



Dave Yost • Auditor of State

**FINANCIAL CONDITION
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the component units LODDI and Marimor Industries, which represent 100 percent of assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for LODDI, and Marimor Industries, is based solely on the reports of the other auditor. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditor audited the financial statements of the component unit LODDI in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

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Opinion

In our opinion based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio (the County), as of and for the year ended as of December 31, 2014, and the respective changes in its financial position and where applicable, its cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gasoline Tax, Job and Family Services, Developmental Disabilities, and Children Services funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 18, 2016

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**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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, 2014. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Highlights

In total, the County's net position increased \$12,294,854, or approximately 10 percent. Governmental activities increased 11 percent and the business-type activity increased 10 percent.

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 position and the statement of activities provide information about the activities of the County as a whole, presenting both an aggregate and a longer-term view of the County.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the County's most significant funds individually and the County's non-major funds in a single column. The County's major funds are the General Fund, the Motor Vehicle and Gasoline Tax, Job and Family Services, Developmental Disabilities, and Children Services special revenue funds, and the Sewer enterprise fund.

Reporting the County as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2014. 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 position and changes in net position. This change in net position 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 property tax base and the condition of the County's capital assets. These factors must be considered when assessing the overall health of the County.

In the statement of net position and the statement of activities, the County is divided into three distinct types of activities.

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

Business-Type Activity – This service is provided on a charge for services basis and is intended to recover all or most of the costs of the service provided. The County's sewer operations are reported here.

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds, the General Fund, the Motor Vehicle and Gasoline Tax, Job and Family Services, Developmental Disabilities, and Children Services special revenue funds, and the Sewer enterprise fund. While the County uses many funds to account for its financial transactions, these are the most significant.

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

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

Proprietary Funds – The County's proprietary fund consists of one enterprise fund. Enterprise funds use the accrual basis of accounting and are used to report the same functions presented as business-type activities on the government-wide financial statements.

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2014 and 2013.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and Other Assets	\$68,555,287	\$65,660,979	\$10,806,806	\$6,561,444	\$79,362,093	\$72,222,423
Capital Assets, Net	62,628,414	57,815,653	46,934,785	38,493,624	109,563,199	96,309,277
Total Assets	<u>131,183,701</u>	<u>123,476,632</u>	<u>57,741,591</u>	<u>46,055,068</u>	<u>188,925,292</u>	<u>168,531,700</u>
Liabilities:						
Current and Other Liabilities	3,773,885	2,211,250	4,634,308	171,290	8,408,193	2,382,540
Long-Term Liabilities	19,298,231	22,688,407	19,220,205	14,022,975	38,518,436	36,711,382
Total Liabilities	<u>23,072,116</u>	<u>24,899,657</u>	<u>23,854,513</u>	<u>14,194,265</u>	<u>46,926,629</u>	<u>39,093,922</u>
Deferred Inflows of Resources	<u>12,599,786</u>	<u>12,333,755</u>			<u>12,599,786</u>	<u>12,333,755</u>
Net Position:						
Net Investment in Capital Assets	47,029,468	40,444,350	23,343,613	24,654,045	70,373,081	65,098,395
Restricted	38,677,509	34,835,153			38,677,509	34,835,153
Unrestricted	9,804,822	10,963,717	10,543,465	6,206,758	20,348,287	17,170,475
Total Net Position	<u>\$95,511,799</u>	<u>\$86,243,220</u>	<u>\$33,887,078</u>	<u>\$30,860,803</u>	<u>\$129,398,877</u>	<u>\$117,104,023</u>

For governmental activities, there was a 6 percent increase in total assets. The most significant increase in current and other assets is due to additional grant and entitlement funding. The increase in net capital assets was largely the result of additional construction, including improvements to the Developmental Disabilities facility and a number of road related projects such as Hook Waltz Road, the Shawnee Roundabout, and Shawnee Road. Construction also contributed to the increase in current and other liabilities due to contractual obligations outstanding at year end. Current and other liabilities also reflects the issuance of \$554,246 in bond anticipation notes for various improvements. The decrease in long-term liabilities generally represents scheduled debt retirement.

For business-type activities, there was a sizable increase in current and other assets, a substantial portion related to amounts due from the Ohio Water Development Authority for various sewer projects underway. Note the increase in net capital assets, in large part, due to \$9 million in new construction during 2014. Ongoing construction is also reflected in the increase in current and other liabilities due to outstanding contractual obligations at year end. The increase in long-term liabilities represents loan proceeds from the Ohio Water Development Authority.

Table 2 reflects the change in net position for 2014 and 2013.

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

**Table 2
Change in Net Position**

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$10,776,913	\$10,410,784	\$8,298,873	\$7,096,824	\$19,075,786	\$17,507,608
Operating Grants, Contributions And Interest	29,959,899	25,721,121			29,959,899	25,721,121
Capital Grants and Contributions	4,974,062	1,384,679			4,974,062	1,384,679
Total Program Revenues	45,710,874	37,516,584	8,298,873	7,096,824	54,009,747	44,613,408
General Revenues:						
Property Taxes Levied for						
General Operations	2,696,712	2,643,849			2,696,712	2,643,849
Health Developmental Disabilities	5,555,153	4,625,520			5,555,153	4,625,520
Human Services-Children Services	2,436,199	2,136,288			2,436,199	2,136,288
Debt Service	1,232,084	1,241,004			1,232,084	1,241,004
Marimor Permanent Improvement	483,059	402,220			483,059	402,220
Permissive Sales Taxes	17,438,363	15,343,644			17,438,363	15,343,644
Grants and Entitlements	3,635,373	5,476,498			3,635,373	5,476,498
Interest	470,505	10,425	1,567	1,943	472,072	12,368
Other	5,847,135	4,424,181	39,389	27,224	5,886,524	4,451,405
Total General Revenues	39,794,583	36,303,629	40,956	29,167	39,835,539	36,332,796
Total Revenues	85,505,457	73,820,213	8,339,829	7,125,991	93,845,286	80,946,204
Program Expenses:						
General Government:						
Legislative and Executive	11,489,922	11,932,396			11,489,922	11,932,396
Judicial	8,412,600	8,524,170			8,412,600	8,524,170
Public Safety	10,275,181	11,408,789			10,275,181	11,408,789
Public Works	9,582,860	11,537,600			9,582,860	11,537,600
Health:						
Developmental Disabilities	16,181,763	15,296,189			16,181,763	15,296,189
Other Health	425,761	149,474			425,761	149,474
Human Services:						
Job and Family Services	8,423,562	7,987,041			8,423,562	7,987,041
Children Services	6,035,829	5,836,461			6,035,829	5,836,461
Other Human Services	2,790,623	282,918			2,790,623	282,918
Conservation and Recreation	1,578,537	1,687,275			1,578,537	1,687,275
Interest and Fiscal Charges	337,282	522,875			337,282	522,875
Sewer			6,016,512	6,846,594	6,016,512	6,846,594
Total Expenses	75,533,920	75,165,188	6,016,512	6,846,594	81,550,432	82,011,782
Increase (Decrease) in Net Position Before Transfers	9,971,537	(1,344,975)	2,323,317	279,397	12,294,854	(1,065,578)
Transfers	(702,958)	209,797	702,958	(209,797)		
Increase (Decrease) in Net Position	9,268,579	(1,135,178)	3,026,275	69,600	12,294,854	(1,065,578)
Net Position Beginning of Year	86,243,220	87,378,398	30,860,803	30,791,203	117,104,023	118,169,601
Net Position End of Year	\$95,511,799	\$86,243,220	\$33,887,078	\$30,860,803	\$129,398,877	\$117,104,023

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

For governmental activities, there was a 22 percent increase in program revenues primarily due to additional restricted grant resources. For general revenues, the increase in permissive sales taxes (improving economy) was largely offset by a decrease in unrestricted grants and entitlements (largely state shared revenues). In total, there was a 16 percent increase in revenues overall.

Total expenses increased less than 1 percent. Many program expenses did not change dramatically from the prior year; however, there was a significant decrease in the public works program. This program is primarily road and bridge related activities and is based on the projects undertaken during the year. The other program that changed substantially was other human services and primarily related to the Child Support Enforcement Agency.

For the business-type activity, program revenues are almost 100 percent of total revenues (charges for sewer services). Charges for services revenue increased 17 percent from the prior year. These charges on based on usage. Expenses decreased due to a significant reduction in project costs from the prior year.

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	
	2014	2013	2014	2013
General Government:				
Legislative and Executive	\$11,489,922	\$11,932,396	\$6,986,468	\$6,051,473
Judicial	8,412,600	8,524,170	4,280,909	4,409,857
Public Safety	10,275,181	11,408,789	8,464,884	9,368,104
Public Works	9,582,860	11,537,600	(2,451,834)	3,011,583
Health:				
Developmental Disabilities	16,181,763	15,296,189	8,025,144	8,984,578
Other Health	425,761	149,474	(1,756)	149,474
Human Services:				
Job and Family Services	8,423,562	7,987,041	892,767	1,095,063
Children Services	6,035,829	5,836,461	1,522,864	2,850,474
Other Human Services	2,790,623	282,918	642,183	282,918
Conservation and Recreation	1,578,537	1,687,275	1,124,135	753,410
Interest and Fiscal Charges	337,282	522,875	337,282	522,875
Total Expenses	\$75,533,920	\$75,165,188	\$29,823,046	\$37,654,058

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) supported 39 percent of the services provided by the County (50 percent in 2013). However, a review of the table above reveals that a number of the County's programs have consistently received substantial support through program revenues. For instance, 34 percent of the legislative and executive program costs were provided for through various charges for services. The judicial program also provides for 49 percent of its costs through various fines, court costs, and grants. A considerable portion, and for 2014, all of the public works program was provided for through program revenues, primarily motor vehicle license and gas taxes as well as from charges to other governmental entities for which the County Engineer provides services. Grants provide for a significant portion of the costs of the health and human services programs (Developmental Disabilities, Job and Family Services, and Children Services programs).

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund, the Motor Vehicles and Gasoline Tax, Job and Family Services, Developmental Disabilities, and the Children Services special revenue funds.

Fund balance in the General Fund increased 4 percent from the prior year due to a 3 percent increase in revenues and a 1 percent decrease in expenditures.

The Motor Vehicle and Gas Tax Fund had a 32 percent decrease in fund balance. Revenues were similar to the prior year; however, expenditures increased due to the number of projects undertaken in 2015.

There was a 20 percent increase in fund balance in the Job and Family Services Fund due, in part, to a transfer from the General Fund.

The Developmental Disabilities Fund had a decrease in fund balance of over 11 percent. Revenues were similar to the prior year but there was an increase in expenditures of approximately \$950,000 due to the need for services.

Fund balance increased 6 percent in the Children Services Fund. Revenues increased over 6 percent while expenditures only increased approximately 4 percent.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and change in fund net position, the Sewer Fund had operating income for 2014 of \$2,643,490. The Sewer Fund also received a significant contribution of capital assets from governmental activities in 2014. The overall increase in net position was 10 percent.

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 as are required by State statute, including the annual appropriations resolution which is effective the first day of January. The County's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant. Actual expenditures were less than amounts budgeted in all programs due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets – The County's net investment in capital assets for governmental and business-type activities as of December 31, 2014, was \$47,029,468 and \$23,343,613, respectively (net of accumulated depreciation and related debt). The primary additions for governmental activities consisted of construction and road and bridge improvements. Disposals were minimal. For the business-type activity, additions were primarily construction and infrastructure improvements. Disposals were minimal. For further information regarding the County's capital assets, refer to Note 11 to the basic financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Debt – At December 31, 2014, the County had \$6,889,000 in general obligation bonds, \$2,267,644 in special assessment bonds/notes, \$1,532,587 in OPWC loans, and \$4,517,889 in OWDA loans payable from governmental activities. The business-type activity had \$1,905,356 in bond anticipation notes, \$2,210,395 in revenue bonds, \$35,675 in OPWC loans, and \$16,535,572 in OWDA loans outstanding at year end.

In addition to the debt outlined above, the County's long-term debt also includes capital leases and compensated absences. For additional information on the County's debt, refer to Notes 18, 19, and 20 to the basic financial statements.

Current Issues

The unemployment rate for the County was 4.6 percent as of December 2014, which is lower than one year ago. This rate is lower than State's rate of 4.7 percent and below the national rate of 5.6 percent.

The Allen County Commissioners and elected officials have continued monitoring the budget closely and have been diligent in keeping expenditures in line with revenues.

The County has seen a shift in the revenue since 2007. Sales taxes were 49 percent of the General Fund's revenue in 2007 and 58 percent in 2014. Interest revenue was 11 percent in 2007 and less than 2 percent in 2014. Local government funds were 7 percent of revenue and are now 4 percent of total revenue. This shift in revenue has made the County even more dependent on sales tax revenue.

Sales tax revenue increased in 2014 due to continued economic recovery. The County also experienced a slight increase in casino revenue. Casino revenue was \$1,264,157 in 2014 compared to \$1,192,417 in 2013. Local government funding decreased again in 2014 which resulted in an overall cut of approximately \$1 million from the State based distribution in 2008.

Request for Information

This financial report is designed to provide a general overview of the County's finances 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-Steinecker, Allen County Auditor, 301 North Main Street, Lima, Ohio 45801 or by visiting the County's website at www.allencountyohio.com.

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**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF NET POSITION
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2014**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	LODDI	Marimor Industries
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$35,698,951	\$3,793,029	\$39,491,980		
Cash and Cash Equivalents in Segregated Accounts	764,671		764,671	\$170,710	\$181,766
Cash and Cash Equivalents with Escrow Agent	251,021	210,451	461,472		
Cash and Cash Equivalents with Fiscal Agent		621,030	621,030		
Investments in Segregated Accounts					313,919
Asset Deposit					154,644
Accounts Receivable	80,730	2,220,219	2,300,949		34,320
Accrued Interest Receivable	76,282		76,282		
Permissive Sales Taxes Receivable	4,374,339		4,374,339		
Permissive Motor Vehicle License Taxes Receivable	27,381		27,381		
Due from Other Governments	8,596,319	2,376,865	10,973,184		
Due from Component Unit	47,323		47,323		
Prepaid Items	190,908		190,908		3,691
Materials and Supplies Inventory	615,683	57,001	672,684		
Internal Balances	(668,722)	668,722			
Property Taxes Receivable	13,526,735		13,526,735		
Notes Receivable	1,710,926		1,710,926		
Special Assessments Receivable	3,262,740	859,489	4,122,229		
Non-depreciable Capital Assets	11,041,056	10,178,864	21,219,920	135,702	
Depreciable Capital Assets, Net	51,587,358	36,755,921	88,343,279	838,003	251,775
Total Assets	131,183,701	57,741,591	188,925,292	1,144,415	940,115
Liabilities:					
Accrued Wages Payable	608,209	30,783	638,992		12,289
Accounts Payable	425,796	20,949	446,745	4,000	6,075
Contracts Payable	516,504	2,089,880	2,606,384		
Due to Other Governments	1,191,368	43,064	1,234,432		6,909
Due to Primary Government					47,323
Due to External Parties	1,500		1,500		
Retainage Payable	331,092	517,186	848,278		
Accrued Interest Payable	55,908	27,090	82,998		
Notes Payable	554,246	1,905,356	2,459,602		
Unearned Revenue	89,262		89,262		
Long-Term Liabilities:					
Due Within One Year	4,919,673	1,254,009	6,173,682	11,379	
Due in More Than One Year	14,378,558	17,966,196	32,344,754	10,076	
Total Liabilities	23,072,116	23,854,513	46,926,629	25,455	72,596
Deferred Inflows of Resources:					
Property Taxes	12,599,786		12,599,786		
Net Position:					
Net Investment in Capital Assets	47,029,468	23,343,613	70,373,081	952,250	251,775
Restricted for:					
Debt Service	4,087,579		4,087,579		
Capital Projects	4,556,497		4,556,497		
Public Works	3,585,696		3,585,696		
Developmental Disabilities	10,704,779		10,704,779		
Job and Family Services	1,323,903		1,323,903		
Children Services	3,780,003		3,780,003		
Real Estate Assessment	2,875,652		2,875,652		
Revolving Loan	2,824,606		2,824,606		
Ditch Maintenance	853,109		853,109		
Other Purposes	4,085,685		4,085,685		
Unrestricted	9,804,822	10,543,465	20,348,287	166,630	615,744
Total Net Position	\$95,511,799	\$33,887,078	\$129,398,877	\$1,118,880	\$867,519

See Accompanying Notes to the Basic Financial Statements .

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
Governmental Activities:				
General Government:				
Legislative and Executive	\$11,489,922	\$3,905,821	\$597,633	
Judicial	8,412,600	1,886,331	2,245,360	
Public Safety	10,275,181	948,478	621,998	\$239,821
Public Works	9,582,860	2,438,363	4,862,090	4,734,241
Health:				
Developmental Disabilities	16,181,763	474,298	7,682,321	
Other Health	425,761	427,517		
Human Services:				
Job and Family Services	8,423,562	81	7,530,714	
Children Services	6,035,829	110,673	4,402,292	
Other Human Services	2,790,623	420,337	1,728,103	
Conservation and Recreation	1,578,537	165,014	289,388	
Interest and Fiscal Charges	337,282			
Total Governmental Activities	75,533,920	10,776,913	29,959,899	4,974,062
Business-Type Activity:				
Sewer	6,016,512	8,298,873		
Total Primary Government	\$81,550,432	\$19,075,786	\$29,959,899	\$4,974,062
Component Units:				
LODDI	\$158,900	\$125,181	\$0	
Marimor Industries	4,304,274	608,930	3,499,756	
Total Component Units	\$4,463,174	\$734,111	\$3,499,756	

General Revenues:

Property Taxes Levied for:

General Operating
 Health-Developmental Disabilities
 Human Services-Children Services
 Debt Service
 Marimor Permanent Improvement
 Permissive Sales Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Interest
 Other
 Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (Note 3)

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements.

Net (Expense) Revenue and Change in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	LODDI	Marimor Industries
(\$6,986,468)		(\$6,986,468)		
(4,280,909)		(4,280,909)		
(8,464,884)		(8,464,884)		
2,451,834		2,451,834		
(8,025,144)		(8,025,144)		
1,756		1,756		
(892,767)		(892,767)		
(1,522,864)		(1,522,864)		
(642,183)		(642,183)		
(1,124,135)		(1,124,135)		
(337,282)		(337,282)		
<u>(29,823,046)</u>		<u>(29,823,046)</u>		
	\$2,282,361	2,282,361		
<u>(29,823,046)</u>	<u>2,282,361</u>	<u>(27,540,685)</u>		
			(\$33,719)	
				(\$195,588)
			<u>(33,719)</u>	<u>(195,588)</u>
2,696,712		2,696,712		
5,555,153		5,555,153		
2,436,199		2,436,199		
1,232,084		1,232,084		
483,059		483,059		
17,438,363		17,438,363		
3,635,373		3,635,373		117,548
470,505	1,567	472,072	32	21,249
5,847,135	39,389	5,886,524	12,108	72,568
<u>39,794,583</u>	<u>40,956</u>	<u>39,835,539</u>	<u>12,140</u>	<u>211,365</u>
(702,958)	702,958			
<u>39,091,625</u>	<u>743,914</u>	<u>39,835,539</u>	<u>12,140</u>	<u>211,365</u>
9,268,579	3,026,275	12,294,854	(21,579)	15,777
<u>86,243,220</u>	<u>30,860,803</u>	<u>117,104,023</u>	<u>1,140,459</u>	<u>851,742</u>
<u>\$95,511,799</u>	<u>\$33,887,078</u>	<u>\$129,398,877</u>	<u>\$1,118,880</u>	<u>\$867,519</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$6,613,974	\$733,492	\$1,762,872	\$9,405,092
Cash and Cash Equivalents in Segregated Accounts	1,794			
Accounts Receivable	4,312	1,984		74,434
Accrued Interest Receivable	76,282			
Permissive Sales Taxes Receivable	4,181,232			
Permissive Motor Vehicle License Taxes Receivable		27,381		
Due from Other Governments	732,769	2,858,198	12,601	2,133,109
Due from Component Unit				47,323
Prepaid Items	190,908			
Materials and Supplies Inventory	44,204	413,532	56,384	92,047
Interfund Receivable	177,427		100,000	2,492
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	199,358			
Cash and Cash Equivalents with Escrow Agent				
Property Taxes Receivable	2,880,218			6,012,919
Notes Receivable				
Special Assessments Receivable				
Total Assets	<u>\$15,102,478</u>	<u>\$4,034,587</u>	<u>\$1,931,857</u>	<u>\$17,767,416</u>
Liabilities:				
Accrued Wages Payable	\$233,773	\$48,393	\$69,347	\$137,362
Accounts Payable	140,338	6,651	47,847	7,704
Contracts Payable		325,766		
Due to Other Governments	277,528	123,997	71,618	595,175
Due to External Parties	1,500			
Interfund Payable	105,000			
Payable from Restricted Assets:				
Retainage Payable				
Accrued Interest Payable				
Notes Payable				
Unearned Revenue			89,262	
Retainage Payable		8,508		
Total Liabilities	<u>758,139</u>	<u>513,315</u>	<u>278,074</u>	<u>740,241</u>
Deferred Inflows of Resources:				
Property Taxes Receivable	2,673,534			5,580,760
Unavailable Revenue	3,831,219	2,412,290	12,601	2,004,305
Total Deferred Inflows of Resources	<u>6,504,753</u>	<u>2,412,290</u>	<u>12,601</u>	<u>7,585,065</u>
Fund Balance:				
Non-spendable	434,470	413,532	56,384	92,047
Restricted		695,450	1,584,798	9,350,063
Assigned	1,549,982			
Unassigned (Deficit)	5,855,134			
Total Fund Balance	<u>7,839,586</u>	<u>1,108,982</u>	<u>1,641,182</u>	<u>9,442,110</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$15,102,478</u>	<u>\$4,034,587</u>	<u>\$1,931,857</u>	<u>\$17,767,416</u>

See Accompanying Notes to the Basic Financial Statements.

Children Services	Other Governmental	Total
\$3,001,519	\$13,982,644	\$35,499,593
17,050	745,827	764,671
		80,730
		76,282
	193,107	4,374,339
		27,381
1,110,762	1,748,880	8,596,319
		47,323
		190,908
9,516		615,683
	305,000	584,919
		199,358
	251,021	251,021
2,615,010	2,018,588	13,526,735
	1,710,926	1,710,926
	3,262,740	3,262,740
<u>\$6,753,857</u>	<u>\$24,218,733</u>	<u>\$69,808,928</u>
\$54,573	\$64,761	\$608,209
5,778	217,478	425,796
	190,738	516,504
54,438	68,612	1,191,368
		1,500
102,492	1,046,149	1,253,641
	251,021	251,021
	2,369	2,369
	554,246	554,246
		89,262
	71,563	80,071
<u>217,281</u>	<u>2,466,937</u>	<u>4,973,987</u>
2,458,431	1,887,061	12,599,786
1,139,279	4,651,829	14,051,523
<u>3,597,710</u>	<u>6,538,890</u>	<u>26,651,309</u>
9,516		1,005,949
2,929,350	15,367,255	29,926,916
	4,813	1,554,795
	(159,162)	5,695,972
<u>2,938,866</u>	<u>15,212,906</u>	<u>38,183,632</u>
<u>\$6,753,857</u>	<u>\$24,218,733</u>	<u>\$69,808,928</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Total Governmental Fund Balance	\$38,183,632
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	62,628,414
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	\$35,963	
Accrued Interest Receivable	58,349	
Permissive Sales Taxes Receivable	3,087,364	
Due from Other Governments	6,680,158	
Delinquent Property Taxes Receivable	926,949	
Special Assessments Receivable	3,262,740	
		14,051,523

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Special Assessment Notes Payable	(887,257)	
General Obligation Bonds Payable	(6,889,085)	
Special Assessment Bonds Payable	(2,267,644)	
OPWC Loans Payable	(1,532,587)	
OWDA Loans Payable	(4,517,889)	
Capital Leases Payable	(17,646)	
Compensated Absences Payable	(3,186,123)	
		(19,298,231)

Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds; it is reported when due.

(53,539)

Net Position of Governmental Activities	<u><u>\$95,511,799</u></u>
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See Accompanying Notes to the Basic Financial Statements.

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**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Motor Vehicle and Gasoline Tax</u>	<u>Job and Family Services</u>	<u>Developmental Disabilities</u>
Revenues:				
Property Taxes	\$2,695,340			\$5,552,283
Permissive Sales Taxes	14,860,932			
Permissive Motor Vehicle License Taxes		\$344,514		
Charges for Services	4,915,498	690,393	\$81	599,428
Licenses and Permits	5,455	12,795		
Fines and Forfeitures	1,122	157,026		
Intergovernmental	1,565,649	5,467,145	7,518,113	7,120,121
Special Assessments				
Interest	468,603	356		70
Other	1,059,266	86,734	787,806	1,657,969
Total Revenues	<u>25,571,865</u>	<u>6,758,963</u>	<u>8,306,000</u>	<u>14,929,871</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	8,667,084			
Judicial	6,126,466			
Public Safety	8,834,404			
Public Works	228,219	7,152,883		
Health	190,902			16,160,866
Human Services	406,649		8,404,899	
Conservation and Recreation	265,008			
Other	39,311			
Capital Outlay				
Debt Service:				
Principal Retirement	48,583	128,533		
Interest and Fiscal Charges	8,480			
Total Expenditures	<u>24,815,106</u>	<u>7,281,416</u>	<u>8,404,899</u>	<u>16,160,866</u>
Excess of Revenues Over (Under) Expenditures	<u>756,759</u>	<u>(522,453)</u>	<u>(98,899)</u>	<u>(1,230,995)</u>
Other Financing Sources (Uses):				
Bond Anticipation Notes Issued				
OWDA Loans Issued				
Transfers In			375,481	
Transfers Out	(451,063)			
Total Other Financing Sources (Uses)	<u>(451,063)</u>		<u>375,481</u>	
Changes in Fund Balance	305,696	(522,453)	276,582	(1,230,995)
Fund Balance Beginning of Year - Restated (Note 3)	<u>7,533,890</u>	<u>1,631,435</u>	<u>1,364,600</u>	<u>10,673,105</u>
Fund Balance End of Year	<u>\$7,839,586</u>	<u>\$1,108,982</u>	<u>\$1,641,182</u>	<u>\$9,442,110</u>

See Accompanying Notes to the Basic Financial Statements.

Children Services	Other Governmental	Total
\$2,435,159	\$1,714,270	\$12,397,052
	772,426	15,633,358
		344,514
110,673	2,943,096	9,259,169
	489,496	507,746
	48,135	206,283
3,419,592	11,130,738	36,221,358
	1,189,015	1,189,015
	1,421	470,450
232,820	1,935,958	5,760,553
<u>6,198,244</u>	<u>20,224,555</u>	<u>81,989,498</u>
	2,394,308	11,061,392
	2,176,245	8,302,711
	1,575,504	10,409,908
	4,202,866	11,583,968
	313,338	16,665,106
6,024,902	2,267,171	17,103,621
	902,312	1,167,320
		39,311
	4,642,626	4,642,626
	4,388,799	4,565,915
	346,583	355,063
<u>6,024,902</u>	<u>23,209,752</u>	<u>85,896,941</u>
<u>173,342</u>	<u>(2,985,197)</u>	<u>(3,907,443)</u>
	887,257	887,257
	375,581	375,581
	261,173	636,654
		(451,063)
	<u>1,524,011</u>	<u>1,448,429</u>
173,342	(1,461,186)	(2,459,014)
<u>2,765,524</u>	<u>16,674,092</u>	<u>40,642,646</u>
<u>\$2,938,866</u>	<u>\$15,212,906</u>	<u>\$38,183,632</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Changes in Fund Balance - Total Governmental Funds (\$2,459,014)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital Outlay - Nondepreciable Capital Assets	\$6,264,620	
Capital Outlay - Depreciable Capital Assets	1,979,553	
Depreciation	<u>(3,397,724)</u>	
		4,846,449

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (33,688)

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

Delinquent Property Taxes	6,155	
Permissive Sales Taxes	1,805,005	
Charges for Services	(244,519)	
Intergovernmental	2,346,129	
Special Assessments	(485,295)	
Interest	1,902	
Other	<u>86,582</u>	
		3,515,959

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

Special Assessment Notes Payable	1,664,298	
General Obligation Bonds Payable	1,758,583	
Special Assessment Bonds Payable	516,458	
OPWC Loans Payable	128,533	
OWDA Loans Payable	478,193	
Capital Leases Payable	<u>19,850</u>	
		4,565,915

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

Special Assessment Notes	(887,257)	
OWDA Loans	<u>(375,581)</u>	
		(1,262,838)

**FINANCIAL CONDITION
ALLEN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	\$8,697
Amortization of Premium	9,084

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

78,015

Change in Net Position of Governmental Activities

\$9,268,579

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
Property Taxes	\$2,546,000	\$2,546,000	\$2,674,880	\$128,880
Permissive Sales Taxes	14,400,000	14,400,000	14,731,236	331,236
Charges for Services	3,929,757	4,756,930	4,814,917	57,987
Licenses and Permits	6,030	6,030	5,455	(575)
Fines and Forfeitures	100,000	100,000	99,178	(822)
Intergovernmental	1,592,623	1,592,623	1,553,695	(38,928)
Interest	225,040	225,040	251,933	26,893
Other	1,109,877	1,109,877	865,633	(244,244)
Total Revenues	<u>23,909,327</u>	<u>24,736,500</u>	<u>24,996,927</u>	<u>260,427</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	8,662,448	8,974,345	8,493,567	480,778
Judicial	6,593,666	6,393,523	6,080,965	312,558
Public Safety	8,867,460	8,995,773	8,811,719	184,054
Public Works	237,278	238,261	226,166	12,095
Health	201,500	201,500	190,902	10,598
Human Services	653,567	653,567	406,978	246,589
Conservation and Recreation	274,354	277,139	264,153	12,986
Other	200,000	200,000	39,311	160,689
Debt Service:				
Principal Retirement	48,583	48,583	48,583	
Interest and Fiscal Charges	8,610	8,609	8,480	129
Total Expenditures	<u>25,747,466</u>	<u>25,991,300</u>	<u>24,570,824</u>	<u>1,420,476</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,838,139)</u>	<u>(1,254,800)</u>	<u>426,103</u>	<u>1,680,903</u>
Other Financing Sources (Uses):				
Other Financing Sources	128,500	128,500	200,692	72,192
Sale of Capital Assets	1,000	1,000		(1,000)
Advances In	50,000	50,000	119,981	69,981
Advances Out	(20,000)	(279,243)	(279,243)	
Transfers Out	175,150	(474,850)	(451,063)	23,787
Total Other Financing Sources (Uses)	<u>334,650</u>	<u>(574,593)</u>	<u>(409,633)</u>	<u>164,960</u>
Changes in Fund Balance	(1,503,489)	(1,829,393)	16,470	1,845,863
Fund Balance Beginning of Year	6,455,850	6,455,850	6,455,850	
Prior Year Encumbrances Appropriated	<u>127,755</u>	<u>127,755</u>	<u>127,755</u>	
Fund Balance End of Year	<u>\$5,080,116</u>	<u>\$4,754,212</u>	<u>\$6,600,075</u>	<u>\$1,845,863</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MOTOR VEHICLE AND GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
Permissive Motor Vehicle License Taxes	\$320,000	\$320,000	\$344,307	\$24,307
Charges for Services	710,000	690,000	703,153	13,153
Licenses and Permits	10,000	10,000	12,795	2,795
Fines and Forfeitures	200,000	200,000	160,313	(39,687)
Intergovernmental	5,461,107	5,461,107	5,430,252	(30,855)
Interest	1,000	1,000	425	(575)
Total Revenues	<u>6,702,107</u>	<u>6,682,107</u>	<u>6,651,245</u>	<u>(30,862)</u>
Expenditures:				
Current:				
Public Works	6,854,025	8,351,214	6,890,446	1,460,768
Debt Service:				
Principal Retirement	129,650	129,650	128,533	1,117
Total Expenditures	<u>6,983,675</u>	<u>8,480,864</u>	<u>7,018,979</u>	<u>1,461,885</u>
Excess of Revenues Under Expenditures	(281,568)	(1,798,757)	(367,734)	1,431,023
Other Financing Sources:				
Other Financing Sources	110,000	1,194,234	86,734	(1,107,500)
Changes in Fund Balance	(171,568)	(604,523)	(281,000)	323,523
Fund Balance Beginning of Year	899,346	899,346	899,346	
Prior Year Encumbrances Appropriated	9,444	9,444	9,444	
Fund Balance End of Year	<u>\$737,222</u>	<u>\$304,267</u>	<u>\$627,790</u>	<u>\$323,523</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JOB AND FAMILY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$8,777,500	\$8,015,332	\$7,607,375	(\$407,957)
Charges for Services	500	100	81	(19)
Total Revenues	<u>8,778,000</u>	<u>8,015,432</u>	<u>7,607,456</u>	<u>(407,976)</u>
Expenditures:				
Current:				
Human Services	10,226,600	8,563,709	8,533,212	30,497
Excess of Revenues Under Expenditures	<u>(1,448,600)</u>	<u>(548,277)</u>	<u>(925,756)</u>	<u>(377,479)</u>
Other Financing Sources:				
Other Financing Sources	1,173,600	685,600	687,806	2,206
Transfers In	900,000	313,859	375,481	61,622
Total Other Financing Sources	<u>2,073,600</u>	<u>999,459</u>	<u>1,063,287</u>	<u>63,828</u>
Changes in Fund Balance	625,000	451,182	137,531	(313,651)
Fund Balance Beginning of Year	<u>1,595,341</u>	<u>1,595,341</u>	<u>1,595,341</u>	
Fund Balance End of Year	<u><u>\$2,220,341</u></u>	<u><u>\$2,046,523</u></u>	<u><u>\$1,732,872</u></u>	<u><u>(\$313,651)</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$5,328,575	\$5,328,575	\$5,509,502	\$180,927
Charges for Services	524,117	524,117	608,320	84,203
Intergovernmental	7,850,311	7,953,107	6,811,880	(1,141,227)
Interest	200	200	81	(119)
Other	300,211	300,211	463,438	163,227
Total Revenues	<u>14,003,414</u>	<u>14,106,210</u>	<u>13,393,221</u>	<u>(712,989)</u>
Expenditures:				
Current:				
Human Services	16,355,614	23,635,972	16,108,256	7,527,716
Excess of Revenues Under Expenditures	(2,352,200)	(9,529,762)	(2,715,035)	6,814,727
Other Financing Sources:				
Other Financing Sources	905,943	905,943	1,105,173	199,230
Changes in Fund Balance	(1,446,257)	(8,623,819)	(1,609,862)	7,013,957
Fund Balance Beginning of Year	<u>10,812,150</u>	<u>10,812,150</u>	<u>10,812,150</u>	
Fund Balance End of Year	<u>\$9,365,893</u>	<u>\$2,188,331</u>	<u>\$9,202,288</u>	<u>\$7,013,957</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
CHILDREN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$2,349,980	\$2,349,980	\$2,419,659	\$69,679
Charges for Services	115,500	115,500	110,673	(4,827)
Intergovernmental	3,813,708	3,813,708	3,452,424	(361,284)
Total Revenues	<u>6,279,188</u>	<u>6,279,188</u>	<u>5,982,756</u>	<u>(296,432)</u>
Expenditures:				
Current:				
Human Services	<u>6,565,493</u>	<u>6,565,493</u>	<u>6,139,480</u>	<u>426,013</u>
Excess of Revenues Under Expenditures	(286,305)	(286,305)	(156,724)	129,581
Other Financing Sources:				
Other Financing Sources	<u>250,000</u>	<u>250,000</u>	<u>228,477</u>	<u>(21,523)</u>
Changes in Fund Balance	(36,305)	(36,305)	71,753	108,058
Fund Balance Beginning of Year	<u>2,751,288</u>	<u>2,751,288</u>	<u>2,751,288</u>	
Fund Balance End of Year	<u><u>\$2,714,983</u></u>	<u><u>\$2,714,983</u></u>	<u><u>\$2,823,041</u></u>	<u><u>\$108,058</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF FUND NET POSITION
ENTERPRISE FUND
DECEMBER 31, 2014**

	Sewer
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,732,298
Accounts Receivable	3,079,708
Due from Other Governments	2,376,865
Materials and Supplies Inventory	57,001
Interfund Receivable	668,722
Total Current Assets	7,914,594
Non-Current Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	2,060,731
Cash and Cash Equivalents with Escrow Agent	210,451
Cash and Cash Equivalents with Fiscal Agent	621,030
Non-depreciable Capital Assets	10,178,864
Depreciable Capital Assets, Net	36,755,921
Total Non-Current Assets	49,826,997
Total Assets	57,741,591
Liabilities:	
Current Liabilities:	
Accrued Wages Payable	30,783
Accounts Payable	20,949
Contracts Payable	2,089,880
Due to Other Governments	43,064
Retainage Payable	517,186
Accrued Interest Payable	27,090
Notes Payable	1,905,356
Revenue Bonds Payable	510,000
OPWC Loans Payable	15,509
OWDA Loans Payable	496,201
Compensated Absences Payable	111,038
Capital Leases Payable	121,261
Total Current Liabilities	5,888,317
Non-Current Liabilities:	
Revenue Bonds Payable	1,700,395
OPWC Loans Payable	20,166
OWDA Loans Payable	16,039,371
Capital Leases Payable	181,242
Compensated Absences Payable	25,022
Total Non-Current Liabilities	17,966,196
Total Liabilities	23,854,513
Net Position:	
Net Investment in Capital Assets	23,343,613
Unrestricted	10,543,465
Total Net Position	\$33,887,078

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN FUND NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Sewer
Operating Revenues:	
Charges for Services	\$8,297,573
Licenses, Permits, and Inspections	1,300
Other	39,389
Total Operating Revenues	8,338,262
Operating Expenses:	
Personal Services	2,109,754
Materials and Supplies	395,381
Contractual Services	1,357,930
Depreciation	1,831,707
Total Operating Expenses	5,694,772
Operating Income	2,643,490
Non-Operating Revenues (Expenses):	
Loss on Disposal of Capital Assets	(19,681)
Interest Revenue	1,567
Interest Expense	(302,059)
Total Non-Operating Revenues (Expenses)	(320,173)
Income Before Contributions and Transfers	2,323,317
Capital Contributions	888,549
Transfers Out	(185,591)
Change in Net Position	3,026,275
Net Position Beginning of Year - Restated (Note 3)	30,860,803
Net Position End of Year	\$33,887,078

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Sewer
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$7,461,203
Cash Payments for Personal Services	(2,118,224)
Cash Payments to Suppliers	(719,419)
Cash Payments for Contractual Services	(1,116,528)
Cash Received from Other Revenues	39,389
Net Cash Provided by Operating Activities	3,546,421
Cash Flows from Non-capital Financing Activities:	
Cash Received from Advances In	213,000
Cash Payments for Advances Out	(65,106)
Cash Payments for Transfers Out	(185,591)
Net Cash Provided by Noncapital Financing Activities	(37,697)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(6,796,934)
Principal Paid on Bond Anticipation Notes	(398,214)
Interest Paid on Bond Anticipation Notes	(70,566)
Principal Paid on Revenue Bonds	(490,000)
Interest Paid on Revenue Bonds	(125,213)
Proceeds of OWDA Loans	6,291,980
Principal Paid on OPWC Loans	(20,551)
Principal Paid on OWDA Loans	(491,272)
Interest Paid on OWDA Loans	(76,549)
Lease Principal	(117,536)
Lease Interest	(13,075)
Net Cash Used for Capital and Related Financing Activities	(2,307,930)
Cash Flows from Investing Activities:	
Interest on Investments	218
Net Increase in Cash and Cash Equivalents	1,201,012
Cash and Cash Equivalents Beginning of Year	3,423,498
Cash and Cash Equivalents End of Year	\$4,624,510

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

	Sewer
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$2,643,490
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,831,707
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,080,017)
Decrease in Special Assessments Receivable	242,347
Decrease in Prepaid Items	20,107
Decrease in Materials and Supplies Inventory	2,184
Increase in Accrued Wages Payable	6,244
Decrease in Accounts Payable	(23,664)
Decrease in Contracts Payable	(44,094)
Increase in Due to Other Governments	14,049
Decrease in Retainage Payable	(18,595)
Decrease in Compensated Absences Payable	(47,337)
Total Adjustments	902,931
Net Cash Provided by Operating Activities	\$3,546,421

Non-Cash Capital Transactions:

During 2014, governmental activities contributed capital assets to the Sewer enterprise fund, in the amount of \$888,549.

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	Investment Trust	Martha Mark Private Purpose Trust	Agency
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,891,617	\$12,596	\$11,463,618
Cash and Cash Equivalents in Segregated Accounts		7,219	1,321,212
Accounts Receivable			494,061
Due from Other Governments			3,692,392
Due from External Parties			1,500
Property Taxes Receivable			81,932,280
Special Assessments Receivable			13,835,914
Total Assets	4,891,617	19,815	\$112,740,977
Liabilities:			
Due to Other Governments			\$104,754,144
Undistributed Assets			7,986,761
Deposits Held and Due to Others			72
Total Liabilities			\$112,740,977
Net Position:			
Held in Trust for External Pool Participants	\$4,891,617	\$19,815	

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Additions:	
Interest	\$5,729
Capital Transactions	<u>32,898</u>
Total Additions	<u>38,627</u>
 Deductions:	
Operating Expenses	<u> </u>
Net Increase Resulting from Operations	38,627
Distributions to Participants	<u>(5,438)</u>
Change in Net Position	33,189
Net Position Beginning of Year	<u>4,858,428</u>
Net Position End of Year	<u><u>\$4,891,617</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. REPORTING ENTITY

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

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

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

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Allen County, this includes the Child Support Enforcement Agency, the Children's Services Board, the Board of Developmental Disabilities (DD), the Veteran's 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the County.

1. Discretely Presented Component Units

The component unit columns on the government-wide financial statements identify the financial data of the County's component units, LODDI and Marimor Industries. They are reported separately to emphasize that they are legally separate from the County. Information about these component units are presented in Notes 27 and 28 to the basic financial statements.

LODDI – 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 individuals in Allen County with developmental disabilities. Due to a significant portion of LODDI's income being received from the Allen County Board of DD and because the Allen County Board of DD assumes the responsibility for all debts of LODDI upon dissolution, 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. REPORTING ENTITY (Continued)

Marimor Industries – Marimor Industries (the “Industries”) is a legally separate non-profit organization served by a self-appointing board of trustees. The Industries was incorporated in 1968 to provide an opportunity for employment, training, and supportive services for persons with developmental disabilities. The Allen County Board of DD provides the Industries with expenses and personnel for operation of the Industries 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 Industries and the Industries’ sole purpose of providing assistance to the disabled adults of Allen County, the Industries 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.

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 the Johnny Appleseed Metropolitan Park District are reported as an investment trust fund since they represent the external portion of an investment pool. The remaining organizations are reported as agency funds within the financial statements.

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

The County participates in several joint ventures, jointly governed organizations, insurance pools, and a related organization. These organizations are presented in Notes 23, 24, 25, and 26 to the basic financial statements. These organizations are:

Lima-Allen County Downtown Construction
Mental Health and Recovery Services Board 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 Risk Sharing Authority (CORSA)
County Employee Benefits C, Inc. Consortium of Ohio, Inc (CEBCO)
Port Authority of Allen County

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. Following are the more significant of the County’s accounting policies.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position 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 statement of net position 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 activity. 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 that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements

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

B. Fund Accounting

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

General – 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.

Motor Vehicle and Gasoline Tax – This fund accounts for monies derived from gasoline taxes and the sale of motor vehicle licenses. Expenditures are restricted by State law to county road and bridge repair/improvement programs.

Job and Family Services – This fund accounts for federal, state, and local monies restricted to providing general relief and to pay providers of medical assistance and social services.

Developmental Disabilities – This fund accounts for a county-wide property tax levy and federal and state grants restricted for the operation of a school for the developmentally disabled.

Children Services – This fund accounts for a county-wide property tax levy; federal, state, and local grants; and contracted services restricted to operate the children's service bureau.

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

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 – This fund accounts for user charges for sewer service provided to residents of Allen County.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County's investment trust fund accounts for the external portion of the County's investment pool. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances 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 enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activity.

The investment trust fund and private purpose trust fund are accounted for using a flow of economic resources measurement focus.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund 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 inflows of resources, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange 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.

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

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

2. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The County did not report any deferred outflows of resources for 2014.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes accrued interest, permissive sales taxes, intergovernmental revenue including grants, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

3. Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, 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 the County Commissioners. The legal level of control has been established by the County Commissioners at the object level within each department for all funds.

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 escrow or fiscal agents are recorded as "Cash and Cash Equivalents in Segregated Accounts", "Cash and Cash Equivalents with Escrow Agent", 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 2014, the County invested in negotiable and nonnegotiable certificates of deposit, federal agency securities, mutual funds, 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 price or current share price. 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 net asset value per share, which is the price the investment could be sold for on December 31, 2014.

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 2014 was \$468,603, which includes \$436,797 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, 2014, 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 expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that have a legal restriction on their use are reported as restricted. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

Restricted assets also represent certain resources which are segregated from other resources of the County to comply with various covenants established by debt financing agreements. These assets are generally held in separate accounts of the County or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

J. 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 position but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund.

All capital assets are capitalized at 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 enterprise 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. The County reports all infrastructure, including that acquired prior to 1980.

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Buildings and Improvements	35 years	35 years
Machinery and Equipment	12 years	10-12 years
Vehicles	6 years	6 years
Furniture, Fixtures, and Equipment	5-10 years	5-10 years
Roads	15-20 years	n/a
Bridges	50 years	n/a
Infrastructure	n/a	35 years

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Receivables/Payables

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

L. Compensated Absences

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

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

M. 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 enterprise fund are reported on the enterprise 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, long-term notes and loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

N. Unamortized Bond Premium

Bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable.

O. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes resources restricted for various law enforcement activities and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted – The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed – The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the County Commissioners. The committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners. Fund balance policy of the County Commissioners authorizes department managers to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are user charges for sewer services. 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 non-operating.

R. Capital Contributions

Capital contributions arise from contributions from other funds of the County.

S. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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 non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

3. RESTATEMENT OF FUND BALANCE AND NET POSITION

A review of the purpose/use of a number of the County's funds resulted in some funds being reported differently than they were reported in prior years. In addition, there was an adjustment made for cash balances in several funds and for the value of capital assets reported in the Sewer enterprise fund. The restatement had the following effect on fund balance/net position of the major and non-major funds of the County as they were previously reported.

	General	Motor Vehicle and Gas Tax	Job and Family Services	Developmental Disabilities
Fund Balance at December 31, 2013	\$7,364,595	\$1,631,435	\$1,364,600	\$10,745,659
Change in Fund Structure	243,694			
Change in Cash Balances	(74,399)			(72,554)
Adjusted Fund Balance at December 31, 2013	<u>\$7,533,890</u>	<u>\$1,631,435</u>	<u>\$1,364,600</u>	<u>\$10,673,105</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

3. RESTATEMENT OF FUND BALANCE AND NET POSITION (Continued)

The restatement had the following effect on net position.

	Governmental Activities	Sewer
Net Position at December 31, 2013	\$86,859,575	\$32,574,223
Change in Fund Structure	113,576	
Change in Cash Balances	(729,931)	50,010
Change in Depreciable Capital Assets		(1,582,751)
Change in Accumulated Depreciation		(180,679)
Adjusted Net Position at December 31, 2013	\$86,243,220	\$30,860,803

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2014, the Department of Defense Community Assistance and Wellness special revenue funds, Special Assessment Bond Retirement debt service fund, and Water Projects, Sewer Projects and Ditches capital projects funds had a deficit fund balance, in the amount of \$10,397, \$676, \$33,853, \$31,424, \$15,004 and \$67,808, respectfully, 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

At December 31, 2014, the Indigent Guardianship, Department of Defense Community Assistance, and Emergency Management Agency special revenue funds, the Marimor Permanent Improvement capital projects fund, and the Sewer enterprise fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$10,572, \$24,652, \$61,878, \$391,564, and \$265,921, respectively. The County will review appropriations to ensure they are within available resources.

At December 31, 2014 the General Obligation Bond and Easttown Road Debt debt service funds had expenditures plus encumbrances in excess of appropriations in the legislative and executive account, in the amount of \$12,423 and \$2,018, respectively.

5. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund and the major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

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

	Changes in Fund Balance				
	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities	Children Services
GAAP Basis	\$305,696	(\$522,453)	\$276,582	(\$1,230,995)	\$173,342
Increase (Decrease) Due To:					
Revenue Accruals:					
Accrued 2013, Received in Cash 2014	1,310,826	464,250		296,505	160,894
Accrued 2014, Not Yet Received in Cash	(1,427,812)	(475,273)	(10,738)	(685,212)	(128,062)
Expenditure Accruals:					
Accrued 2013, Paid in Cash 2014	(530,268)	(153,745)	(372,350)	(689,215)	(265,309)
Accrued 2014, Not Yet Paid in Cash	653,139	513,315	188,812	740,241	217,281
Cash Adjustments:					
Unrecorded Activity 2013	(117,731)	94		160,034	70,685
Unrecorded Activity 2014	(139,529)	(10,055)		(202,804)	(90,528)
Prepaid Items	199,057	35,047	65,250		39,397
Materials and Supplies Inventory	(2,124)	(36,533)	19,975	1,584	(947)
Advances In	119,981				
Advances Out	(279,243)				
Encumbrances Outstanding at Year End (Budget Basis)	(75,522)	(95,647)	(30,000)		(105,000)
Budget Basis	<u>\$16,470</u>	<u>(\$281,000)</u>	<u>\$137,531</u>	<u>(\$1,609,862)</u>	<u>\$71,753</u>

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. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio 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, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (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;
4. Bonds and other obligations of the State of Ohio;
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);
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 similar securities, or 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 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 that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,810,747 of the County's bank balance of \$20,157,937 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County 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 either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of December 31, 2014, the County had the following investments:

	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Negotiable Certificates of Deposit	\$7,290,585	\$1,226,874	\$6,063,711
Federal Home Loan Mortgage Corporation Notes	7,573,922		7,573,922
Federal Farm Credit Bank Notes	7,611,495		7,611,495
Federal Home Loan Bank Notes	8,402,841	1,536,116	6,866,725
Federal National Mortgage Association Notes	8,060,547		8,060,547
Mutual Funds	2,772,381	621,030	2,151,351
STAR Ohio	56	56	
Total Investments	<u>\$41,711,827</u>	<u>\$3,384,076</u>	<u>\$38,327,751</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The negotiable certificates of deposit are generally covered by FDIC coverage. The Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and mutual funds 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 mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio must maintain the highest rating by at least one nationally recognized standard rating service.

The County places no limit on the amount of its inactive monies it may invest in a particular security. The following table indicates the percentage of each investment to the County's total portfolio.

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$7,290,585	17.48%
Federal Home Loan Mortgage Corporation	7,573,922	18.16
Federal Farm Credit Bank	7,611,495	18.25
Federal Home Loan Bank	8,402,841	20.14
Federal National Mortgage Association	8,060,547	19.32

7. INVESTMENT POOL

The County serves as fiscal agent for the North Central Ohio Solid Waste Management District and the Johnny Appleseed Metropolitan Park District, legally separate entities. The County pools the monies of these entities with the County's for investment purposes. Participation in the pool is voluntary. 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 Position
December 31, 2014**

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$55,859,811
Accrued Interest Receivable	76,282
Total Assets	\$55,936,093
 Net Position Held in Trust for Pool Participants:	
Internal Portion	\$51,044,476
External Portion	4,891,617
Total Net Position Held in Trust for Pool Participants	\$55,936,093

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

7. INVESTMENT POOL (Continued)

**Statement of Changes in Net Position
December 31, 2014**

Revenues:		
Interest		\$477,746
Expenses:		
Operating Expenses		
Net Increase Resulting from Operations	477,746	
Distributions to Participants	(259,631)	
Capital Transactions	(2,154,735)	
Total Decrease in Net Position	(1,936,620)	
Net Position Beginning of Year	57,872,713	
Net Position End of Year		<u>\$55,936,093</u>

8. RECEIVABLES

Receivables at December 31, 2014, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales and motor vehicle license taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; amounts due from the component unit; interfund; property taxes; notes; and special assessments. All receivables are considered fully collectible within one year, except for interfund, property taxes, notes, and special assessments. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Notes receivable, in the amount of \$1,436,400, will not be received within one year. Special assessments receivable, in the amount of \$2,582,832 will not be received within one year. At December 31, 2014, the amount of delinquent special assessments was \$439,961.

Notes receivable represent low interest loans for development projects granted to eligible County residents and businesses under the Federal Community Development Block Grant program and Housing Assistance program. The notes have interest rates ranging from zero to six and one-half percent and are to be repaid over periods ranging from five to thirty years.

Notes receivable also include 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 is not recorded as part of notes receivable.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

8. RECEIVABLES (CONTINUED)

A summary of the changes in notes receivable during 2014 follows:

	<u>Balance January 1, 2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance December 31, 2014</u>
Special Revenue Funds:				
Revolving Loan Fund:				
Housing Assistance Program	\$391,006		\$124,104	\$266,902
Community Development Block Grant	1,682,245		228,609	1,453,636
Total Revolving Loan Fund	<u>2,073,251</u>		<u>352,713</u>	<u>1,720,538</u>
Craft Educational Trust Fund				
Scholarships	22,256	\$3,300	2,552	23,004
	<u>\$2,095,507</u>	<u>\$3,300</u>	<u>\$355,265</u>	<u>1,743,542</u>
Less Allowance for Uncollectible Accounts				<u>32,616</u>
				<u>\$1,710,926</u>

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**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

8. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Major Funds:	
General Fund:	
Local Government	\$424,315
Sheriff's Contracts	19,535
Estate Tax	1,126
Election Costs	41,877
Homestead and Rollback	175,399
Indigent Defense	67,682
Charges for Services	1,268
Municipal Court	1,567
Total General Fund	732,769
Motor Vehicle and Gasoline Tax:	
Gasoline Tax	1,158,695
Motor Vehicle License Fees	1,308,675
Department of Transportation	309,478
Ohio Public Works Commission	46,521
Charges for Services	34,829
Total Motor Vehicle and Gasoline Tax	2,858,198
Job and Family Services:	
Department of Job and Family Services	12,601
Developmental Disabilities:	
Department of Education	677,481
Medicaid	1,157,250
Homestead and Rollback	295,427
Charges for Services	2,951
Total Developmental Disabilities	2,133,109
Children Services:	
Department of Education	1,110,762
Total Major Funds	6,847,439
Non-Major Funds:	
Drug Law Enforcement:	
Department of Public Safety	10,726
Sheriff's Grants	85,525
Total Drug Law Enforcement	96,251
Child Support Enforcement Agency:	
Child Support Enforcement Agency	94,007
Department of Defense Community Assistance:	
Department of Defense	33,495
Felony Care and Subsidy:	
Ohio Department of Youth Services	347,064
Adult Probation:	
Ohio Department of Rehabilitation and Correction	287,797

(Continued)

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

8. RECEIVABLES (Continued)

	Amount
Governmental Activities (Continued)	
Non-Major Funds (Continued)	
Emergency Management Agency:	
Emergency Management Agency Grants	\$33,462
General Obligation Bond Debt:	
Homestead and Rollback	79,735
Personal Property Phase Out	127,844
Total General Obligation Bond Debt	207,579
Sewer Projects:	
City of Lima	9,385
Marimor Permanent Improvement:	
Homestead and Rollback	25,690
Building and Expansion:	
Casino Tax	614,150
Total Non-Major Funds	1,748,880
Total Governmental Activities	\$8,596,319
	Amount
Business-Type Activity:	
Sewer:	
Ohio Water Development Authority	\$2,376,865
Agency Funds:	
Local Government	1,219,315
Library Local Government	1,594,888
Gasoline Tax	571,253
Motor Vehicle License Fees	306,936
Total Agency Funds	\$3,692,392

9. PERMISSIVE SALES AND USE TAX

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 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.

10. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax revenues received in 2014 represent the collection of 2013 taxes. Real property taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2013, 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.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. PROPERTY TAXES (Continued)

Public utility property tax revenues received in 2014 represent the collection of 2013 taxes. Public utility real and tangible personal property taxes received in 2014 became a lien on December 31, 2012, were levied after October 1, 2013, 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.

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, public utility, and outstanding delinquent property taxes which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue; on the modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

The full tax rate for all County operations for the year ended December 31, 2014, was \$9.70 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

Real Property	
Residential	\$1,149,315,330
Agriculture	147,722,960
Commercial/Industrial/Mineral	438,542,350
Public Utility Property	
Real	896,750
Personal	113,322,280
Total Assessed Value	<u>\$1,849,799,670</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Balance 01/01/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$3,929,515			\$3,929,515
Construction in Progress	846,921	\$6,264,620		7,111,541
Total Non-depreciable Capital Assets	<u>4,776,436</u>	<u>6,264,620</u>		<u>11,041,056</u>
Depreciable Capital Assets:				
Buildings and Improvements	54,167,999			54,167,999
Machinery and Equipment	1,867,168	98,764		1,965,932
Vehicles	5,070,905	622,566		5,693,471
Furniture, Fixtures, and Equipment	5,074,067	72,424	(\$139,700)	5,006,791
Roads	25,289,945	10,483		25,300,428
Bridges	26,281,068	1,175,316		27,456,384
Total Depreciable Capital Assets	<u>117,751,152</u>	<u>1,979,553</u>	<u>(139,700)</u>	<u>119,591,005</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(34,668,814)	(1,025,598)		(35,694,412)
Machinery and Equipment	(1,609,703)	(55,845)		(1,665,548)
Vehicles	(4,272,406)	(335,648)		(4,608,054)
Furniture, Fixtures, and Equipment	(3,983,886)	(296,042)	106,012	(4,173,916)
Roads	(11,646,173)	(1,134,544)		(12,780,717)
Bridges	(8,530,953)	(550,047)		(9,081,000)
Total Accumulated Depreciation	<u>(64,711,935)</u>	<u>(3,397,724)</u>	<u>106,012</u>	<u>(68,003,647)</u>
Total Depreciable Capital Assets, Net	<u>53,039,217</u>	<u>(1,418,171)</u>	<u>(33,688)</u>	<u>51,587,358</u>
Governmental Activities Capital Assets, Net	<u>57,815,653</u>	<u>4,846,449</u>	<u>(33,688)</u>	<u>62,628,414</u>
Business-Type Activity:				
Non-depreciable Capital Assets:				
Land	51,219			51,219
Construction in Progress	1,082,395	9,045,250		10,127,645
Total Non-depreciable Capital Assets	<u>1,133,614</u>	<u>9,045,250</u>		<u>10,178,864</u>
Depreciable Capital Assets:				
Buildings and Improvements	3,551,806			3,551,806
Machinery, Equipment, and Vehicles	2,383,790	358,750	(81,911)	2,660,629
Infrastructure	60,618,052	888,549		61,506,601
Total Depreciable Capital Assets	<u>66,553,648</u>	<u>1,247,299</u>	<u>(81,911)</u>	<u>67,719,036</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(810,382)	(101,480)		(911,862)
Machinery, Equipment, and Vehicles	(1,319,859)	(196,456)	62,230	(1,454,085)
Infrastructure	(27,063,397)	(1,533,771)		(28,597,168)
Total Accumulated Depreciation	<u>(29,193,638)</u>	<u>(1,831,707)</u>	<u>62,230</u>	<u>(30,963,115)</u>
Total Depreciable Capital Assets, Net	<u>37,360,010</u>	<u>(584,408)</u>	<u>(19,681)</u>	<u>36,755,921</u>
Business-Type Activity Capital Assets, Net	<u>\$38,493,624</u>	<u>\$8,460,842</u>	<u>(\$19,681)</u>	<u>\$46,934,785</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. CAPITAL ASSETS (Continued)

The business-type activity accepted contributions of capital assets from governmental activities, in the amount of \$888,549.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government:	
Legislative and Executive	\$468,381
Judicial	95,190
Public Safety	247,781
Public Works	1,885,659
Health	181,604
Human Services	109,766
Conservation and Recreation	409,343
Total Depreciation Expense – Governmental Activities	<u>\$3,397,724</u>

12. INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2014, consisted of the following receivables and payables:

Due to General Fund from:	
Other Governmental Funds	<u>\$177,427</u>
Due to Job and Family Services Fund from:	
Children Services	<u>\$100,000</u>
Due to Developmental Disabilities Fund from:	
Children Services	<u>\$2,492</u>
Due to Other Governmental Funds from:	
General Fund	\$105,000
Other Governmental Funds	200,000
Total Due to Other Governmental Funds	<u>\$305,000</u>
Due to Sewer Fund from:	
Other Governmental Funds	<u>\$668,722</u>

The balance due to the General Fund includes loans made to provide working capital for operations or projects. The remaining interfund receivables/payables resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. RISK MANAGEMENT

A. Workers' Compensation

The County's worker's compensation coverage is provided by the State of Ohio. The County pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

B. 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 2014, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a \$5,000 to \$25,000 deductible. Coverage provided by CORSA is as follows:

General Liability	\$1,000,000
Excess Liability	9,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Errors and Omissions Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Building and Contents	299,380,369
Other Property Insurance	
Cyber Liability	1,000,000
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime Insurance	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000

There has been no significant reduction in insurance coverage from 2013 and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County had various outstanding contracts at December 31, 2014. The following amounts remain on these contracts.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Vendor	Outstanding Balance
Allen County Department of Job and Family Services	\$100,000
Allen County Juvenile Court	333,850
Armcorp Construction, Inc.	514,609
Eagle Bridge Company	337,864
Kohli and Kaliher Association LTD, Inc.	176,856
Lexur Enterprises, Inc.	195,375
Ohio Paving and Construction Company	343,426
Peterson Construction	7,691,556
S & S Directional Boring LTD	1,792,830
Tawa Tree Service	131,742
Underground Utilities, Inc.	1,134,337
URS Corporation Ohio	296,250
Woolpert Consultants	153,344

At year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in 2015 are as follows:

General Fund	\$75,522
Motor Vehicle and Gasoline Tax Fund	95,647
Children Services Fund	105,000
Other Governmental Funds	2,473,870
	\$2,750,039

15. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which 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 stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the state and local classifications. The Ohio Revised Code authorizes OPERS to calculate employee contributions for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed 2 percent. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12 percent and 13 percent, respectively. While members in the state and local classifications may participate in all three plans, public safety and law enforcement classifications exist only within the traditional plan. For 2014, member and employer contribution rates were consistent across all three plans.

The County's 2014 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 18.1 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$4,436,219, \$5,063,631, and \$3,701,378, respectively. For 2014, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$68,816 made by the County and \$96,342 made by the plan members.

B. State Teachers Retirement System of Ohio

Plan Description – Certified teachers, employed by the school for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For 2014, plan members were required to contribute 11 percent of their annual covered salary. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contribution for pension obligations to the DBP for the years ended December 31, 2014, 2013, and 2012 were \$82,090, \$99,683, and \$103,166, respectively; 100 percent has been contributed for all three years.

16. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

16. POST-EMPLOYMENT BENEFITS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$732,346, \$378,705, and \$1,527,599, respectively. For 2014, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

16. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – For certified teachers employed by the school for Developmental Disabilities, the County participates in a cost-sharing, multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio’s financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The County’s contribution for health care for years ended December 31, 2014, 2013, and 2012 was \$6,315, \$7,120, and \$7,936, respectively; 100 percent has been contributed for all three years.

17. COMPENSATED ABSENCES

County employees earn vacation and sick leave at varying rates depending upon length of service and standard work week. All accumulated unused vacation leave is paid upon separation from the County for those employees with more than one year of service.

Sick leave is earned at varying rates depending on union or non-union status. Upon retirement, employees with ten or more years of service are paid one-fourth of accumulated sick leave up to a maximum of thirty days.

18. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2014 is as follows:

	<u>Interest Rate</u>	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>
Governmental Activities:					
Special Assessment Notes:					
Various Purpose	1.01%		\$135,100	\$57,600	\$77,500
Ditch Improvement	1.03		476,746		476,746
Total Special Assessment Notes		<u>\$0</u>	<u>\$611,846</u>	<u>\$57,600</u>	<u>\$554,246</u>
Business-Type Activity:					
Bond Anticipation Notes:					
Sewer Improvements	2.12%	\$428,570		\$85,714	\$342,856
Improvements to Overflow	3.33	1,875,000		312,500	1,562,500
Total Bond Anticipation Notes		<u>\$2,303,570</u>	<u>\$0</u>	<u>\$398,214</u>	<u>\$1,905,356</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

18. NOTES PAYABLE (Continued)

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds.

The bond anticipation notes in the governmental funds are backed by the full faith and credit of Allen County and have a maturity of one year. The bond anticipation notes payable from the business-type activity will be paid from the Sewer enterprise fund according to the following schedule.

Year	Sewer Improvements		Improvements to Overflow	
	Principal	Interest	Principal	Interest
2015	\$85,714	\$7,269	\$312,500	\$52,031
2016	85,714	5,451	312,500	41,625
2017	85,714	3,634	312,500	31,219
2018	85,714	1,817	312,500	20,813
2019			312,500	10,406
	<u>\$342,856</u>	<u>\$18,171</u>	<u>\$1,562,500</u>	<u>\$156,094</u>

19. LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2014, was as follows:

	Interest Rate	Balance 01/01/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Governmental Activities:						
Special Assessment Notes:						
Various Purpose	2.25%	\$990,787		\$990,787		
Ditch Improvement	1.83	673,511		673,511		
Various Purpose	1.01		\$571,216		\$571,216	\$571,216
Ditch Improvement	1.03		316,041		316,041	316,041
Total Special Assessment Notes		<u>1,664,298</u>	<u>887,257</u>	<u>1,664,298</u>	<u>887,257</u>	<u>887,257</u>
General Obligation Bonds:						
2008 Road Improvement Refunding (Original Amount \$1,760,000)	3.195	880,000		176,000	704,000	176,000
2011 Energy Efficiency (Original Amount \$2,320,000)	3.5	1,740,000		290,000	1,450,000	290,000
2012 Civic Center Refunding (Original Amount \$2,363,000)	2.34	2,149,000		229,000	1,920,000	234,000
2012 Downtown Parking Refunding (Original Amount \$735,000)	2.34	670,000		75,000	595,000	75,000
2013 Court of Appeals Refunding (Original Amount \$744,258)	1.93	744,258		248,086	496,172	248,086
2013 Justice Center Refunding (Original Amount \$2,075,742)	1.93	2,075,742		691,914	1,383,828	691,914
2013 Airport Improvement (Original Amount \$388,668)	2.29	388,668		48,583	340,085	48,583
Total General Obligation Bonds		<u>8,647,668</u>		<u>1,758,583</u>	<u>6,889,085</u>	<u>1,763,583</u>

(Continued)

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 01/01/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
Governmental Activities: (Continued)						
Special Assessment Bonds with Government Commitment						
2005 Delmar/Glenn Sewer (Original Amount \$342,600)	3.0-5.0	234,000		14,500	219,500	18,500
2006 Ft. Shawnee Waterline Refunding (Original Amount \$1,892,400)	3.0-5.0	230,000		230,000		
2006 Trebor Drive Waterline (Original Amount \$11,000)	3.0-5.0	7,000		500	6,500	500
2006 Southwood Waterline (Original Amount \$71,000)	3.0-5.0	42,000		4,000	38,000	4,000
2006 Oakview Project (Original Amount \$805,000)	3.0-5.0	520,000		35,000	485,000	40,000
2006 Berryman Waterline (Original Amount \$133,000)	3.0-5.0	82,000		6,000	76,000	7,000
2006 Oakview Project (Original Amount \$805,000)	3.0-5.0	520,000		35,000	485,000	40,000
2012 Allentown Road Project (Original Amount \$485,000)	2.34	404,167		80,833	323,334	80,833
2013 Findlay Road Sewer (Original Amount \$1,165,000)	2.23	1,165,000		145,624	1,019,375	145,625
2006 Bond Premium		109,019		9,084	99,935	
Total Special Assessment Bonds		<u>2,793,186</u>		<u>525,542</u>	<u>2,267,644</u>	<u>296,458</u>
OPWC Loans:						
Phillips (Original Amount \$147,340)		44,201		11,050	33,151	3,684
Second (Original Amount \$188,611)		99,019		9,430	89,589	4,715
Eastown 1 (Original Amount \$995,670)		597,400		49,783	547,617	24,892
Eastown 2 (Original Amount \$135,232)		87,899		6,762	81,137	3,381
Eastown 4 (Original Amount \$684,638)		564,825		34,232	530,593	17,116
Road Resurfacing (Original Amount \$345,518)		267,776		17,276	250,500	8,638
Total OPWC Loans		<u>1,661,120</u>		<u>128,533</u>	<u>1,532,587</u>	<u>62,426</u>
OWDA Loans:						
Lutz/Early (Original Amount \$718,512)	1.00	449,011		36,164	412,847	35,688
4 th /Bowman (Original Amount \$437,856)		262,713		21,892	240,821	21,892
Perry Schools Sewer (Original Amount \$481,680)	3.42	405,391		21,088	384,303	21,816
Findley Road (Original Amount \$427,886)	3.42	354,919		20,150	334,769	20,842
Westminister (Original Amount \$3,451,817)		3,148,467		378,899	2,769,568	
Indian Village Mobile Home Park (Original Amount \$375,581)	3.74		375,581		375,581	12,910
Total OWDA Loans		<u>4,620,501</u>	<u>375,581</u>	<u>478,193</u>	<u>4,517,889</u>	<u>113,148</u>
Capital Leases Payable		37,496		19,850	17,646	17,646
Compensated Absences Payable		3,264,138	309,352	387,367	3,186,123	1,779,155
Total Governmental Activities		<u>\$22,688,407</u>	<u>\$1,572,190</u>	<u>\$4,962,366</u>	<u>\$19,298,231</u>	<u>\$4,919,673</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 01/01/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
Business-Type Activity:						
Revenue Bonds:						
2002 Sewer System (Original Amount \$7,171,583)	1.5-5.25%	\$2,695,000		\$490,000	\$2,205,000	\$510,000
Bond Premium		6,744		1,349	5,395	
Total Revenue Bonds		<u>2,701,744</u>		<u>491,349</u>	<u>2,210,395</u>	<u>510,000</u>
OPWC Loans:						
Shawnee WWTP Sludge Facility (Original Amount \$209,608)		20,934		10,467	10,467	10,467
Sanitary Sewer Relining Phase I (Original Amount \$201,676)		35,292		10,084	25,208	5,042
Total OPWC Loans		<u>56,226</u>		<u>20,551</u>	<u>35,675</u>	<u>15,509</u>
OWDA Loans:						
American II (Original Amount \$9,311,017)	1.00	7,154,409		444,380	6,710,029	448,835
Bath SSO (Original Amount \$633,337)	1.00	519,162		30,074	489,088	30,379
Woodbriar (Original Amount \$169,091)	1.00	103,472		16,818	86,654	16,987
Ottawa River Sewer Inceptor (Original Amount \$2,936,578)		580,956	2,355,622		2,936,578	
Shawnee II WWTP, Pump Station (Original Amount \$6,313,223)	0.00		6,313,223		6,313,223	
Total OWDA Loans		<u>8,357,999</u>	<u>8,668,845</u>	<u>491,272</u>	<u>16,535,572</u>	<u>496,201</u>
Capital Leases Payable		420,039		117,536	302,503	121,261
Compensated Absences Payable		183,397		47,337	136,060	111,038
Total Business-Type Activities		<u>\$11,719,405</u>	<u>\$8,668,845</u>	<u>\$1,168,045</u>	<u>\$19,220,205</u>	<u>\$1,254,009</u>

A. Special Assessment Notes

In 2014, the County issued special assessment notes, in the amount of \$571,216 and \$316,041 for various ditch improvements. The notes have an interest rate of 1.01 percent and 1.03 percent and matured on May 7, 2015, and September 25, 2015. The notes were repaid from the Ditch capital projects fund. As of December 31, 2014, all of the proceeds had been spent.

B. General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of Allen County and are payable from un-voted property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

C. Special Assessment Bonds

Special assessment bonds will be paid from the proceeds of the special assessments levied against those property owners who primarily benefited from the project. 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. Special assessment debt is supported by the full faith and credit of Allen County.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

D. Revenue Bonds

The revenue bonds are special obligations of the County secured by a pledge of the revenues generated by the system. The bonds are payable solely from the gross revenues of the Sewer enterprise fund after provision for reasonable operating and maintenance expenses. The bond indenture has restrictive covenants that require bond reserve funds be maintained and charges for services be sufficient to satisfy the obligations under the indenture agreement. In addition there are special provisions regarding covenant violations, redemption of principal, and maintenance of the system.

The bonds maturing on December, 1, 2016, are subject to a mandatory sinking fund redemption on December 1, 2015, at the redemption price equal to 100 percent of the principal redeemed plus accrued interest through redemption date, in the amount of \$510,000. Unless otherwise called for redemption the remaining \$535,000 will be paid at state of maturity on December 1, 2016.

The bonds maturing on December, 1, 2018, are subject to a mandatory sinking fund redemption on December 1, 2017, at the redemption price equal to 100 percent of the principal redeemed plus accrued interest through redemption date, in the amount of \$565,000. Unless otherwise called for redemption the remaining \$595,000 will be paid at state of maturity on December 1, 2018.

Restricted assets relating to the sewer revenue bonds consisted of the following at December 31, 2014:

Restricted assets held by the County for operations	\$2,026,274
Restricted assets held by the County for replacement and improvement	34,457
Restricted assets held by the trustee for debt service	621,030

The revenue bonds will be paid solely from the revenues of the Sewer enterprise fund. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the revenue bonds is \$2,205,000 and \$261,232, respectively. Principal and interest for the current year and the total net revenues are \$490,000, \$125,213, and \$4,475,197, respectively.

E. OPWC Loans

The OPWC loans consist of monies owed to the Ohio Public Works Commission for various street, bridge, sewer, and water projects. The loans are interest free. OPWC loans will be repaid from the Motor Vehicle and Gasoline Tax special revenue fund and the Sewer enterprise fund.

F. OWDA Loans

The OWDA loans consist of monies owed to the Ohio Water Development Authority for various projects. OWDA loans will be repaid from the Water and Sewer projects capital projects funds and the Sewer enterprise fund. As of December 31, 2014, the Westminister, Ottawa River Sewer Inceptor, and Shawnee II WWTP projects funded by OWDA loans have not been completed. Amortization schedules for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the schedule of future principal and interest requirements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

For OPWC and OWDA loans payable from governmental funds, for which amortization schedules are currently available, the principal remaining to be paid on the OPWC loans is \$1,532,587, principal and interest remaining to be paid on the OWDA loans is \$1,748,321 and \$370,570, respectively. The OPWC loans are payable through 2030 and the OWDA loans are payable through 2035.

OPWC and OWDA loans payable from the Sewer enterprise fund are payable solely from the gross revenues of the fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. For OPWC and OWDA loans, for which amortization schedules are currently available, the principal remaining to be paid on the OPWC loans is \$35,675 and principal and interest remaining to be paid on the OWDA loans is \$7,285,771 and \$583,523, respectively. Principal and interest paid in the Sewer enterprise fund for the current year were \$511,823 and 76,549, respectively. Total net revenues for the Sewer enterprise fund were \$4,475,197. The OPWC loans are payable through 2017 and the OWDA loans are payable through 2029.

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Compensated absences will be paid from the fund from which the employees' salaries are paid with the General Fund, Job & Family Services Fund, Development Disabilities Fund, Children Services Fund, and the Motor Vehicle Gasoline Tax Fund being the most significant funds.

The County's legal debt margin was \$39,757,188 and an un-voted debt margin of \$14,064,439.

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

Year	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2015	\$1,763,583	\$159,316	\$296,458	\$67,224	\$62,426	\$113,148	\$42,197
2016	2,104,583	117,583	301,458	58,585	124,850	115,466	39,881
2017	1,251,583	75,861	301,458	49,697	124,850	117,854	37,492
2018	1,333,583	41,714	306,460	40,808	124,850	120,319	35,027
2019	338,583	8,459	225,625	31,669	124,850	122,861	32,485
2020-2024	97,170	3,384	736,250	63,870	587,415	655,353	121,377
2025-2029					349,114	381,963	49,283
2030-2034					34,232	108,185	12,582
2035						13,172	246
	<u>\$6,889,085</u>	<u>\$406,317</u>	<u>\$2,167,709</u>	<u>\$311,853</u>	<u>\$1,532,587</u>	<u>\$1,748,321</u>	<u>\$370,570</u>

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

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

Year	Revenue Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2015	\$510,000	\$105,613	\$15,509	\$496,201	\$36,429
2016	535,000	78,838	10,083	501,174	69,139
2017	565,000	50,750	10,083	506,199	64,140
2018	595,000	26,031		511,273	59,091
2019				516,399	53,991
2020-2024				2,569,609	193,267
2025-2029				2,184,916	62,466
2030					
	<u>\$2,205,000</u>	<u>\$261,232</u>	<u>\$35,675</u>	<u>\$7,285,771</u>	<u>\$538,523</u>

G. 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. As of December 31, 2014, \$10,400,000 and \$4,520,000, respectively, was still outstanding.

In 2007, the County issued health care facilities revenue bonds, in the amount \$2,870,000. 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. As of December 31, 2014, \$810,000 was still outstanding.

In 2008, the County issued health care facilities revenue bonds, in the amount of \$300,000,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2014, \$300,000,000 was still outstanding.

In, 2010, the County issued health care facilities revenue bonds, in the amount of \$152,315,000, \$334,015,000, \$100,000,000, and \$95,000,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2014, \$152,315,000, \$258,970,000, \$99,000,000, and \$94,000,000, respectively, was still outstanding.

In, 2011, the County issued health care facilities revenue bonds, in the amount of \$87,470,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2014, \$50,730,000 was still outstanding.

In, 2012, the County issued health care facilities revenue bonds, in the amount of \$100,000,000 and \$273,620,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2014, \$100,000,000 and \$273,620,000, respectively, was still outstanding.

The County is not obligated in any way to pay the debt and related charges on these revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

20. CAPITAL LEASES

The County has entered into capitalized leases for machinery and equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds and as a reduction of the liability in the enterprise fund. Principal payments in 2014 were \$19,850 for governmental funds and \$117,536 for the enterprise fund.

	Governmental Activities	Business-Type Activity
Equipment	\$57,486	\$614,221
Less Accumulated Depreciation	(9,582)	(130,776)
Carrying Value, December 31, 2014	\$47,904	\$483,445

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2014.

Year	Governmental Activities		Business Type Activity	
	Principal	Interest	Principal	Interest
2015	\$17,676	\$2,344	\$121,261	\$9,358
2016			125,107	5,513
2017			56,135	1,544
	\$17,676	\$2,344	\$302,503	\$16,415

21. INTERFUND TRANSFERS

During 2014, the General Fund made transfers to the Job and Family Services special revenue fund, in the amount of \$375,481, and to other governmental funds, in the amount of \$75,582, to subsidize operations in those funds. The Sewer enterprise fund made transfers of \$69,800 to other governmental funds for construction activities in those funds and \$115,791 to make debt payments when due.

22. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balance	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
Non-spendable for:				
Prepaid Items	\$190,908			
Materials and Supplies Inventory	44,204	\$413,532	\$56,384	\$92,047
Unclaimed Monies	199,358			
Total Non-spendable	434,470	413,532	56,384	92,047

(Continued)

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

22. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Motor Vehicle and Gasoline Tax</u>	<u>Job and Family Services</u>	<u>Developmental Disabilities</u>
Restricted for:				
Developmental Disabilities Operations				9,350,063
Job and Family Services Operations			1,584,798	
Road and Bridge Repair/ Improvement		695,450		
Total Restricted		<u>695,450</u>	<u>1,584,798</u>	<u>9,350,063</u>
Assigned for:				
Airport	435			
Clerk of Courts	234,156			
Economic Development	57,610			
Probate Court	1,358			
Recorder Equipment	18,064			
Sheriff Operations	245			
Title Administration	1,165,259			
Unpaid Obligations	72,855			
Total Assigned	<u>1,549,982</u>			
Unassigned	<u>5,855,134</u>			
Total Fund Balance	<u>\$7,839,586</u>	<u>\$1,108,982</u>	<u>\$1,641,182</u>	<u>\$9,442,110</u>

<u>Fund Balance</u>	<u>Children Services</u>	<u>Other Governmental Funds</u>
Non-spendable for:		
Materials and Supplies Inventory	\$9,516	
Restricted for:		
Board of Elections		\$134
Child Support Enforcement		371,826
Children Services	2,929,350	
Civic Center		622,530
Court Operations		849,294
Debt Retirement		2,117,889
Delinquent Tax Collections		149,115
Ditch Maintenance		672,204
Dog and Kennel Operations		137,033
Economic Development and Rehabilitation		2,899,328
Emergency Management		14,284
Family Counseling		15,261
Foreign Trade Zone		4,611
Juvenile Corrections		607
Law Library Operations		208,529
Permanent Improvements		3,081,985
Real Estate Assessments		2,895,513
Scholarships		55,129
Sheriff Operations		571,153
Tax Abatement		6,309
Total Restricted	<u>2,929,350</u>	<u>15,367,255</u>
Assigned for:		
Permanent Improvement		4,813
Unassigned (Deficit)		(159,162)
Total Fund Balance	<u>\$2,938,866</u>	<u>\$15,212,906</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

23. JOINT VENTURES

A. Lima-Allen County Downtown Construction

The County and the City of Lima 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 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. The joint venture has not accumulated significant financial resources nor is the joint venture experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future. Financial information may 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 Joint Parking Commission (see Note 24). As of December 31, 2014 this lease has not been entered into.

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

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

The Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Allen, Auglaize, and Hardin Counties in the same proportion of each county's population to the total combined population. The degree of control exercised by any participating County 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 because its existence is dependent on the continued participation of the County.

Allen County serves as fiscal agent. The Board receives tax revenue from the three counties and receives federal and state funding through grants which are applied for and received by the Board. The Board is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future. Financial information may be obtained from the Allen County Commissioners, Allen County, Ohio.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

24. JOINTLY GOVERNED ORGANIZATIONS

A. Lima-Allen County Regional Planning Commission

The Lima-Allen County Regional Planning Commission is a jointly governed organization established under Section 713.21 of the Ohio Revised Code. The Commission consists of six delegates and six alternates appointed by the Allen County Commissioners, one delegate and one alternate for each five thousand persons determined by the last federal decennial census from each municipal corporation and each of the townships participating in the Commission; provided that no cooperating municipality or township has less than one delegate and one alternate to the Commission. Each participating municipality and township contributes to the operation of the Commission based on a per capita charge.

Duties of the Commission include making studies, maps, plans, and other reports of the County and adjoining areas, 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 2014, the County did not pay any membership fees. Financial information may be obtained from the Lima-Allen County Regional Planning Commission, 130 West North Street, Lima, Ohio 45801.

B. North Central Ohio Solid Waste Management District

Allen County participates in a multi-county Solid Waste Management 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 population compared to the total of all participating counties' populations.

Allen County, the largest of the six counties, initially contributed 33 percent of the total funds contributed. 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. The County does not contribute to the Joint Solid Waste Management District nor does it anticipate doing so in the future. Allen County serves as fiscal agent. Financial information may be obtained from the Solid Waste District, 815 Shawnee Road, Suite D, Lima, Ohio 45805.

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 comprised of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The WORTH Center is operated 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 WORTH Center is located in Allen County and the County serves as the fiscal agent.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

24. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Judicial Corrections Board of the WORTH Center consists of ten judges of the eight member counties who are appointed by the presiding judge of the court of common pleas of Allen County. The County has entered into a sublease with the Department of Rehabilitation and Correction which stipulates that the WORTH Center building constructed by the Ohio Building Authority reverts to the County's ownership after twenty years from the start of the WORTH Center project. The County does not contribute to the operations of the WORTH Center nor does it anticipate doing so in the future. Financial information may be obtained from the WORTH Center, 243 East Bluelick Road, Lima, Ohio 45802.

D. Lima-Allen County Joint Parking Commission

The County and the City of Lima have established a joint parking commission (JPC) which is responsible for developing and implementing a joint city-county parking system for the Central Business District in Lima and has management control over the downtown parking garage and various downtown surface lots. 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.

25. INSURANCE POOLS

A. County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA), is a jointly governed organization among a number of counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA.

Each member county has one vote on all matters requiring a vote to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

B. County Employee Benefits Consortium of Ohio, Inc.

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

The business and affairs of the consortium are managed by a board of not less than nine or more than fifteen directors that exercise all powers of the consortium. Two-thirds of the directors are county commissioners of the member counties and one-third are employees of the 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 County Commissioners' Association of Ohio and another is required to be a board member of the County Risk Sharing Authority, Inc.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

26. RELATED ORGANIZATION

The Port Authority of Allen County was created pursuant to Sections 4582.202 through 4582.58 of the Ohio Revised Code to promote 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 and development enterprises; 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 serves as custodian of its own funds and maintains all records and accounts independent of Allen County. Financial information can be obtained from the Port Authority of Allen County, 144 South Main Street, Suite 200, Lima, Ohio 45801.

27. LODDI

A. Summary of Significant Accounting Policies

1. Reporting Entity

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

2. Basis of Presentation

LODDI is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. 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 deposits was \$170,710. These amounts are classified as "Cash and Cash Equivalents in Segregated Accounts" on the statement of net position. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

C. Capital Assets

LODDI had capital assets of land and buildings, in the amount of \$135,702 and \$1,238,642, respectively, as of December 31, 2014. Accumulated depreciation was \$400,639, with a net capital asset amount of \$973,705. Depreciation is computed using the straight-line method over a useful life of forty years.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

27. LODDI (Continued)

D. Long-Term Obligations

	<u>Interest Rate</u>	<u>Balance 01/01/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
Mortgage Notes Payable	3.575-8.875%	\$34,164	\$0	\$12,709	\$21,455	\$11,379

28. MARIMOR INDUSTRIES

A. Summary of Significant Accounting Policies

1. Reporting Entity

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

2. Basis of Presentation

The Industries is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. 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 \$181,766. None of the bank balance was exposed to custodial credit risk as it was covered by the National Credit Union Association. Investments consisted of mutual funds with a fair value of \$313,919 at December 31, 2014.

C. Capital Assets

The Industries capital assets consisted of equipment, in the amount of \$821,518, as of December 31, 2014. Accumulated depreciation was \$569,743, with a net capital asset amount of \$251,775. Depreciation is computed using the straight-line method over a useful life of three to seven years.

29. RELATED PARTY TRANSACTIONS

Marimor Industries, a discretely presented component unit of Allen County, has entered into a contract with the Allen County Board of Developmental Disabilities (DD), whereby the DD has agreed to pay specified overhead expenses for the Industries. The additional income and related expenses are not reflected in the financial statements of the component unit. In 2014, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker's compensation, repairs, supplies, equipment, Medicare, and other expenses was \$3,447,031.

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

30. CONTINGENT LIABILITIES

A. Litigation

There are currently no matters in litigation with the County as defendant.

B. Federal and State Grants

For the period January 1, 2014, to December 31, 2014, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such 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 believes such disallowances, if any, would be immaterial.

31. SUBSEQUENT EVENTS

On May 7, 2015, the County issued special assessment notes, in the amount of \$571,216, to partially retire notes previously issued for ditch improvements. The notes have an interest rate of 1.06 percent and mature on May 9, 2017.

On May 7, 2015, the County issued special assessment notes, in the amount of \$338,262, for ditch improvements. The notes have an interest rate of 2.05 percent and mature on May 9, 2017.

On September 25, 2015, the County issued special assessment notes, in the amount of \$2,452,092, for ditch improvements. The notes have an interest rate of 1.394 percent and mature on September 25, 2017.

On September 25, 2015, the County issued special assessment notes, in the amount of \$316,041, to partially retire notes previously issued for ditch improvements. The notes have an interest rate of 2.275 percent and mature on September 25, 2020.

**FINANCIAL CONDITION
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 Job and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1415-11-5323	10.561	\$677,618	
			677,618	
<i>Passed through the Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program				
Marimor School	065821-05-PU	10.553	8,903	
Total School Breakfast Program			8,903	
National School Lunch Program				
Marimor School	065821-LL-P4	10.555	15,973	\$8,066
Total National School Lunch Program			15,973	8,066
Total Nutrition Cluster			24,876	8,066
Total U.S. Department of Agriculture			702,494	8,066
U.S. Department of Housing and Urban Development				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
Formula Allocation Program	B-W-12-1AB-1	14.228	325,200	
Formula Allocation Program	B-F-13-1AB-1	14.228	153,000	
Total Formula Allocation Program			478,200	
Community Housing Improvement Program - CHIP	B-C-13-1AB-1	14.228	33,789	
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			511,989	
Home Investment Partnership Program	B-C-13-1AB-2	14.239	35,263	
Total U.S. Department of Housing and Urban Development			547,252	
U.S. Department of Labor				
<i>Passed through the Workforce Investment Act, Area 7:</i>				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	N/A	17.277	1,942	
Workforce Investment Act Cluster				
WIA/WIOA Adult Program	N/A	17.258	397,554	
WIA/WIOA Youth Activities	N/A	17.259	297,674	
WIA/WIOA Dislocated Workers	N/A	17.278	426,860	
Total Workforce Investment Act Cluster			1,122,088	
Total U.S. Department of Labor			1,124,030	
U.S. Department of Transportation				
<i>Federal Highway Administration</i>				
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	PID #92471	20.205	138,977	
Highway Planning and Construction	PID #77305	20.205	3,523,656	
Total Highway Planning Construction			3,662,633	
State and Community Highway Safety	HVEO-2014-2-00-00-00324-00	20.600	45,691	
State and Community Highway Safety	STEP-2015-2-00-00-00503-00	20.600	3,978	
Total State and Community Highway Safety Grant			49,669	
National Priority Safety Programs	IDEP-2015-2-00-00-00355-00	20.616	10,798	
Total U.S. Department of Transportation			\$3,723,100	

**FINANCIAL CONDITION
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
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-10P	84.027	\$77,259	
Special Education_Preschool Grants	065821-PGS1-10-P	84.173	<u>35,844</u>	
Total Special Education Cluster			<u>113,103</u>	
<i>Passed through the Ohio Department of Health:</i>				
Special Education-Grants for Infants and Families FY14	N/A	84.181	85,957	
Special Education -Grants for Infants and Families FY15	N/A	84.181	<u>40,296</u>	
Total Special Education - Grants for Infants and Families			126,253	
Total U.S. Department of Education			239,356	
Elections Assistance Commission				
<i>Passed through the Secretary of State:</i>				
Help America Vote Act Requirements Payments	N/A	90.401	<u>2,507</u>	
Total Elections Assistance Commission			2,507	
U.S. Department of Health and Human Services				
<i>Passed through the Ohio Department of Health:</i>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program - FY14	N/A	93.505	94,232	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program - FY15	N/A	93.505	<u>22,568</u>	
Total Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program			116,800	
<i>Passed through the Secretary of State:</i>				
Voting Access for Individuals with Disabilities Grants to States	N/A	93.617	<u>1,480</u>	
<i>Passed through the Ohio Department of Developmental Disabilities:</i>				
Social Services Block Grant	N/A	93.667	73,162	
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Social Services Block Grant	G-1213-11-0003	93.667	<u>253,578</u>	
Total Social Services Block Grant			326,740	
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Families	G-1415-11-5324	93.556	118,065	
Child Support Enforcement	G-1415-11-5324	93.563	1,391,383	
Children's Justice Grants to States	G-1415-11-5323	93.643	600	
Stephanie Tubbs Jones Child Welfare Services Program	G-1415-11-5323	93.645	66,768	
Foster Care_Title IV-E	N/A	93.658	1,009,764	
Adoption Assistance	N/A	93.659	1,091,178	
Chafee Foster Care Independence Program	G-1415-11-5323	93.674	34,126	
Children's Health Insurance Program	N/A	93.767	89,824	
Community-Based Child Abuse Prevention Grants	G-1415-11-5323	93.590	3,761	
Child Care and Development Block Grant	G-1415-11-5323	93.575	156,467	
Temporary Assistance for Needy Families	G-1415-11-5323	93.558	3,266,601	
<i>Passed through the Ohio Department of Developmental Disabilities:</i>				
Medical Assistance Program	N/A	93.778	245,590	
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Medical Assistance Program	G-1415-11-5323	93.778	<u>1,166,871</u>	
Total Medical Assistance Program			1,412,461	
Total U.S. Department of Health and Human Services			9,086,018	
U.S. Department of Criminal Justice				
<i>Passed through the Ohio Office of Criminal Justice Services:</i>				
Edward Byrne Memorial Justice Assistance Grant Program - West Central Ohio Crime Task Force	2013-JG-A01-6409	16.738	<u>36,400</u>	
Total U.S. Department of Criminal Justice			36,400	

FINANCIAL CONDITION
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Homeland Security				
<i>Passed through the Ohio Emergency Management Agency:</i>				
State Homeland Security Program	EMW-2013-SS-00120	97.067	26,807	
State Homeland Security Program	EMW-2012-SS-00001	97.067	56,657	
State Homeland Security Program	EMW-2011-SS-00070	97.067	<u>40,063</u>	
Total State Homeland Security Program			<u>123,527</u>	
Emergency Management Performance Grants:				
Emergency Management Performance Grants	EMW-2013-EP-00060-S01	97.042	57,240	
Emergency Management Performance Grants	EMW-2014-EP-00064	97.042	<u>20,092</u>	
Total Emergency Management Performance Grants			<u>77,332</u>	
Total U.S. Department of Homeland Security			<u>200,859</u>	
Total Federal Expenditures			<u>\$15,662,016</u>	<u>\$8,066</u>

N/A - pass through entity number not available

See accompanying notes to the schedule of federal awards expenditures.

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**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 1 – GENERAL

The accompanying Schedule of Federal Awards Expenditures (the Schedule) presents the activity of all federal financial programs of Allen County, Ohio (the County). 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 (the Schedule) 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. 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 2014 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$1,682,245
Loans made	
Defaulted Loan – Write Off	
Repayments	<u>(228,609)</u>
Ending loans receivable balance as of 12-31-14	1,453,636
Cash balance on hand in the revolving loan fund as of 12-31-14	1,062,112
Administrative costs expenditures during 2014	<u>19,575</u>
Total value of RLF portion of the CDBG 14.228 program	2,566,714
Other grants administered through the 14.228 program	<u>511,989</u>
Total CDBG CFDA #14.228 program	<u>\$3,078,703</u>
Delinquent amounts due as of 12-31-14	<u>\$19,149</u>

**FINANCIAL CONDITION
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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

Activity in the HOME housing revolving loan fund during 4 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$391,006
Loans made	
Repayments	(11,203)
Adjustments	<u>(112,901)</u>
Ending loans receivable balance as of December 31, 2014	266,902
Cash balance on hand in the revolving loan fund as of December 31, 2014	60,322
Administrative costs expenditures during 2014	
Total value of RLF portion of the CDBG 14.239 program	<u>326,431</u>
Other grants administered through the 14.239 program	<u>35,263</u>
Total CDBG CFDA #14.239	<u>\$361,694</u>
Delinquent amounts due as of December 31, 2014	<u>\$0</u>

NOTE 4 – FOOD SERVICES PROGRAMS – MARIMOR SCHOOL

The Department of Mental Retardation and Development Disabilities (Marimor School) received federal assistance through the School Breakfast, National School Lunch and Donated Food programs. The School Breakfast and National School 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 – 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.

NOTE 7 – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

During the calendar year, the County Board of Developmental Disabilities received a notice of a liability owed to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$19,608. The Cost Report liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 18, 2016. Our report refers to the other auditor who audited the financial statements of the component unit Marimor Industries, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that auditor separately reported. Another auditor audited the financial statements of the component unit LODDI as described in our report on the County's financial statements. The financial statements of LODDI were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 18, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Allen County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Allen County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-002. This finding did not require us to modify our compliance opinion on each major federal program.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-002 to be a material weakness.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 18, 2016

**FINANCIAL CONDITION
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act (WIA) Cluster – WIA/WIOA Adult Program CFDA #17.258, WIA/WIOA Youth Activities CFDA #17.259 and WIA/WIOA Dislocated Worker Formula Grants CFDA #17.278 Highway Planning & Construction CFDA #20.205 Social Services Block Grant CFDA #93.667 Temporary Assistance for Needy Families CFDA #93.558
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 470,102 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Material Weakness

Financial Reporting Errors

The County should have procedures and controls in place to prevent and detect errors in the accounting records and financial statements.

The 2014 accounting records and/or financial statements had the following errors:

- Highway Planning and Construction Grant money, in the amount of \$3,315,696, was not recorded in the accounting records or in the financial statements;
- Highway Planning and Construction Grant money, in the amount of \$133,781, was not recorded in the accounting records but was reported in the financial statements;
- Restricted for Other Purposes was overstated and Restricted for Revolving Loan was understated, in the amount of \$391,006, on the Statement of Net Position;
- Original budgeted expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for the Job and Family Services Fund were understated by \$1,000,000; and
- Original budgeted receipts on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for the Developmental Disabilities Fund were understated by \$905,943.

The failure to review project status and grantor payment reports resulted in the understatement of grant activity. Budgetary reporting errors occurred since the budgetary statements were not compared to the approved budgetary documents.

The accompanying financial statements have been adjusted to correct these errors.

Communication between the Auditor's Office and the County department responsible for the grant should occur throughout the year to help ensure that all grant activity is recorded in the accounting records. Budgetary statements presented in the annual financial report should be agreed to the approved budgetary documents.

OFFICIALS' RESPONSE:

Thank you for the opportunity to respond to the Findings for Financial Reporting Errors. The County makes every effort to ensure that our accounting and reporting is complete and as accurate as possible.

The comment regarding the Highway Planning and Construction Grant not recorded in the accounting records or in the financial statements is a result of our office was not made aware of payments made on behalf of us by ODOT. The financial statements were amended to reflect the flow thru of revenue and expenses made by ODOT.

The Statement of Revenues, Expenditures, and Changes in Fund Balance erroneously did not reflect the true 2014 actual and budget entries from our accounting system. The financial statements were amended for these errors.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citation / Material Weakness

Finding Number	2014-002
CFDA Title and Number	Highway Planning & Construction CFDA #20.205 Temporary Assistance for Needy Families CFDA #93.558
Federal Award Number / Year	2014
Federal Agency	United States Department of Transportation United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Transportation Ohio Department of Job and Family Services

OMB Circular A-133, Subpart C, Section 300(d), requires the County to prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310. **OMB Circular A-133, Subpart C, Section 310(b)(3)** states at a minimum the schedule shall provide total Federal awards expended for each individual Federal program.

The County prepared a schedule of federal awards expenditures (the Schedule) which included the following errors:

- Highway Planning and Construction Grant expenditures were overstated by \$190,533 as a result of including expenditures from projects that did not pertain to the County; and
- Temporary Assistance for Needy Families grant expenditures were understated by \$328,047 due to not including Q4 expenditures for TANF Administration and by reporting the amount of one receipt as an expenditure.

We also noted similar errors in certain non-major programs. Also there were some grants incorrectly classified as clusters.

The accompanying Schedule has been adjusted to eliminate these errors. These errors did not impact the accompanying financial statements.

The failure to correctly report grant activity resulted in the material misstatement of the Schedule. A materially misstated Schedule may result in follow-up action being taken by a grantor agency.

Procedures and controls should be implemented to help ensure that the Schedule accurately reports the grant activity that benefited the County. Such procedures could include reconciling the County's accounting records, grant documents, and subsidiary records maintained by each department, to the Schedule. In addition, grantor agencies may need to be contacted to identify on-behalf payments.

OFFICIALS' RESPONSE:

Thank you for the opportunity to respond to the Findings for Federal Awards. The County makes every effort to ensure that our accounting and reporting for federal programs is complete and as accurate as possible.

FINDING NUMBER 2014-002
(Continued)

The comment regarding the Highway Planning and Construction Grant expenditures being overstated was an oversight on our consultant's part. In 2013 they had included two statewide projects with expenditures specifically related to Allen County. When the Schedule was prepared for 2014, the two statewide projects were erroneously included which resulted in an overstatement of the Highway Planning and Construction CFDA # 20.205 by \$190,533.

The comment regarding CFDA #93.558 TANF states that the federal awards expenditures were understated by \$328,047 due to not including certain 4th quarter expenditures for TANF Administration in the total federal awards expenditures and due to reporting the amount of one receipt as an expenditure. The County Department of Jobs and Family Services prepares the federal awards expenditures related to programs administered by them and we have relied on the Microsoft Excel spreadsheet/schedule that was prepared by them as we have been able to rely on such information in the past without problems.

Based upon a review of the errors noted for certain non-major programs, it appears that the majority of the errors were related to non-major programs administered by the County Department of Jobs and Family Services.

We are not aware of any errors of this nature that were identified in recent prior audits. We have set a corrective action plan with our consultants to minimize the risk of any errors of this type occurring in the future.

**FINANCIAL CONDITION
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-002	<p>We have determined that for any future Highway Planning and Construction Grant expenditures that we will submit our federal expenditures as determined by the County Engineer to the Ohio Department of Transportation to verify whether or not such expenditures should be included on the County Schedule of Federal Awards Expenditures and whether such federal expenditures as noted are complete.</p> <p>We will request that the County Department of Jobs and Family Services provide us with the underlying detail for all federal programs administered by them for 2015 and review it to ensure that the summary information off their supporting documentation has been properly entered onto the summary schedules that they prepare and send to us.</p> <p>The errors denoted related to the proper classification of certain programs as clusters will be addressed by utilizing the most current version of the Compliance Supplement to ensure that all programs related to clusters are properly identified and reported</p>	Immediate	Rhonda Eddy-Stienecker, Allen County Auditor

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Dave Yost • Auditor of State

ALLEN COUNTY 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
JUNE 14, 2016