portion being a current refunding of \$1,892,400 of the 1994 waterline bonds. The bonds have an interest rate ranging from 3 – 5 percent and were issued with a premium of \$181,691 and issuance cost of \$70,000 which will be amortized over the life of the bonds.

On November 1, 2002, the County issued \$7,150,000 sewer system revenue bonds for a current refunding of \$6,995,000 in sewer system revenue bonds. The callable bonds required a premium payment of \$139,100 on the call date. The refunding bonds were issued at 99.22 percent for sixteen years with interest rates ranging from 1.5 percent to 5.25 percent to repay the original debt issued for the district, and are to be paid from the enterprise fund. 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 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, 2008:

Restricted assets held by the trustee for debt service	\$1,057,918
Restricted assets held by the County for operations	223,354
Restricted assets held by the County for replacement and improvement	120,248

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, 2008 are an overall debt margin of \$34,764,395 and an unvoted debt margin of \$8,099,295.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(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
2009	\$106,959	\$6,113	\$1,192,000	\$689,320	\$519,000	\$232,264
2010	107,296	5,776	1,242,000	649,297	534,000	214,559
2011	107,636	5,435	1,272,000	605,638	494,000	192,140
2012	107,980	5,092	1,307,000	559,123	459,000	170,586
2013	58,369	4,918	1,349,999	332,807	451,000	149,526
2014-2018	546,069	16,859	4,439,000	777,681	1,551,000	462,601
2019-2023	529,457	12,915	1,185,000	120,000	1,015,000	128,900
2024-2026	298,701	3,517	0	0	85,000	3,613
	<u>\$1,862,467</u>	<u>60,625</u>	<u>\$11,986,999</u>	<u>3,733,866</u>	<u>\$5,108,000</u>	<u>\$1,554,189</u>

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

Year	Issue II Loans*		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2009	\$10,275	\$0	\$410,000	\$204,458
2010	20,551	0	425,000	191,337
2011	20,551	0	440,000	176,887
2012	20,551	0	455,000	161,047
2013	20,551	0	475,000	144,213
2014-2018	66,503	0	2,695,000	386,444
	<u>\$158,982</u>	<u>\$0</u>	<u>\$4,900,000</u>	<u>1,264,386</u>

*Issue II loans have not been fully drawn as of December 31, 2008. As such, a final amortization schedule is not available.

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

In 2008, 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, 2008 the aggregate principal amount payable on these bonds is \$23,270,000.

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 \$249,914. 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 2008 were \$85,847 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, 2008.

Year	Governmental Activities
2009	\$73,455
2010	31,186
2011	13,511
2012	13,511
2013	4,504
Total	136,167
Less Amount Representing Interest	(9,231)
Present Value of Net Minimum Lease Payments	\$126,936

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

Note 21 - Interfund Transfers

During 2008 the following transfers were made:

		Transfers Out			Total
		General	Other Governmental	Business-Type Activities	
Transfers In	Governmental Activities				
	General	\$0	\$200,000	\$0	\$200,000
	Special Assessment Debt Retirement	66,375	0	\$0	66,375
	Other Governmental	533,784	0	191,375	725,159
	Total Governmental Activities	\$600,159	\$200,000	\$191,375	\$991,534

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. All transfers were made in accordance with the Ohio Revised Code.

Note 22 – Joint Venture

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, 2008 this lease has not been entered into.

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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 the 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.

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, sewerage disposal, garbage disposal, civic centers and other public improvements and land uses which affect the development of the region.

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

In 2008, the County did not pay membership fees. Complete financial statements can be obtained from the Lima-Allen County Regional Planning Commission, Allen County, Ohio.

B. North Central Ohio Solid Waste Management District

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

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 Pool

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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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

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.

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 \$589,115. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" as of December 31, 2008, \$38,403 of the bank balance of \$588,928 was exposed to custodial risk.

C. Capital Assets

The Industries had capital assets equipment, in the amount of \$619,470, as of December 31, 2008. Accumulated depreciation was \$526,470, with a net capital asset amount of \$93,000. Depreciation is computed using the straight-line method over a useful life of three to seven years.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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 \$31,871. These amounts are classified as “Cash and Cash Equivalents and Investments in Segregated Accounts” on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

C. Capital Assets

LODDI had capital assets of land and buildings, in the amounts of \$117,367 and \$1,021,825, respectively, as of December 31, 2008. Accumulated depreciation was \$236,687, with a net capital asset amount of \$902,505. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

	Interest Rate	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due Within One Year
Mortgage Notes Payable	4.67–6.5%	\$120,653	\$29,774	\$27,578	\$122,849	\$27,815

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

Note 27 – Allen County Port Authority

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 \$188,580. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures” as of December 31, 2008, the bank balance was fully insured. These amounts are classified as “Cash and Cash Equivalents and Investments in Segregated Accounts” on the balance sheet.

The Port Authority has no deposit policy for custodial risk beyond the requirement so f State statue. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority 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 one hundred five percent of the deposits being secured.

C. Capital Assets

The Port Authority had capital assets in the amounts of \$695,769 as of December 31, 2008.

D. Loans Receivable

The Port Authority receives periodic loan repayments from companies awarded loans under the revolving loan program through Small Cities Community Development Block Grant Program. The interest received from these loans is recorded as program income. The revolving loan program activity was transferred to Allen County during 2008.

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 2008, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker’s compensation, repairs, supplies, equipment, medicare, and other expenses was \$3,391,165.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(continued)

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.

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 May 13, 2009 the County authorized the issuance of \$820,000 of Various Purpose Bond Anticipation Notes (Utility and Ditch Projects).

On July 29, 2009 the County authorized the issuance of \$530,000 of Airport Improvement Notes.

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Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

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	\$14,976	\$0
Detention Center	069971-05-PU	10.553	21,019	0
Total School Breakfast Program			35,995	0
National School Lunch Program				
Marimor School	065821-LL-P4	10.555	24,389	0
Detention Center	069971-LL-P4	10.555	32,454	0
Total National School Lunch Program			56,843	0
Total Nutrition Cluster			92,838	0
Food Donation:				
Marimor School	N/A	10.550	0	6,607
Detention Center	N/A	10.550	0	5,081
Total Food Donation			0	11,688
Total U.S. Department of Agriculture			92,838	11,688
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-06-002-1	14.228	1,973	0
Formula Allocation Program	B-F-07-002-1	14.228	225,000	0
Formula Allocation Program	B-F-08-002-1	14.228	4,036	0
Total Formula Allocation Program			231,009	0
Small Cities CDBG	B-E-07-002-1	14.228	200,000	0
Small Cities CDBG (Early Lutz Sewer Improvement)	B-E-07-002-1	14.228	432,000	0
Total Small Cities Program			632,000	0
CDBG Revolving Loans	N/A	14.228	146,469	0
Total Community Development Block Grants			1,009,478	0
Home Investment Partnership Program	B-C-07-002-1	14.239	58,201	0
Home Investment Partnership Program	B-C-07-002-2	14.239	137,214	0
HIPP Revolving Loans	N/A	14.239	4,540	0
Total Home Investment Partnership Program			199,955	0
Total U.S. Department of Housing and Urban Development			1,209,433	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	2006-JG-A01-6409	16.738	2,760	0
Narcotics Task Force	2007-JG-A01-6409	16.738	36,099	0
Narcotics Task Force	2006-JG-D01-6437	16.738	1,520	0
Sex Offender Risk Reduction	2007-JG-D01-6437	16.738	99,164	0
Total Edward Byrne Memorial Justice Assistance Grant Program			139,543	0
Juvenile Accountability Incentive Block Grants				
Juvenile Court Liaison Project	2007-JB-015-A099	16.523	11,033	0
Total Juvenile Accountability Incentive Block Grants			11,033	0
Total U.S. Department of Justice			150,576	0

(continued)

Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

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	\$567,343	\$0
Workforce Investment Act Adult Program - Admin	N/A	17.258	46,608	0
Workforce Investment Act Youth Activities	N/A	17.259	266,223	0
Workforce Investment Act Youth Activities - Admin	N/A	17.259	14,292	0
Workforce Investment Act Dislocated Workers	N/A	17.260	910,620	0
Workforce Investment Act Dislocated Workers - Admin	N/A	17.260	60,097	0
Total Workforce Investment Act Cluster			1,865,183	0
Total U.S. Department of Labor			1,865,183	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	1,612,469	0
Total U.S. Department of Transportation			1,612,469	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	67,824	0
Special Education-Grants to States	065821-6B-SD-07P	84.027	35,743	0
Total Special Education-Grants to States			103,567	0
Special Education-Preschool Grants	065821-PGS1-08-P	84.173	23,914	0
	065821-PGS1-09-P	84.173	15,495	0
Special Education-Preschool Grants	065821-PGD1-06	84.173	3,000	0
Total Special Education-Preschool Grants			42,409	0
Total Special Education Cluster			145,976	0
State Grants for Innovative Programs	065821-C2S1-2008	84.298	399	0
Total U.S. Department of Education			146,375	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	2,453	0
Social Services Block Grant - Title XX	N/A	93.667	92,979	0
Medical Assistance Program - Title XIX: TCM	N/A	93.778	480,466	0
Total Medical Assistance Programs			480,466	0
<i>Passed through the Ohio Secretary of State:</i>				
03OHVOTE - HHS Grants	N/A	93.617	0	16,093
Total U.S. Department of Health and Human Services			575,898	16,093
U.S. Department of Homeland Security				
<i>Passed through the Ohio Emergency Management Agency:</i>				
State Homeland Security Program	2007-GE-T7-0030	97.067	74,456	0
Emergency Management Performance Grants	2007-EM-E7-0024	97.042	11,712	0
Emergency Management Performance Grants	2007-EM-E7-0085	97.042	16,186	0
Emergency Management Performance Grants	2008-EM-E8-0002	97.042	30,402	0
Hazard Mitigation Grant	DR-1484-OH	97.039	8,625	0
Total U.S. Department of Homeland Security			141,381	0
Total Federal Expenditures			\$5,794,153	\$27,781

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, 2008

NOTE 1 – GENERAL

The accompanying schedule of federal awards expenditures 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 awards expenditures 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 AND HOME INVESTMENT PARTNERSHIPS FUNDS (CDBG AND HOME)

The County has established revolving loan programs to provide low-interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons 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. 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. In addition, with the approval of ODOD, the County may use repaid monies for community improvement projects.

Activity in the CDBG economic development and housing revolving loan funds during 2008 is as follows:

Beginning loans receivable balance as of January 01, 2008	\$1,036,526
Loans made	726,485
Loan principal repaid on loans issued	<u>(154,746)</u>
Ending loans receivable balance as of December 31, 2008	1,608,265
Cash balance on hand in the revolving loan fund as of December 31, 2008	315,880
Administrative costs expenditures during 2008	<u>61,984</u>
Total value of RLF portion of the CDBG 14.228 program	1,986,129
Other grants administered through the 14.228 program	<u>231,009</u>
Total CDBG CFDA #14.228 program	<u>\$2,217,138</u>
Delinquent amounts due as of December 31, 2008	<u>\$126,800</u>

Allen County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIPS FUNDS (CDBG AND HOME) (CONTINUED)

Activity in the HOME housing revolving loan fund during 2008 is as follows:

Beginning loans receivable balance as of January 01, 2008	\$7,397
Loans made	0
Loan principal repaid on loans issued	<u>(940)</u>
Ending loans receivable balance as of December 31, 2008	6,457
Cash balance on hand in the revolving loan fund as of December 31, 2008	11,226
Administrative costs expenditures during 2008	<u>3,600</u>
Total value of RLF portion of the CDBG 14.239 program	21,283
Other grants administered through the 14.239 program	<u>195,415</u>
Total CDBG CFDA #14.239 program	<u>\$216,698</u>
Delinquent amounts due as of December 31, 2008	<u>\$0</u>

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 Breakfast, Lunch and Donated Food programs. The National School Breakfast and Lunch programs are 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, 2008

NOTE 7 – OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Allen County Department of Mental Retardation and Developmental Disabilities received federal financial assistance from the Ohio Department of Mental Retardation of Developmental Disabilities for the following program (which is audited at the state level and reported in the State Single Audit Report):

CFDA# 93.778 Medicaid Cluster (Individual Options and Level 1 Waiver Programs)

NOTE 8 – WORKFORCE INVESTMENT ACT

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

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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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 31, 2009, wherein we noted that the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 50, "Pension Disclosures", GASB Statement No. 49 "Accounting and Financial Reporting of Intangible Assets", and Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Marimor 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. Other auditors audited the financial statements of the Allen County Port Authority, 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.

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.

Internal Control Over Financial Reporting (Continued)

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: 2008-1.

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 2008-1 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 August 31, 2009.


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 2008-2 through 2008-5.

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 August 31, 2009.

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.
August 31, 2009

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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, 2008. 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, 2008.

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.

Allen County Financial Condition

Board of County Commissioners

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

Page 2

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.

August 31, 2009

Allen County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2008

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 #17.258, 17.259, 17.260, Workforce Investment Act Cluster
(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, 2008
(Continued)

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

Finding 2008-1

Significant Deficiency/Material Weakness – Internal Controls Over Financial Reporting

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

- Debt Balances.
- Intergovernmental revenue.
- Sales tax receivables.
- Undistributed Monies

The accompanying financial statements were adjusted to reflect correction of material and certain immaterial reclassifications. The County should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately reported.

Client Response:

Although these items were reclassified the County had them recorded on the financial statements just in another asset or liability account. They were just moved from one line item to another which had no affect on the financial statements. The County will look at these items to see which line item properly reflects the asset or liability for future financial statements. The County makes every effort to decrease misstatements and present it's financial statements accurately. We take our financial statements very seriously as evidenced by the fact that we continue to file the GAAP reports required instead of modified cash statements prepared under an OCBOA.

Finding 2008-2

Material Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations at the legal level of control in the Special Assessments Debt Service Fund by \$307,087. The County should implement procedures to ensure that expenditures are made with authorized limits.

Client Response:

The County monitors appropriations throughout. We track compliance throughout the calendar year and let departments know to make changes as necessary. We will continue to monitor this monthly.

Allen County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2008
(Continued)

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

Finding 2008-3

Material Noncompliance – Amended Certificates

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The County appropriated more than actual revenues in the Job and Family Services Fund by \$6,111,828.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The County should implement monitoring procedures to ensure that appropriations do not exceed actual revenues.

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.

Finding 2008-4

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 cash balance indicates that money from one fund was used to cover the expenses of another fund. Several instances of negative fund cash 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 current fiscal year but the departments are reluctant to change due to the amount of extra work it will create.

Allen County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2008
(Continued)

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

Finding 2008-5

Noncompliance – Filing of Annual Report

Ohio Revised Code Section 117.38 states entities must file an annual report with the Auditor of State within 150 days of fiscal year end.

For 2008, the County’s management did not submit a draft annual report to the Auditor of Sate within 150 days of fiscal year end. The County’s management should prepare its annual report and submit it to the Auditor of Sate within 150 days of fiscal year end.

Client Response:

The County makes every effort to have financial statements submitted within a 150 days of year end and realized the importance of timely data. Unfortunately, due to staff constraints and day to day operations priorities must be set and not all items get done when liked. 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.

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, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-1	Material Weakness – Internal Controls Over Financial Reporting	No	Reissued as Finding 2008-1
2007-2	Noncompliance – Amended Certificates	No	Reissued as Finding 2008-3
2007-3	Noncompliance – Negative Fund Balances	No	Reissued as Finding 2008-4



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1, 2009**