



Dave Yost • Auditor of State

ALLEN COUNTY
DECEMBER 31, 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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, 2015, 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 the 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 us to 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 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 audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

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*, and schedules of net pension liabilities and pension contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 August 30, 2017, 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, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

August 30, 2017

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ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 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, 2015. 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 \$2,675,058, or approximately 3 percent. Governmental activities increased 7 percent and the business-type activity decreased 6 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 2015. 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.

ALLEN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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 Fund - 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 the business-type activity 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.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2015 and 2014.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and Other Assets	\$69,862,838	\$68,555,287	\$5,613,601	\$10,806,806	\$75,476,439	\$79,362,093
Capital Assets, Net	64,722,807	62,628,414	50,425,968	46,934,785	115,148,775	109,563,199
Total Assets	134,585,645	131,183,701	56,039,569	57,741,591	190,625,214	188,925,292
Deferred Outflows of Resources:						
Pension	5,788,390	4,006,768	295,035	203,666	6,083,425	4,210,434
Liabilities:						
Current and Other Liabilities	3,758,389	3,773,885	1,927,416	4,634,308	5,685,805	8,408,193

(Continued)

ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

Table 1
Net Position
(Continued)

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Long-Term Liabilities:						
Pension	33,542,777	32,722,180	1,666,701	1,629,057	35,209,478	34,351,237
Other Amounts	20,435,788	19,298,231	22,081,202	19,220,205	42,516,990	38,518,436
Total Liabilities	57,736,954	55,794,296	25,675,319	25,483,570	83,412,273	81,277,866
Deferred Inflows of Resources						
Pension	803,600	327,477	29,281	0	832,881	327,477
Other Amounts	10,857,830	12,599,786	0	0	10,857,830	12,599,786
Total Deferred Inflows of Resources	11,661,430	12,927,263	29,281	0	11,690,711	12,927,263
Net Position						
Net Investment in Capital Assets	50,779,389	47,029,468	26,764,395	23,343,613	77,543,784	70,373,081
Restricted	37,446,832	38,677,509	0	0	37,446,832	38,677,509
Unrestricted (Deficit)	(17,250,570)	(19,238,067)	3,865,609	9,118,074	(13,384,961)	(10,119,993)
Total Net Position	\$70,975,651	\$66,468,910	\$30,630,004	\$32,461,687	101,605,655	\$98,930,597

During 2015, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the County's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's

ALLEN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)**

promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the County. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 68, the County is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$129,398,877 to \$98,930,597.

Although there was an overall 7 percent increase in net position for governmental activities; the above table reflects few changes of significance from the prior year. Aside from the changes in the net pension liability and the related deferred outflows and deferred inflows, the only change of significance is the 6 percent increase in other long-term liabilities and largely due to more debt being issued than retired during the year. Additional debt was issued for ditch improvements, road improvements, and new leases for equipment.

For business-type activities, there was a sizable decrease in current and other assets. In the prior year, there was a significant receivable for amounts due from the Ohio Water Development Authority for various sewer projects underway. Those resources were received and spent during 2015. There was also a decrease in cash and cash equivalents due to resources spent for both capitalized and non-capitalized repairs and replacements. At the end of 2014, there was a significant amount of outstanding contractual obligations for ongoing construction projects and there were very few outstanding obligations at the end of 2015; as a result, there was a substantial decrease in current and other liabilities. The increase in other long-term liabilities was due to more debt being issued than retired during the year. There was over \$6 million in new loan proceeds from the Ohio Water Development Authority for the Ottawa River Sewer and the Shawnee wastewater treatment plant projects.

Table 2 reflects the change in net position for 2015 and 2014.

ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$11,747,319	\$10,776,913	\$7,938,125	\$8,298,873	\$19,685,444	\$19,075,786
Operating Grants, Contributions, and Interest	29,285,502	29,959,899	0	0	29,285,502	29,959,899
Capital Grants and Contributions	3,278,867	4,974,062	0	0	3,278,867	4,974,062
Total Program Revenues	44,311,688	45,710,874	7,938,125	8,298,873	52,249,813	54,009,747
General Revenues:						
Property Taxes Levied for:						
General Operations	2,721,132	2,696,712	0	0	2,721,132	2,696,712
Health-Developmental Disabilities	4,835,251	5,555,153	0	0	4,835,251	5,555,153
Human Services-Children Services	2,025,807	2,436,199	0	0	2,025,807	2,436,199
Debt Service	1,236,908	1,232,084	0	0	1,236,908	1,232,084
Marimor Permanent Improvement	420,460	483,059	0	0	420,460	483,059
Permissive Sales Taxes	16,974,925	17,438,363	0	0	16,974,925	17,438,363
Grants and Entitlements	3,147,667	3,635,373	0	0	3,147,667	3,635,373
Interest	519,234	470,505	5,528	1,567	524,762	472,072
Other	6,105,785	5,847,135	20,999	39,389	6,126,784	5,886,524
Total General Revenues	37,987,169	39,794,583	26,527	40,956	38,013,696	39,835,539
Total Revenues	82,298,857	85,505,457	7,964,652	8,339,829	90,263,509	93,845,286
Program Expenses:						
General Government:						
Legislative and Executive	11,308,558	11,489,922			11,308,558	11,489,922
Judicial	8,644,402	8,412,600			8,644,402	8,412,600
Public Safety	11,121,406	10,275,181			11,121,406	10,275,181
Public Works	10,174,431	9,582,860			10,174,431	9,582,860
Health:						
Developmental Disabilities	14,940,642	16,181,763			14,940,642	16,181,763
Other Health	761,837	425,761			761,837	425,761
Human Services:						
Job and Family Services	9,402,209	8,423,562			9,402,209	8,423,562
Children Services	7,339,916	6,036,829			7,339,916	6,036,829
Other Human Services	2,389,248	2,790,623			2,389,248	2,790,623
Conservation and Recreation	1,736,028	1,578,537			1,736,028	1,578,537
Interest and Fiscal Charges	291,646	337,282			291,646	337,282
Sewer			9,478,128	6,016,512	9,478,128	6,016,512
Total Expenses	78,110,323	75,533,920	9,478,128	6,016,512	87,588,451	81,550,432
Increase (Decrease) in Net Position Before Transfers	4,188,534	9,971,537	(1,513,476)	2,323,317	2,675,058	12,294,854
Transfers	318,207	(702,958)	(318,207)	702,958		
Increase (Decrease) in Net Position	4,506,741	9,268,579	(1,831,683)	3,026,275	2,675,058	12,294,854
Net Position Beginning of Year	66,468,910	n/a	32,461,687	n/a	98,930,597	n/a
Net Position End of Year	\$70,975,651	\$66,468,910	\$30,630,004	\$32,461,687	\$101,605,655	\$98,930,597

ALLEN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)**

The information necessary to restate the 2014 beginning balance and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$4,146,839 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 statements report pension expense of \$3,690,424. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed.

	Governmental Activities	Business-Type Activities	Total
Total 2015 Program Expenses under GASB Statement No. 68	\$78,110,323	\$9,478,128	\$87,588,451
Pension Expense under GASB Statement No. 68	(3,508,763)	(181,661)	(3,690,424)
2015 Contractually Required Contribution	3,993,665	206,105	4,199,770
Adjusted 2015 Program Expenses	78,595,225	9,502,572	88,097,797
Total 2014 Program Expenses under GASB Statement No. 27	75,533,920	6,016,512	81,550,432
Increase in Program Expenses not Related to Pension	\$3,061,305	\$3,486,060	\$6,547,365

For governmental activities, there was a 3 percent decrease in program revenues primarily due to additional restricted grant resources received in the prior year. General revenues decreased 4.5 percent primarily related to voted property tax levies for development disabilities and children services as well as modest decreases in permissive sales taxes and unrestricted grants and entitlements (largely state shared revenues). Expenses increased 4 percent, not a significant change.

For the business-type activity, program revenues are almost 100 percent of total revenues (charges for sewer services). Charges for services revenue decreased 4 percent from the prior year. These charges are based on usage. Expenses increased significantly due largely to an increase in contractual services for repairs and improvements.

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	
	2015	2014	2015	2014
General Government:				
Legislative and Executive	\$11,308,558	\$11,489,922	\$6,873,390	\$6,986,468
Judicial	8,644,402	8,412,600	4,524,881	4,280,909
Public Safety	11,121,406	10,275,181	9,249,127	8,464,884
Public Works	10,174,431	9,582,860	(596,712)	(2,451,834)
Health:				
Developmental Disabilities	14,940,642	16,181,763	6,504,572	8,025,144
Other Health	761,837	425,761	341,757	(1,756)
Human Services:				
Job and Family Services	9,402,209	8,423,562	1,139,175	892,767
Children Services	7,339,916	6,035,829	3,835,821	1,522,864
Other Human Services	2,389,248	2,790,623	706,900	642,183
Conservation and Recreation	1,736,028	1,578,537	928,078	1,124,135
Interest and Fiscal Charges	291,646	337,282	291,646	337,282
Total Expenses	<u>\$78,110,323</u>	<u>\$75,533,920</u>	<u>\$33,798,635</u>	<u>\$29,823,046</u>

ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED (Continued)

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) supported 43 percent of the services provided by the County (39 percent in 2014). 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, 35 percent of the legislative and executive program costs were provided for through various charges for services. The judicial program provides for 52 percent of its costs through various fines, court costs, and grants. For both 2015 and 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).

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 17 percent from the prior year. There was a 5 percent increase in revenues (primarily permissive sales taxes) and only a 2 percent increase in expenditures.

The Motor Vehicle and Gas Tax Fund had a 48 percent increase in fund balance. Revenues increased 8 percent largely due to an increase in permissive sales taxes and intergovernmental revenues (includes gas taxes, license taxes, and other amounts received from other governments). There was almost no change in expenditures from the prior year.

The change in fund balance in the Job and Family Services Fund was an increase of \$85,836, not a significant change.

Fund balance decreased \$429,098 in the Developmental Disabilities Fund despite a 7 percent decrease in expenditures. Revenues also decreased 2 percent. This fund continues to have expenditures in excess of current year revenues; however, there is a fund balance of \$9 million.

There was a 21 percent decrease in fund balance in the Children Services Fund. There was a 7 percent increase in revenues; however, a 20 percent increase in expenditures.

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 an operating loss for 2015 and decrease in net position. As mentioned previously, charges for services revenue decreased 4 percent from the prior year (charges on based on usage) and expenses increased significantly due largely to an increase in contractual services for repairs and improvements.

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, there was a \$1.5 million increase from the original budget to the final budget due to an increase in the estimate for permissive sales taxes. The change from the final budget to actual revenues was 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.

ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED (Continued)

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, 2015, was \$50,779,389 and \$26,764,395, respectively (net of accumulated depreciation and related debt). The primary additions for governmental activities consisted of continuing construction, building improvements, 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.

Debt - At December 31, 2015, the County had \$3,677,611 in special assessment notes, \$5,125,502 in general obligation bonds, \$1,962,102 in special assessment bonds, \$1,795,594 in OPWC loans, and \$4,249,741 in OWDA loans payable from governmental activities. The business-type activity had \$1,507,142 in bond anticipation notes, \$15,126 in OPWC loans, and \$21,677,918 in OWDA loans outstanding at year end.

In addition to the debt outlined above, the County's long-term obligations also include the net pension liability, 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 4.5 percent as of December 2015, which is lower than one year ago.

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 60 percent in 2015. Interest revenue was 11 percent in 2007 and down to 2 percent in 2015. 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.

There was a modest decrease in sales tax revenue in 2015. The County also experienced a slight decrease in casino revenue. Casino revenue was \$1,218,610 in 2015 compared to \$1,264,157 in 2014. Local government funding increased slightly in 2015. The changes in local government funds have 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.

Allen County, Ohio
Statement of Net Position
Primary Government and Discretely Presented Component Units
December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	LODDI	Marimor Industries
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$38,006,871	\$2,565,566	\$40,572,437	\$0	\$0
Cash and Cash Equivalents in Segregated Accounts	685,275	0	685,275	158,977	198,101
Cash and Cash Equivalents with Escrow Agent	251,288	154,116	405,404	0	0
Investments in Segregated Accounts	0	0	0	10,430	244,522
Asset Deposit	0	0	0	0	40,835
Accounts Receivable	10,778	3,138,621	3,149,399	0	50,154
Accrued Interest Receivable	40,987	0	40,987	0	0
Permissive Sales Taxes Receivable	4,545,668	0	4,545,668	0	0
Permissive Motor Vehicle License Taxes Receivable	28,090	0	28,090	0	0
Due from Other Governments	7,799,271	39,500	7,838,771	0	0
Due from Component Unit	91,748	0	91,748	0	0
Due from Primary Government	0	0	0	0	7,493
Prepaid Items	172,459	0	172,459	14,249	1,237
Materials and Supplies Inventory	669,877	67,836	737,713	0	0
Internal Balances	352,038	(352,038)	0	0	0
Property Taxes Receivable	11,845,629	0	11,845,629	0	0
Notes Receivable	1,487,974	0	1,487,974	0	0
Special Assessments Receivable	3,874,885	0	3,874,885	0	0
Nondepreciable Capital Assets	11,953,269	15,485,977	27,439,246	135,704	0
Depreciable Capital Assets, Net	52,769,538	34,939,991	87,709,529	823,300	266,962
Total Assets	134,585,645	56,039,569	190,625,214	1,142,660	809,304
<u>Deferred Outflows of Resources</u>					
Pension	5,788,390	295,035	6,083,425	0	0
<u>Liabilities</u>					
Accrued Wages Payable	772,933	38,027	810,960	0	6,601
Accounts Payable	871,127	64,102	935,229	14,691	5,736
Contracts Payable	811,899	48,300	860,199	0	0
Due to Other Governments	924,267	93,331	1,017,598	0	2,960
Due to Component Unit	7,493	0	7,493	0	0
Due to Primary Government	0	0	0	0	46,031
Due to External Parties	3,381	0	3,381	0	0
Retainage Payable	311,787	161,845	473,632	0	0
Accrued Interest Payable	55,502	14,669	70,171	0	0
Notes Payable	0	1,507,142	1,507,142	0	0
Long-Term Liabilities:					
Due Within One Year	4,588,712	731,860	5,320,572	5,846	0
Due in More Than One Year	15,847,076	21,349,342	37,196,418	4,231	0
Net Pension Liability	33,542,777	1,666,701	35,209,478	0	0
Total Liabilities	57,736,954	25,675,319	83,412,273	24,768	61,328
<u>Deferred Inflows of Resources</u>					
Property Taxes	10,857,830	0	10,857,830	0	0
Pension	803,600	29,281	832,881	0	0
Total Deferred Inflows or Resources	11,661,430	29,281	11,690,711	0	0
<u>Net Position</u>					
Net Investment in Capital Assets	\$50,779,389	\$26,764,395	\$77,543,784	\$948,927	\$266,962
Restricted for:					
Debt Service	3,825,518	0	3,825,518	0	0
Capital Projects	4,965,134	0	4,965,134	0	0
Public Works	3,565,731	0	3,565,731	0	0
Developmental Disabilities	10,299,201	0	10,299,201	0	0
Job and Family Services	1,416,522	0	1,416,522	0	0
Children Services	2,674,068	0	2,674,068	0	0
Real Estate Assessment	3,011,529	0	3,011,529	0	0
Revolving Loan	2,235,569	0	2,235,569	0	0
Ditch Maintenance	1,577,689	0	1,577,689	0	0
Other Purposes	3,875,871	0	3,875,871	0	0
Unrestricted (Deficit)	(17,250,570)	3,865,609	(13,384,961)	168,965	481,014
Total Net Position	\$70,975,651	\$30,630,004	\$101,605,655	\$1,117,892	\$747,976

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Activities
Primary Government and Discretely Presented Component Units
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
General Government:				
Legislative and Executive	\$11,308,558	\$3,983,216	\$451,952	\$0
Judicial	8,644,402	1,943,207	2,176,314	0
Public Safety	11,121,406	822,455	853,947	195,877
Public Works	10,174,431	2,716,328	4,971,825	3,082,990
Health				
Developmental Disabilities	14,940,642	628,680	7,807,390	0
Other Health	761,837	420,080	0	0
Human Services				
Job and Family Services	9,402,209	47,789	8,215,245	0
Children Services	7,339,916	138,671	3,365,424	0
Other Human Services	2,389,248	411,080	1,271,268	0
Conservation and Recreation	1,736,028	635,813	172,137	0
Interest and Fiscal Charges	291,646	0	0	0
Total Governmental Activities	78,110,323	11,747,319	29,285,502	3,278,867
<u>Business-Type Activity</u>				
Sewer	9,478,128	7,938,125	0	0
Total Primary Government	<u>\$87,588,451</u>	<u>\$19,685,444</u>	<u>\$29,285,502</u>	<u>\$3,278,867</u>
<u>Component Units</u>				
LODDI	\$138,277	\$124,010	\$0	\$0
Marimor Industries	4,238,637	648,808	3,411,815	0
Total Component Units	<u>\$4,376,914</u>	<u>\$772,818</u>	<u>\$3,411,815</u>	<u>\$0</u>

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
(\$6,873,390)	\$0	(\$6,873,390)	\$0	\$0
(4,524,881)	0	(4,524,881)	0	0
(9,249,127)	0	(9,249,127)	0	0
596,712	0	596,712	0	0
(6,504,572)	0	(6,504,572)	0	0
(341,757)	0	(341,757)	0	0
(1,139,175)	0	(1,139,175)	0	0
(3,835,821)	0	(3,835,821)	0	0
(706,900)	0	(706,900)	0	0
(928,078)	0	(928,078)	0	0
(291,646)	0	(291,646)	0	0
(33,798,635)	0	(33,798,635)	0	0
0	(1,540,003)	(1,540,003)	0	0
(33,798,635)	(1,540,003)	(35,338,638)	0	0
0	0	0	(14,267)	0
0	0	0	0	(178,014)
0	0	0	(14,267)	(178,014)
2,721,132	0	2,721,132	0	0
4,835,251	0	4,835,251	0	0
2,025,807	0	2,025,807	0	0
1,236,908	0	1,236,908	0	0
420,460	0	420,460	0	0
16,974,925	0	16,974,925	0	0
3,147,667	0	3,147,667	0	2,000
519,234	5,528	524,762	165	1,720
6,105,785	20,999	6,126,784	13,114	55,043
37,987,169	26,527	38,013,696	13,279	58,763
318,207	(318,207)	0	0	0
38,305,376	(291,680)	38,013,696	13,279	58,763
4,506,741	(1,831,683)	2,675,058	(988)	(119,251)
66,468,910	32,461,687	98,930,597	1,118,880	867,227
<u>\$70,975,651</u>	<u>\$30,630,004</u>	<u>\$101,605,655</u>	<u>\$1,117,892</u>	<u>\$747,976</u>

Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,795,895	\$871,405	\$1,901,895	\$8,968,956
Cash and Cash Equivalents in Segregated Accounts	1,699	0	0	0
Accounts Receivable	0	50	19	0
Accrued Interest Receivable	40,987	0	0	0
Permissive Sales Taxes Receivable	4,352,561	0	0	0
Permissive Motor Vehicle License Taxes Receivable	0	28,090	0	0
Due from Other Governments	897,349	2,546,573	146,753	1,964,042
Due from Component Unit	0	0	0	91,748
Prepaid Items	172,459	0	0	0
Materials and Supplies Inventory	44,760	507,198	29,458	84,034
Interfund Receivable	1,465,735	3,539	125,000	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	156,723	0	0	0
Cash and Cash Equivalents with Escrow Agent	0	0	0	0
Property Taxes Receivable	2,861,990	0	0	5,116,849
Notes Receivable	0	0	0	0
Special Assessments Receivable	0	0	0	0
Total Assets	\$16,790,158	\$3,956,855	\$2,203,125	\$16,225,629
<u>Liabilities</u>				
Accrued Wages Payable	\$289,504	\$56,959	\$116,466	\$158,648
Accounts Payable	173,351	16,724	116,806	88,941
Contracts Payable	0	84,537	0	0
Due to Other Governments	324,990	51,428	118,365	226,062
Due to Component Unit	0	0	0	7,493
Due to External Parties	0	0	0	0
Interfund Payable	0	0	54,790	15,890
Payable from Restricted Assets:				
Retainage Payable	0	0	0	0
Retainage Payable	0	19,619	0	0
Total Liabilities	787,845	229,267	406,427	497,034
<u>Deferred Inflows of Resources</u>				
Property Taxes Receivable	2,641,737	0	0	4,656,322
Unavailable Revenue	4,189,198	2,082,482	69,680	2,059,261
Total Deferred Inflows of Resources	6,830,935	2,082,482	69,680	6,715,583
<u>Fund Balance</u>				
Nonspendable	1,550,823	507,198	29,458	84,034
Restricted	0	1,137,908	1,697,560	8,928,978
Assigned	3,533,323	0	0	0
Unassigned (Deficit)	4,087,232	0	0	0
Total Fund Balance	9,171,378	1,645,106	1,727,018	9,013,012
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$16,790,158	\$3,956,855	\$2,203,125	\$16,225,629

See Accompanying Notes to the Basic Financial Statements

Children Services	Other Governmental	Total
\$2,770,903	\$16,541,094	\$37,850,148
16,056	667,520	685,275
0	10,709	10,778
0	0	40,987
0	193,107	4,545,668
0	0	28,090
623,608	1,620,946	7,799,271
0	0	91,748
0	0	172,459
4,427	0	669,877
3,582	251,208	1,849,064
0	0	156,723
0	251,288	251,288
2,155,380	1,711,410	11,845,629
0	1,487,974	1,487,974
0	3,874,885	3,874,885
<u>\$5,573,956</u>	<u>\$26,610,141</u>	<u>\$71,359,864</u>
\$64,150	\$87,206	\$772,933
270,194	205,111	871,127
0	727,362	811,899
109,271	94,151	924,267
0	0	7,493
0	3,381	3,381
125,000	1,301,346	1,497,026
0	251,288	251,288
0	40,880	60,499
<u>568,615</u>	<u>2,710,725</u>	<u>5,199,913</u>
1,988,522	1,571,249	10,857,830
689,122	5,730,188	14,819,931
<u>2,677,644</u>	<u>7,301,437</u>	<u>25,677,761</u>
4,427	0	2,175,940
2,323,270	16,933,731	31,021,447
0	4,813	3,538,136
0	(340,565)	3,746,667
<u>2,327,697</u>	<u>16,597,979</u>	<u>40,482,190</u>
<u>\$5,573,956</u>	<u>\$26,610,141</u>	<u>\$71,359,864</u>

Allen County, Ohio
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2015

Total Governmental Fund Balance		\$40,482,190
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.		64,722,807
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accrued Interest Receivable	\$30,602	
Permissive Sales Taxes Receivable	3,196,488	
Due from Other Governments	6,504,648	
Due from Component Unit	91,748	
Interfund Receivable	133,761	
Delinquent Property Taxes Receivable	987,799	
Special Assessments Receivable	3,874,885	
		14,819,931
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Special Assessment Notes Payable	(3,677,611)	
General Obligation Bonds Payable	(5,125,502)	
Special Assessment Bonds Payable	(1,962,102)	
OPWC Loans Payable	(1,795,594)	
OWDA Loans Payable	(4,249,741)	
Capital Leases Payable	(102,135)	
Compensated Absences Payable	(3,523,103)	
		(20,435,788)
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.		(55,502)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows - Pension	5,788,390	
Deferred Inflows - Pension	(803,600)	
Net Pension Liability	(33,542,777)	
		(28,557,987)
Net Position of Governmental Activities		\$70,975,651

See Accompanying Notes to the Basic Financial Statements

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Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2015

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
<u>Revenues</u>				
Property Taxes	\$2,707,563	\$0	\$0	\$4,806,883
Permissive Sales Taxes	16,093,375	0	0	0
Permissive Motor Vehicle License Taxes	0	344,765	0	0
Charges for Services	4,663,668	757,560	47,789	628,680
Licenses and Permits	5,335	7,750	0	0
Fines and Forfeitures	186,932	130,799	0	0
Intergovernmental	1,709,272	5,997,402	8,158,166	7,795,611
Special Assessments	0	0	0	0
Interest	546,981	334	0	48
Other	899,136	60,300	870,118	1,357,612
Total Revenues	26,812,262	7,298,910	9,076,073	14,588,834
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	8,561,287	0	0	0
Judicial	6,212,628	0	0	0
Public Safety	9,142,407	0	0	0
Public Works	268,609	7,127,676	0	0
Health	191,302	0	0	15,017,932
Human Services	430,279	0	9,296,182	0
Conservation and Recreation	277,891	0	0	0
Other	83,246	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	48,583	160,615	0	0
Interest and Fiscal Charges	7,896	252	0	0
Total Expenditures	25,224,128	7,288,543	9,296,182	15,017,932
Excess of Revenues Over (Under) Expenditures	1,588,134	10,367	(220,109)	(429,098)
<u>Other Financing Sources (Uses)</u>				
Special Assesment Notes Issued	0	0	0	0
Inception of Capital Lease	0	137,905	0	0
OPWC Loans Issued	0	387,852	0	0
Transfers In	97,000	0	305,945	0
Transfers Out	(353,342)	0	0	0
Total Other Financing Sources (Uses)	(256,342)	525,757	305,945	0
Changes in Fund Balance	1,331,792	536,124	85,836	(429,098)
Fund Balance Beginning of Year	7,839,586	1,108,982	1,641,182	9,442,110
Fund Balance End of Year	<u>\$9,171,378</u>	<u>\$1,645,106</u>	<u>\$1,727,018</u>	<u>\$9,013,012</u>

See Accompanying Notes to the Basic Financial Statements

<u>Children Services</u>	<u>Other Governmental</u>	<u>Total</u>
\$2,015,528	\$1,648,734	\$11,178,708
0	772,426	16,865,801
0	0	344,765
138,671	2,798,438	9,034,806
0	506,261	519,346
0	46,181	363,912
3,829,442	8,261,907	35,751,800
0	790,516	790,516
0	874	548,237
663,344	2,084,760	5,935,270
<u>6,646,985</u>	<u>16,910,097</u>	<u>81,333,161</u>
0	2,285,713	10,847,000
0	2,415,074	8,627,702
0	1,697,217	10,839,624
0	566,708	7,962,993
0	323,992	15,533,226
7,258,154	2,046,238	19,030,853
0	1,054,619	1,332,510
0	0	83,246
0	5,606,550	5,606,550
0	3,184,509	3,393,707
0	290,619	298,767
<u>7,258,154</u>	<u>19,471,239</u>	<u>83,556,178</u>
<u>(611,169)</u>	<u>(2,561,142)</u>	<u>(2,223,017)</u>
0	3,677,611	3,677,611
0	0	137,905
0	0	387,852
0	365,604	768,549
0	(97,000)	(450,342)
<u>0</u>	<u>3,946,215</u>	<u>4,521,575</u>
(611,169)	1,385,073	2,298,558
<u>2,938,866</u>	<u>15,212,906</u>	<u>38,183,632</u>
<u>\$2,327,697</u>	<u>\$16,597,979</u>	<u>\$40,482,190</u>

Allen County, Ohio
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2015

Changes in Fund Balance - Total Governmental Funds \$2,298,558

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	\$4,218,958	
Capital Outlay - Depreciable Capital Assets	1,148,171	
Capital Contributions	197,288	
Depreciation	<u>(3,470,024)</u>	2,094,393

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

Delinquent Property Taxes	60,850	
Permissive Sales Taxes	109,124	
Charges for Services	81,829	
Intergovernmental	(238,308)	
Special Assessments	612,145	
Interest	(27,747)	
Other	<u>170,515</u>	768,408

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	887,257	
General Obligation Bonds Payable	1,763,583	
Special Assessment Bonds Payable	296,458	
OPWC Loans Payable	124,845	
OWDA Loans Payable	268,148	
Capital Leases Payable	<u>53,416</u>	3,393,707

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

Bond Anticipation Notes	(3,677,611)	
OPWC Loans	<u>(387,852)</u>	(4,065,463)

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		(\$1,963)
Amortization of Premium		9,084

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position.

(137,905)

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.

(336,980)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.

(3,508,763)

Contractually required pension contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows or a reduction in the net pension liability.

3,993,665

Change in Net Position of Governmental Activities

\$4,506,741

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$2,572,000	\$2,572,000	\$2,690,123	\$118,123
Permissive Sales Taxes	14,400,000	15,900,000	16,031,170	131,170
Charges for Services	4,762,656	4,762,656	4,708,306	(54,350)
Licenses and Permits	6,030	6,030	5,335	(695)
Fines and Forfeitures	100,000	100,000	193,858	93,858
Intergovernmental	1,530,039	1,530,039	1,735,256	205,217
Interest	300,015	300,015	487,017	187,002
Other	915,610	915,610	811,112	(104,498)
Total Revenues	<u>24,586,350</u>	<u>26,086,350</u>	<u>26,662,177</u>	<u>575,827</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	8,819,397	8,889,585	8,565,256	324,329
Judicial	6,628,225	6,379,787	6,206,263	173,524
Public Safety	8,723,746	9,189,137	9,093,164	95,973
Public Works	230,578	268,424	268,424	0
Health	199,500	199,500	190,634	8,866
Human Services	654,627	656,803	427,302	229,501
Conservation and Recreation	265,925	280,365	277,026	3,339
Other	100,000	100,000	83,246	16,754
Debt Service:				
Principal Retirement	48,583	48,583	48,583	0
Interest and Fiscal Charges	7,896	7,896	7,896	0
Total Expenditures	<u>25,678,477</u>	<u>26,020,080</u>	<u>25,167,794</u>	<u>852,286</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,092,127)</u>	<u>66,270</u>	<u>1,494,383</u>	<u>1,428,113</u>
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	157,560	157,560	89,162	(68,398)
Advances In	20,000	20,000	40,000	20,000
Advances Out	(20,000)	(125,000)	(1,202,206)	(1,077,206)
Transfers In	97,000	97,000	97,000	0
Transfers Out	(353,342)	(353,342)	(353,342)	0
Total Other Financing Sources (Uses)	<u>(98,782)</u>	<u>(203,782)</u>	<u>(1,329,386)</u>	<u>(1,125,604)</u>
Changes in Fund Balance	(1,190,909)	(137,512)	164,997	302,509
Fund Balance Beginning of Year	6,600,075	6,600,075	6,600,075	0
Prior Year Encumbrances Appropriated	<u>75,522</u>	<u>75,522</u>	<u>75,522</u>	<u>0</u>
Fund Balance End of Year	<u>\$5,484,688</u>	<u>\$6,538,085</u>	<u>\$6,840,594</u>	<u>\$302,509</u>

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Permissive Motor Vehicle License Taxes	\$320,000	\$320,000	\$344,056	\$24,056
Charges for Services	690,000	690,000	754,681	64,681
Licenses and Permits	10,000	10,000	7,700	(2,300)
Fines and Forfeitures	200,000	200,000	140,829	(59,171)
Intergovernmental	5,983,479	5,983,479	5,980,923	(2,556)
Interest	1,000	1,000	329	(671)
Total Revenues	7,204,479	7,204,479	7,228,518	24,039
<u>Expenditures</u>				
Current:				
Public Works	7,565,774	7,873,922	7,543,908	330,014
Debt Service:				
Principal Retirement	128,126	128,126	124,845	3,281
Total Expenditures	7,693,900	8,002,048	7,668,753	333,295
Excess of Revenues Under Expenditures	(489,421)	(797,569)	(440,235)	357,334
<u>Other Financing Sources</u>				
Other Financing Sources	110,000	110,000	59,920	(50,080)
OPWC Loans Issued	387,852	387,852	387,852	0
Total Other Financing Sources	497,852	497,852	447,772	(50,080)
Changes in Fund Balance	8,431	(299,717)	7,537	307,254
Fund Balance Beginning of Year	627,790	627,790	627,790	0
Prior Year Encumbrances Appropriated	95,647	95,647	95,647	0
Fund Balance End of Year	\$731,868	\$423,720	\$730,974	\$307,254

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for Services	\$500	\$500	\$51	(\$449)
Intergovernmental	8,992,000	8,992,000	8,039,550	(952,450)
Total Revenues	<u>8,992,500</u>	<u>8,992,500</u>	<u>8,039,601</u>	<u>(952,899)</u>
<u>Expenditures</u>				
Current:				
Human Services	10,441,100	9,792,297	9,166,815	625,482
Excess of Revenues Under Expenditures	<u>(1,448,600)</u>	<u>(799,797)</u>	<u>(1,127,214)</u>	<u>(327,417)</u>
<u>Other Financing Sources</u>				
Other Financing Sources	1,173,600	1,571,441	845,118	(726,323)
Transfers In	305,945	305,945	305,945	0
Total Other Financing Sources	<u>1,479,545</u>	<u>1,877,386</u>	<u>1,151,063</u>	<u>(726,323)</u>
Changes in Fund Balance	30,945	1,077,589	23,849	(1,053,740)
Fund Balance Beginning of Year	1,732,872	1,732,872	1,732,872	0
Prior Year Encumbrances Appropriated	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Fund Balance End of Year	<u>\$1,793,817</u>	<u>\$2,840,461</u>	<u>\$1,786,721</u>	<u>(\$1,053,740)</u>

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Developmental Disabilities Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$5,328,575	\$5,328,575	\$4,770,419	(\$558,156)
Charges for Services	488,925	488,925	631,631	142,706
Intergovernmental	8,250,591	8,333,682	7,975,252	(358,430)
Interest	160	160	52	(108)
Other	439,021	439,021	307,313	(131,708)
Total Revenues	14,507,272	14,590,363	13,684,667	(905,696)
<u>Expenditures</u>				
Current:				
Health	18,301,598	22,837,906	15,253,126	7,584,780
Excess of Revenues Under Expenditures	(3,794,326)	(8,247,543)	(1,568,459)	6,679,084
<u>Other Financing Sources</u>				
Other Financing Sources	1,010,531	1,010,531	1,095,863	85,332
Changes in Fund Balance	(2,783,795)	(7,237,012)	(472,596)	6,764,416
Fund Balance Beginning of Year	9,202,288	9,202,288	9,202,288	0
Fund Balance End of Year	\$6,418,493	\$1,965,276	\$8,729,692	\$6,764,416

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Children Services Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$2,369,000	\$2,369,000	\$2,002,316	(\$366,684)
Charges for Services	114,500	114,500	138,671	24,171
Intergovernmental	3,674,760	3,674,760	3,852,578	177,818
Total Revenues	<u>6,158,260</u>	<u>6,158,260</u>	<u>5,993,565</u>	<u>(164,695)</u>
<u>Expenditures</u>				
Current:				
Human Services	<u>6,388,002</u>	<u>6,858,640</u>	<u>6,900,737</u>	<u>(42,097)</u>
Excess of Revenues Under Expenditures	(229,742)	(700,380)	(907,172)	(206,792)
<u>Other Financing Sources</u>				
Other Financing Sources	<u>180,000</u>	<u>180,000</u>	<u>649,994</u>	<u>469,994</u>
Changes in Fund Balance	(49,742)	(520,380)	(257,178)	263,202
Fund Balance Beginning of Year	2,823,041	2,823,041	2,823,041	0
Prior Year Encumbrances Appropriated	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>0</u>
Fund Balance End of Year	<u>\$2,878,299</u>	<u>\$2,407,661</u>	<u>\$2,670,863</u>	<u>\$263,202</u>

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2015

	Sewer
<u>Assets</u>	
<u>Current Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,565,566
Accounts Receivable	3,138,621
Due from Other Governments	39,500
Materials and Supplies Inventory	67,836
Interfund Receivable	725,168
Total Current Assets	6,536,691
<u>Non-Current Assets</u>	
Restricted Assets:	
Cash and Cash Equivalents with Escrow Agent	154,116
Nondepreciable Capital Assets	15,485,977
Depreciable Capital Assets, Net	34,939,991
Total Non-Current Assets	50,580,084
Total Assets	57,116,775
<u>Deferred Outflows of Resources</u>	
Pension	295,035
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accrued Wages Payable	38,027
Accounts Payable	64,102
Contracts Payable	48,300
Due to Other Governments	93,331
Interfund Payable	1,077,206
Retainage Payable	161,845
Accrued Interest Payable	14,669
Notes Payable	1,507,142
OPWC Loans Payable	5,042
OWDA Loans Payable	501,174
Capital Leases Payable	125,107
Compensated Absences Payable	100,537
Total Current Liabilities	3,736,482
<u>Non-Current Liabilities</u>	
OPWC Loans Payable	10,084
OWDA Loans Payable	21,176,744
Net Pension Liability	1,666,701
Capital Leases Payable	56,135
Compensated Absences Payable	106,379
Total Non-Current Liabilities	23,016,043
Total Liabilities	26,752,525
<u>Deferred Inflows of Resources</u>	
Pension	29,281
<u>Net Position</u>	
Net Investment in Capital Assets	\$26,764,395
Unrestricted	3,865,609
Total Net Position	\$30,630,004

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenses,
and Change in Fund Net Position
Enterprise Fund
For the Year Ended December 31, 2015

	Sewer
<u>Operating Revenues</u>	
Charges for Services	\$7,936,025
Licenses, Permits, and Inspections	2,100
Other	20,999
Total Operating Revenues	7,959,124
 <u>Operating Expenses</u>	
Personal Services	2,240,946
Materials and Supplies	493,162
Contractual Services	4,237,792
Other	451
Depreciation	1,846,258
Total Operating Expenses	8,818,609
 Operating Loss	(859,485)
 <u>Non-Operating Revenues (Expenses)</u>	
Loss on Disposal of Capital Assets	(3,427)
Interest Revenue	5,528
Interest Expense	(656,092)
Total Non-Operating Revenues (Expenses)	(653,991)
 Loss Before Transfers	(1,513,476)
 Transfers Out	(318,207)
 Change in Net Position	(1,831,683)
 Net Position Beginning of Year - Restated (Note 3)	32,461,687
 Net Position End of Year	\$30,630,004

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2015

	<u>Sewer</u>
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$7,875,421
Cash Payments for Personal Services	(2,196,234)
Cash Payments to Suppliers	(2,665,057)
Cash Payments for Contractual Services	(4,581,434)
Cash Received from Other Revenues	20,999
Cash Payments for Other Expenses	(451)
	<u>(1,546,756)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Advances In	1,077,506
Cash Payments for Advances Out	(52,955)
Cash Payments for Transfers Out	(318,207)
	<u>706,344</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(5,130,723)
Principal Paid on Bond Anticipation Notes	(398,214)
Interest Paid on Bond Anticipation Notes	(58,313)
Principal Paid on Revenue Bonds	(2,205,000)
Interest Paid on Revenue Bonds	(108,852)
OWDA Loans Issued	8,380,764
Principal Paid on OPWC Loans	(20,549)
Principal Paid on OWDA Loans	(901,053)
Interest Paid on OWDA Loans	(491,990)
Lease Principal	(121,261)
Lease Interest	(9,358)
	<u>(1,064,549)</u>
<u>Cash Flows from Investing Activities</u>	
Interest	133
	<u>133</u>
Net Decrease in Cash and Cash Equivalents	(1,904,828)
Cash and Cash Equivalents Beginning of Year	4,624,510
Cash and Cash Equivalents End of Year	<u>\$2,719,682</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u>	
Operating Loss	<u>(\$859,485)</u>
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</u>	
Depreciation	1,846,258
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(58,913)
Increase in Materials and Supplies Inventory	(10,835)
Increase in Interfund Receivable	(3,791)
Increase in Accrued Wages Payable	7,244
Increase in Accounts Payable	43,153
Decrease in Contracts Payable	(2,089,880)
Increase in Due to Other Governments	50,267
Decrease in Retainage Payable	(517,186)
Increase in Compensated Absences Payable	70,856
Decrease in Net Pension Liability	(30,728)
Decrease in Deferred Outflows - Pension	19,794
Decrease in Deferred Inflows - Pension	(13,510)
Total Adjustments	<u>(687,271)</u>
Net Cash Used for Operating Activities	<u>(\$1,546,756)</u>

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Investment Trust	Martha Mark Private Purpose Trust	Agency
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,469,703	\$12,596	\$13,934,829
Cash and Cash Equivalents in Segregated Accounts	0	0	1,097,473
Accounts Receivable	0	0	522,845
Due from Other Governments	0	0	3,946,280
Due from External Parties	0	0	3,381
Property Taxes Receivable	0	0	86,489,881
Special Assessments Receivable	0	0	14,745,372
Total Assets	4,469,703	12,596	\$120,740,061
<u>Liabilities</u>			
Due to Other Governments	0	0	111,365,719
Undistributed Assets	0	0	9,374,270
Deposits Held and Due to Others	0	0	72
Total Liabilities	0	0	\$120,740,061
<u>Net Position</u>			
Held in Trust for External Pool Participants	<u>\$4,469,703</u>	<u>\$12,596</u>	

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Change in Fiduciary Net Position
Investment Trust Fund
For the Year Ended December 31, 2015

<u>Additions</u>	
Interest	\$5,811
Capital Transactions	<u>(421,837)</u>
Total Additions	(416,026)
<u>Deductions</u>	
Operating Expenses	<u>0</u>
Net Decrease Resulting from Operations	(416,026)
Distributions to Participants	<u>(5,888)</u>
Change in Net Position	(421,914)
Net Position Beginning of Year	<u>4,891,617</u>
Net Position End of Year	<u><u>\$4,469,703</u></u>

See Accompanying Notes to the Basic Financial Statements

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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.

C. 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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (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, Inc. (CORSA)
County Employee Benefits 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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (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.

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:

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, private purpose trust fund and agency funds are accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; 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 outflows and 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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Deferred outflows of resources are reported on the government-wide and enterprise fund statements of net position for pension and explained in Note 15 to the basic financial statements.

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 until that time. For the County, deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 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, amounts due from a component unit, interfund, delinquent property taxes, and special assessments. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 18. Deferred inflows of resources related to pension are reported on the government-wide and enterprise fund statements of net position and explained in Note 15 to the basic financial statements.

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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by 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.

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 are recorded as "Cash and Cash Equivalents in Segregated Accounts", and "Cash and Cash Equivalents with Escrow 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 2015, 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, 2015.

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 2015 was \$546,981, which includes \$502,328 assigned from other County funds.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, 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.

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:

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Governmental Activities	Business-Type Activity
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	10 years
Roads	15-20 years	n/a
Bridges	10-50 years	n/a
Infrastructure	n/a	35 years

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, net pension liability and 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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. It also includes the long-term portion of interfund receivables.

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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The County Commissioners have also assigned fund balance to cover a gap between estimated resources and appropriations in the 2016 budget. Certain resources have also been assigned for auto titling, for the clerk of courts, and for other miscellaneous purposes.

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.

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 outside contributions of capital assets.

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.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

U. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported on December 31, 2014.

	Total Governmental Activities	Sewer/ Business-Type Activity
Net Position December 31, 2014	\$95,511,799	\$33,887,078
Net Pension Liability	(32,722,180)	(1,629,057)
Deferred Outflows	17,041	0
Deferred Outflows - Payments Subsequent to Measurement Date	3,989,727	203,666
Deferred Inflows	(327,477)	0
Restated Net Position December 31, 2014	<u>\$66,468,910</u>	<u>\$32,461,687</u>

The County restated for employer contributions subsequent to the measurement date. The County also restated for its proportionate share of the collective deferred outflows and deferred inflows provided by STRS as the collective balances had been determined by STRS for the prior year. The County made no restatement for deferred outflows or deferred inflows of resources to OPERS as the information needed to generate these restatements was not available.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2015, the Department of Defense Community Assistance, Emergency Management Agency, and Mental/Drug Reeny special revenue funds, Special Assessment Bond Retirement debt service fund, and Sewer Projects capital projects fund had a deficit fund balance, in the amount of \$77,457, \$128,147, \$25,426, \$52,085, and \$57,450, 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, 2015, the Law Library, Department of Defense Community Assistance, Revolving Loan, Smart Ohio Grant, and Doc Payroll Grant special revenue funds and the Shawnee Road Roundabout capital projects fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$35,528, \$148,299, \$143,575, \$67,375, \$15,952, and \$78,308, respectively. The County will review appropriations to ensure they are within available resources.

For the year ended December 31, 2015, the following funds had expenditures plus encumbrances in excess of appropriations:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue:			
Drug Law Enforcement	\$456,195	\$484,701	\$28,506
Children Services	6,858,640	6,900,737	42,097
Doc Payroll Grant	79,583	80,439	856
Debt Service:			
Special Assessment Bond Retirement	89,000	255,220	166,220
Easttown Road Debt	195,947	198,476	2,529

The County will review expenditures to ensure are within amounts appropriated.

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).
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).

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$1,331,792	\$536,124	\$85,836	(\$429,098)	(\$611,169)
Increase (Decrease) Due To:					
Revenue Accruals					
Accrued 2014, Received in Cash 2015	1,427,812	475,273	10,738	685,212	128,062
Accrued 2015, Not Yet Received in Cash	(1,400,923)	(495,770)	(202,092)	(457,056)	(104,926)
Expenditure Accruals					
Accrued 2014, Paid in Cash 2015	(653,139)	(513,315)	(188,812)	(740,241)	(217,281)
Accrued 2015, Not Yet Paid in Cash	787,845	229,267	406,427	497,034	568,615
Cash Adjustments					
Unrecorded Activity 2014	139,529	10,055	0	202,804	90,528
Unrecorded Activity 2015	(227,246)	(30)	0	(239,264)	(116,096)
Prepaid Items	18,449	0	0	0	0
Materials and Supplies Inventory	(556)	(93,666)	26,926	8,013	5,089
Advances In	40,000	0	0	0	0
Advances Out	(1,202,206)	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(96,360)	(140,401)	(115,174)	0	0
Budget Basis	\$164,997	\$7,537	\$23,849	(\$472,596)	(\$257,178)

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;
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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
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.

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.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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, \$9,041,212 of the County's bank balance of \$21,943,686 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, 2015, the County had the following investments:

	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Negotiable Certificates of Deposit	\$15,465,721	\$1,863,437	\$13,602,284
Federal Home Loan Mortgage Corporation Notes	5,691,778	1,698,723	3,993,055
Federal Farm Credit Bank Notes	3,487,010	0	3,487,010
Federal Home Loan Bank Notes	2,000,820	0	2,000,820
Federal National Mortgage Association Notes	2,807,914	0	2,807,914
Mutual Funds	963,087	0	963,087
STAR Ohio	10,900,240	10,900,240	0
Total Investments	\$41,316,570	\$14,462,400	\$26,854,170

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.

The negotiable certificates of deposit are generally covered by FDIC insurance. 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.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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	\$15,465,721	37.43%
Federal Home Loan Mortgage Corporation	5,691,778	13.78
Federal Farm Credit Bank	3,487,010	8.44
Federal Home Loan Bank	2,000,820	4.84
Federal National Mortgage Association	2,807,914	6.80

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, 2015**

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$58,989,565
Accrued Interest Receivable	40,987
Total Assets	\$59,030,552
 Net Position Held in Trust for Pool Participants:	
Internal Portion	\$54,560,849
External Portion	4,469,703
Total Net Position Held in Trust for Pool Participants	\$59,030,552

**Statement of Changes in Net Position
December 31, 2015**

Revenues:	
Interest	\$559,576
Expenses:	
Operating Expenses	0
Net Increase Resulting from Operations	559,576
Distributions to Participants	(494,312)
Capital Transactions	3,029,195
Total Increase in Net Position	3,094,459
Net Position Beginning of Year	55,936,093
Net Position End of Year	\$59,030,552

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. INVESTMENT POOL (Continued)

A. Investments

As of December 31, 2015, the County's investment pool had the following investments:

	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Negotiable Certificates of Deposit	\$15,465,721	\$1,863,437	\$13,602,284
Federal Home Loan Mortgage Corporation Notes	5,691,778	1,698,723	3,993,055
Federal Farm Credit Bank Notes	3,487,010	0	3,487,010
Federal Home Loan Bank Notes	2,000,820	0	2,000,820
Federal National Mortgage Association Notes	2,807,914	0	2,807,914
Mutual Funds	963,087	0	963,087
STAR Ohio	10,900,240	10,900,240	0
Total Investments	\$41,316,570	\$14,462,400	\$26,854,170

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.

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	\$15,465,721	37.43%
Federal Home Loan Mortgage Corporation	5,691,778	13.78
Federal Farm Credit Bank	3,487,010	8.44
Federal Home Loan Bank	2,000,820	4.84
Federal National Mortgage Association	2,807,914	6.80

8. RECEIVABLES

Receivables at December 31, 2015, 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.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. RECEIVABLES (Continued)

Notes receivable, in the amount of \$1,250,759, will not be received within one year. Special assessments receivable, in the amount of \$2,301,496 will not be received within one year. At December 31, 2015, the amount of delinquent special assessments was \$408,811.

Notes receivable represent low interest loans for development projects granted to eligible County residents and businesses under the Housing Assistance Program and the Federal Community Development Block Grant program. The notes have interest rates ranging from zero to 6.5 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, 60 percent of the awarded scholarship is to be repaid over the next five years. The remaining 40 percent is not required to be repaid and is not recorded as part of notes receivable.

A summary of the changes in notes receivable during 2015 follows:

	<u>Balance January 1, 2015</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance December 31, 2015</u>
Special Revenue Funds:				
Revolving Loan Fund				
Housing Assistance Program	\$266,902	\$11,563	\$8,731	\$269,734
Community Development Block Grant	1,453,636	0	224,264	1,229,372
Total Revolving Loan Fund	<u>1,720,538</u>	<u>11,563</u>	<u>232,995</u>	<u>1,499,106</u>
Craft Educational Trust Fund				
Scholarships	23,004	2,700	4,220	21,484
	<u>\$1,743,542</u>	<u>\$14,263</u>	<u>\$237,215</u>	<u>1,520,590</u>
Less Allowance for Uncollectible Accounts				<u>32,616</u>
				<u>\$1,487,974</u>

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Major Funds:	
General Fund:	
Local Government	\$441,344
Sheriff's Contracts	48,856
Estate Tax	6,288
Election Costs	142,284
Homestead and Rollback	184,490
Indigent Defense	67,420
Charges for Services	6,667
Total General Fund	<u>897,349</u>
Motor Vehicle and Gasoline Tax:	
Gasoline Tax	1,172,902
Motor Vehicle License Fees	1,308,746
Department of Transportation	26,324
Ohio Public Works Commission	26,290
Charges for Services	12,311
Total Motor Vehicle and Gasoline Tax	<u>2,546,573</u>

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Amount</u>
Job and Family Services:	
Department of Job and Family Services	146,753
Developmental Disabilities:	
Department of Education	838,255
Medicaid	503,454
Homestead and Rollback	287,776
Personal Property Phase Out	334,557
Total Developmental Disabilities	<u>1,964,042</u>
Children Services:	
Department of Education	373,721
Homestead and Rollback	126,071
Personal Property Phase Out	123,816
Total Children Services	<u>623,608</u>
Total Major Funds	<u>6,178,325</u>
Non-major Funds:	
Drug Law Enforcement:	
Department of Public Safety	10,046
Sheriff's Grants	55,141
Total Drug Law Enforcement	<u>65,187</u>
Child Support Enforcement Agency:	
Child Support Enforcement Agency	<u>108,903</u>
Department of Defense Community Assistance:	
Department of Defense	<u>75,089</u>
Felony Care and Subsidy:	
Ohio Department of Youth Services	<u>21,386</u>
Adult Probation:	
Ohio Department of Rehabilitation and Correction	<u>357,335</u>
Emergency Management Agency:	
Emergency Management Agency Grants	<u>71,597</u>
General Obligation Bond Debt:	
Homestead and Rollback	83,861
Personal Property Phase Out	135,985
Total General Obligation Bond Debt	<u>219,846</u>
Sewer Projects:	
City of Lima	<u>10,275</u>
Marimor Permanent Improvement	
Homestead and Rollback	25,024
Personal Property Phase Out	29,092
Total Marimor Permanent Improvement	<u>54,116</u>
Building and Expansion:	
Casino Tax	637,212
Total Non-major Funds	<u>1,620,946</u>
Total Governmental Activities	<u>\$7,799,271</u>
Business-Type Activity:	
Sewer:	
Ohio Water Development Authority	<u>\$39,500</u>
Agency Funds:	
Local Government	\$1,306,480
Library Local Government	1,660,308
Gasoline Tax	582,094
Motor Vehicle License Fees	397,398
Total Agency Funds	<u>\$3,946,280</u>

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2015 represent the collection of 2014 taxes. Public utility real and tangible personal property taxes received in 2015 became a lien on December 31, 2013, were levied after October 1, 2014, 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, 2015, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2015 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, 2015, was \$9.70 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

Real Property:	
Residential	\$1,164,123,580
Agriculture	240,015,570
Commercial/Industrial/Mineral	414,855,000
Public Utility Property:	
Real	883,130
Personal	121,980,940
Total Assessed Value	<u>\$1,941,858,220</u>

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$3,929,515			\$3,929,515
Construction in Progress	7,111,541	\$4,218,958	(\$3,306,745)	8,023,754
Total Non-depreciable Capital Assets	11,041,056	4,218,958	(3,306,745)	11,953,269
Depreciable Capital Assets:				
Buildings and Improvements	54,167,999	2,769,470	0	56,937,469
Machinery and Equipment	1,965,932	150,098	0	2,116,030
Vehicles	5,693,471	55,665	(157,687)	5,591,449
Furniture, Fixtures, and Equipment	5,006,791	23,512	0	5,030,303
Roads	25,300,428	918,896	0	26,219,324
Bridges	27,456,384	734,563	0	28,190,947
Total Depreciable Capital Assets	119,591,005	4,652,204	(157,687)	124,085,522
Less Accumulated Depreciation for:				
Buildings and Improvements	(35,694,412)	(1,128,064)	0	(36,822,476)
Machinery and Equipment	(1,665,548)	(73,693)	0	(1,739,241)
Vehicles	(4,608,054)	(321,526)	157,687	(4,771,893)
Furniture, Fixtures, and Equipment	(4,173,916)	(206,665)	0	(4,380,581)
Roads	(12,780,717)	(1,171,392)	0	(13,952,109)
Bridges	(9,081,000)	(568,684)	0	(9,649,684)
Total Accumulated Depreciation	(68,003,647)	(3,470,024)	157,687	(71,315,984)
Total Depreciable Capital Assets, Net	51,587,358	1,182,180	0	52,769,538
Governmental Activities Capital Assets, Net	\$62,628,414	\$5,401,138	(\$3,306,745)	\$64,722,807

Governmental activities accepted contributions of capital assets from outside sources, in the amount of \$197,288.

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
Business-Type Activity:				
Non-depreciable Capital Assets:				
Land	\$51,219	\$0	\$0	\$51,219
Construction in Progress	10,127,645	5,307,113	0	15,434,758
Total Non-depreciable Capital Assets	10,178,864	5,307,113	0	15,485,977
Depreciable Capital Assets:				
Buildings and Improvements	3,551,806	0	0	3,551,806
Machinery, Equipment, and Vehicles	2,660,629	33,755	(25,765)	2,668,619
Infrastructure	61,506,601	0	0	61,506,601
Total Depreciable Capital Assets	67,719,036	33,755	(25,765)	67,727,026
Less Accumulated Depreciation for:				
Buildings and Improvements	(911,862)	(101,480)	0	(1,013,342)
Machinery, Equipment, and Vehicles	(1,454,085)	(211,006)	22,338	(1,642,753)
Infrastructure	(28,597,168)	(1,533,772)	0	(30,130,940)
Total Accumulated Depreciation	(30,963,115)	(1,846,258)	22,338	(32,787,035)
Total Depreciable Capital Assets, Net	36,755,921	(1,812,503)	(3,427)	34,939,991
Business-Type Activity Capital Assets, Net	\$46,934,785	\$3,494,610	(\$3,427)	\$50,425,968

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government:	
Legislative and Executive	\$416,758
Judicial	96,875
Public Safety	202,043
Public Works	1,968,393
Health	262,740
Human Services	113,872
Conservation and Recreation	409,343
Total Depreciation Expense - Governmental Activities	<u><u>\$3,470,024</u></u>

12. INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2015, consisted of the following receivables and payables:

Due to General Fund from:	
Developmental Disabilities	\$12,099
Other Governmental Funds	376,430
Sewer Fund	1,077,206
Total Due to General Fund	<u><u>\$1,465,735</u></u>
 Due to Motor Vehicle Gas Tax Fund from:	
Other Governmental Funds	<u><u>\$3,539</u></u>
 Due to Job and Family Services Fund from:	
Children Services	<u><u>\$125,000</u></u>
 Due to Children Services Fund from:	
Job and Family Services	<u><u>\$3,582</u></u>
 Due to Other Governmental Funds from:	
Job and Family Services	\$51,208
Other Governmental Funds	200,000
Total Due to Other Governmental Funds	<u><u>\$251,208</u></u>
 Due to Sewer Fund from:	
Developmental Disabilities	\$3,791
Other Governmental Funds	721,377
Total Due to Sewer Fund	<u><u>\$725,168</u></u>

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

Interfund receivables not expected to be repaid within one year include \$1,176,881 to the General Fund, \$200,000 to the other governmental funds, and \$721,377 to the Sewer enterprise fund.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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 2015, 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
Cyber Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Building and Contents	299,380,369
Other Property Insurance	
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 2014 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, 2015. The following amounts remain on these contracts.

Vendor	Outstanding Balance
Allen County Common Pleas Court	\$149,604
Allen County Juvenile Court	363,649
Duro-Last Roofing, Inc.	780,036
Eagle Bridge Company	250,000
Focused Youth Corporation	115,174
Kohli and Kaliher Association LTD, Inc.	160,190
Peterson Construction	211,630
	(Continued)

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Vendor	Outstanding Balance
S & S Directional Boring LTD	506,494
Sand Ridge Excavating, Inc.	275,145
Tawa Tree Service	540,941
Trane U S, Inc.	247,292
Underground Utilities, Inc.	1,119,928
URS Corporation Ohio	118,500
Waibel Energy Systems	279,874
Woolpert Consultants	119,863

At year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in 2016 are as follows:

General Fund	\$96,360
Motor Vehicle and Gasoline Tax Fund	140,401
Job and Family Services Fund	115,174
Other Governmental Funds	4,720,672
	\$5,072,607

15. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information).

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
<hr/> State and Local	<hr/> State and Local	<hr/> State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit	Age 60 with 60 months of service credit	Age 57 with 25 years of service credit
or Age 55 with 25 years of service credit	or Age 55 with 25 years of service credit	or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Public Safety	Public Safety	Public Safety
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for twelve months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates:			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2015 Actual Contribution Rates:			
Employer			
Pension	12.0 %	16.1 %	16.1 %
Postemployment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

15. DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$4,122,098 for 2015. Of this amount, \$422,266 is reported as an intergovernmental payable.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description - Teachers employed by the Board of Developmental Disabilities participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report may be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service credit or age sixty-five with five years of service credit on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14 percent and the member rate was 12 percent of covered payroll. The statutory employer rate for fiscal year 2015 and subsequent years is 14 percent. The statutory member contribution rate increased to 13 percent on July 1, 2015, and will increase to 14 percent on July 1, 2016. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$77,672 for 2015. Of this amount, \$2,137 is reported as an intergovernmental payable.

D. Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The net pension liability for OPERS was measured as of December 31, 2014, and the net pension liability for STRS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plans relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense.

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	.27637600%	.00727737%	.28365337%
Proportion of the Net Pension Liability Current Measurement Date	.27637600	.00678598	.28316198
Change in Proportionate Share	<u>.00000000%</u>	<u>.00049139%</u>	<u>.00049139%</u>
Proportionate Share of the Net Pension Liability	\$33,334,034	\$1,875,445	\$35,209,479
Pension Expense	\$3,633,239	\$57,185	\$3,690,424

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Difference between expected and actual experience	\$1,778,603	\$85,496	\$1,864,099
County contributions subsequent to the measurement date	4,122,098	97,228	4,219,326
Total Deferred Outflows of Resources	<u>\$5,900,701</u>	<u>\$182,724</u>	<u>\$6,083,425</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$585,613	\$134,881	\$720,494
Change in proportionate share	0	112,387	112,387
Total Deferred Inflows of Resources	<u>\$585,613</u>	<u>\$247,268</u>	<u>\$832,881</u>

\$4,219,326 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

<u>For Year Ending December 31,</u>	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$174,447	(\$58,535)	\$115,912
2017	174,447	(58,535)	115,912
2018	399,446	(58,535)	340,911
2019	444,650	13,833	458,483
Total	<u>\$1,192,990</u>	<u>(\$161,772)</u>	<u>\$1,031,218</u>

E. Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent, including wage inflation
COLA or Ad Hoc COLA	3 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefits portfolio includes the investment assets of the traditional pension plan, the defined benefit component of the combined plan, the annuitized accounts of the member-directed plan, and the VEBA Trust. Within the Defined Benefits portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expenses, for the Defined Benefits portfolio was 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefits portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plan. The table below displays the board approved asset allocation policy for 2014 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$61,325,071	\$33,334,034	\$9,758,837

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set-back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Ten Year Expected Nominal Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<u>100.00%</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's Proportionate Share of the Net Pension Liability	\$2,605,137	\$1,875,445	\$1,258,385

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 two cost-sharing multiple-employer defined benefit postemployment health care trusts which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of another post-employment benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 45. See OPERS' CAFR referenced below for additional information.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

16. POST-EMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their 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 earnable salary of active members. In 2015, state and local employers contributed 14 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees and the traditional pension and combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a retiree medical account for member-directed plan members.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members in both the traditional pension and combined plans was 2 percent for 2015. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the VEBA for participants in the member-directed plan was 4.5 percent for 2015.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$664,512, \$655,812, and \$378,705, respectively. For 2015, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

B. State Teachers Retirement System

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing multiple-employer defined benefit health care plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

16. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the health care plan. Nearly all health care plan participants, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal years ended June 30, 2014, and 2013, 1 percent of covered payroll was allocated to postemployment health care. The County's contribution for health care for the years ended December 31, 2015, 2014, and 2013 were \$0, \$5,655 and \$7,668, respectively. The full amount 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, 2015 is as follows:

	<u>Interest Rate</u>	<u>Balance 01/01/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>
Governmental Activities:					
Bond Anticipation Notes					
Various Purpose	1.01%	\$77,500	\$0	\$77,500	\$0
Ditch Improvement	1.03	476,746	0	476,746	0
Total Bond Anticipation Notes		<u>\$554,246</u>	<u>\$0</u>	<u>\$554,246</u>	<u>\$0</u>
Business-Type Activity:					
Bond Anticipation Notes					
Sewer Improvements	2.12%	\$342,856	\$0	\$85,714	\$257,142
Improvements to Overflow	3.33	1,562,500	0	312,500	1,250,000
Total Bond Anticipation Notes		<u>\$1,905,356</u>	<u>\$0</u>	<u>\$398,214</u>	<u>\$1,507,142</u>

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 payable from the business-type activity will be paid from the Sewer enterprise fund according to the following schedule.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

18. NOTES PAYABLE (Continued)

Year	Sewer Improvements		Improvements to Overflow	
	Principal	Interest	Principal	Interest
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	0	0	312,500	10,406
	<u>\$257,142</u>	<u>\$10,902</u>	<u>\$1,250,000</u>	<u>\$104,063</u>

19. LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2015, was as follows:

	Interest Rate	Restated Balance 01/01/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental Activities:						
Special Assessment Notes:						
Various Purpose	1.01%	\$571,216	\$0	\$571,216	\$0	\$0
Ditch Improvement	1.03	316,041	0	316,041	0	0
Various Purpose	1.60	0	571,216	0	571,216	97,000
Ditch Improvement	2.275	0	316,041	0	316,041	0
Ditch Improvement	2.05	0	338,262	0	338,262	100,000
Ditch Improvement	1.394	0	2,452,092	0	2,452,092	0
Total Special Assessment Notes		<u>887,257</u>	<u>3,677,611</u>	<u>887,257</u>	<u>3,677,611</u>	<u>197,000</u>
General Obligation Bonds:						
2008 Road Improvement Refunding (Original Amount \$1,760,000)	3.195	704,000	0	176,000	528,000	176,000
2011 Energy Efficiency (Original Amount \$2,320,000)	3.5	1,450,000	0	290,000	1,160,000	290,000
2012 Civic Center Refunding (Original Amount \$2,363,000)	2.34	1,920,000	0	234,000	1,686,000	490,000
2012 Downtown Parking Refunding (Original Amount \$735,000)	2.34	595,000	0	75,000	520,000	160,000
2013 Court of Appeals Refunding (Original Amount \$744,258)	1.93	496,172	0	248,086	248,086	248,086
2013 Justice Center Refunding (Original Amount \$2,075,742)	1.93	1,383,828	0	691,914	691,914	691,914
2013 Airport Improvement (Original Amount \$388,668)	2.29	340,085	0	48,583	291,502	48,583
Total General Obligation Bonds		<u>6,889,085</u>	<u>0</u>	<u>1,763,583</u>	<u>5,125,502</u>	<u>2,104,583</u>
Special Assessment Bonds with Government Commitment						
2005 Delmar/Glenn Sewer (Original Amount \$342,600)	3.0 - 5.0	219,500	0	18,500	201,000	23,500
2006 Trebor Drive Waterline (Original Amount \$11,000)	3.0 - 5.0	6,500	0	500	6,000	500
2006 Southwood Waterline (Original Amount \$71,000)	3.0 - 5.0	38,000	0	4,000	34,000	4,000
2006 Berryman Waterline (Original Amount \$133,000)	3.0 - 5.0	76,000	0	7,000	69,000	7,000
2006 Oakview Project (Original Amount \$805,000)	3.0 - 5.0	485,000	0	40,000	445,000	40,000
2012 Allentown Road Project (Original Amount \$485,000)	2.34	323,334	0	80,833	242,501	80,833
2013 Findlay Road Sewer (Original Amount \$1,165,000)	2.23%	1,019,375	0	145,625	873,750	145,625
2006 Bond Premium		99,935	0	9,084	90,851	0
Total Special Assessment Bonds		<u>2,267,644</u>	<u>0</u>	<u>305,542</u>	<u>1,962,102</u>	<u>301,458</u>

(Continued)

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

19. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Restated Balance 01/01/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
OPWC Loans						
Phillips (Original Amount \$147,340)	0.00	33,151	0	7,367	25,784	3,684
Second (Original Amount \$188,611)	0.00	89,589	0	9,430	80,159	4,715
Eastown 1 (Original Amount \$995,670)	0.00	547,617	0	49,782	497,835	24,892
Eastown 2 (Original Amount \$135,232)	0.00	81,137	0	6,759	74,378	3,381
Eastown 4 (Original Amount \$684,638)	0.00	530,593	0	34,231	496,362	17,116
Road Resurfacing (Original Amount \$345,518)	0.00	250,500	0	17,276	233,224	8,638
Shawnee Road (Original Amount \$387,852)	0.00	0	387,852	0	387,852	0
Total OPWC Loans		<u>1,532,587</u>	<u>387,852</u>	<u>124,845</u>	<u>1,795,594</u>	<u>62,426</u>
OWDA Loans						
Lutz/Early (Original Amount \$718,512)	1.00	412,847	0	35,688	377,159	36,045
4 th /Bowman (Original Amount \$437,856)	0.00	240,821	0	21,892	218,929	21,892
Perry Schools Sewer (Original Amount \$481,680)	3.42	384,303	0	21,816	362,487	22,568
Findlay Rd (Original Amount \$427,886)	3.42	334,769	0	20,842	313,927	21,561
Westminister (Original Amount \$3,451,817)	0.00	2,769,568	0	155,000	2,614,568	0
Indian Village Mobile Home Park (Original Amount \$375,581)	3.74	375,581	0	12,910	362,671	13,398
Total OWDA Loans		<u>4,517,889</u>	<u>0</u>	<u>268,148</u>	<u>4,249,741</u>	<u>115,464</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		30,952,073	715,260		31,667,333	
State Teachers Retirement System		1,770,107	105,337		1,875,444	
Total Net Pension Liability		<u>32,722,180</u>	<u>820,597</u>		<u>33,542,777</u>	
Capital Leases Payable		17,646	137,905	53,416	102,135	33,042
Compensated Absences Payable		3,186,123	584,009	247,029	3,523,103	1,774,439
Total Governmental Activities		<u>\$52,020,411</u>	<u>\$5,607,974</u>	<u>\$3,649,820</u>	<u>\$53,978,565</u>	<u>\$4,588,712</u>
Business-Type Activity:						
Revenue Bonds:						
2002 Sewer System (Original Amount \$7,171,583)	1.5-5.25%	\$2,205,000		\$2,205,000		
Bond Premium		5,395		5,395		
Total Revenue Bonds		<u>2,210,395</u>		<u>2,210,395</u>		
OPWC Loans:						
Shawnee WWTP Sludge Facility (Original Amount \$209,608)	0.00	10,467		10,467		
Sanitary Sewer Relining Phase I (Original Amount \$201,676)	0.00	25,208	0	10,082	15,126	5,042
Total OPWC Loans		<u>35,675</u>	<u>0</u>	<u>20,549</u>	<u>15,126</u>	<u>5,042</u>

(Continued)

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

Business-Type Activity: (Contd.)	Interest Rate	Restated Balance 01/01/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
OWDA Loans:						
American II (Original Amount \$9,311,017)	1.00	6,710,029	0	448,835	6,261,194	453,334
Bath SSO (Original Amount \$633,337)	1.00	489,088	0	30,379	458,709	30,683
Woodbriar (Original Amount \$169,091)	1.00	86,654	0	16,987	69,667	17,157
Ottawa River Sewer Inceptor (Original Amount \$3,281,094)	0.00	2,936,578	344,516	134,959	3,146,135	0
Shawnee II WWTP, Pump Station (Original Amount \$12,012,106)	0.00	6,313,223	5,698,883	269,893	11,742,213	0
Total OWDA Loans		<u>16,535,572</u>	<u>6,043,399</u>	<u>901,053</u>	<u>21,677,918</u>	<u>501,174</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		1,629,057	37,644	0	1,666,701	0
Capital Leases Payable		302,503	0	121,261	181,242	125,107
Compensated Absences Payable		136,060	70,856	0	206,916	100,537
Total Business-Type Activities		<u>\$20,849,262</u>	<u>\$6,151,899</u>	<u>\$3,253,258</u>	<u>\$23,747,903</u>	<u>\$731,860</u>

A. Special Assessment Notes

In 2015, the County issued special assessment notes, in the amount of \$571,216, \$316,041, \$338,262, and \$2,452,092 to retire notes previously issued and for additional resources for various ditch improvements. The notes have an interest rate of 1.6 percent and mature on May 9, 2017; 2.275 percent and mature on September, 25, 2020; 2.05 percent and mature on May 9, 2016; and 1.394 percent and mature on September 25, 2017. The notes will be repaid from the Ditch capital projects fund. As of December 31, 2015, 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.

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 revenue bonds were fully retired in 2015.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

19. LONG-TERM OBLIGATIONS (Continued)

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, 2015, the Westminster, 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.

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 \$1,407,742, principal and interest remaining to be paid on the OWDA loans is \$1,635,173 and \$328,372, 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 \$15,126 and principal and interest remaining to be paid on the OWDA loans is \$6,789,570 and \$466,991, respectively. Principal and interest paid in the Sewer enterprise fund for the current year were \$921,602 and 491,990, respectively. Total net revenues for the Sewer enterprise fund were \$986,773. The OPWC loans are payable through 2017 and the OWDA loans are payable through 2029.

The County pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 15 to the basic financial statements.

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 and 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 \$43,959,853 and an unvoted debt margin of \$16,331,979.

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

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

Year	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2016	\$2,104,583	\$117,583	\$301,458	\$58,585	\$62,426	\$115,464	\$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	48,583	2,256	230,625	24,421	117,483	125,484	29,862
2021-2025	48,587	1,128	505,625	39,449	577,986	669,773	106,957
2026-2030	0	0	0	0	275,297	264,568	38,170
2031-2035	0	0	0	0	0	98,850	8,498
	<u>\$5,125,502</u>	<u>\$247,001</u>	<u>\$1,871,251</u>	<u>\$244,629</u>	<u>\$1,407,742</u>	<u>\$1,635,173</u>	<u>\$328,372</u>

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

Year	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2016	\$5,042	\$501,174	\$66,646
2017	10,084	506,199	61,622
2018	0	511,273	56,547
2019	0	516,399	51,422
2020	0	503,720	46,289
2021-2025	0	2,595,369	154,678
2026-2029	0	1,655,436	29,787
	<u>\$15,126</u>	<u>\$6,789,570</u>	<u>\$466,991</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, 2015, \$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, 2015, \$660,000 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, 2015, \$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, 2015, \$152,315,000, \$234,970,000, \$97,500,000, and \$92,500,000, respectively, was still outstanding.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

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, 2015, \$38,200,000 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, 2015, \$100,000,000 and \$273,620,000, respectively, was still outstanding.

In 2015, the County issued health care facilities revenue bonds, in the amount of \$159,205,000 and \$100,000,000. These bonds were issued to provide financial assistance to Mercy Health with construction and refunding of debt. As of December 31, 2015, \$159,205,000 and \$100,000,000, 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.

20. CAPITAL LEASES

The County has entered into capitalized leases for machinery and equipment. New capital leases are reflected in the accounts "Public Works" and "Inception of Capital Lease" in the funds which will be making the lease payments. 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 2015 were \$53,416 for governmental funds and \$121,261 for the enterprise fund.

	Governmental Activities	Business-Type Activity
Equipment	\$195,391	\$614,221
Less Accumulated Depreciation	(25,865)	(181,963)
Carrying Value, December 31, 2015	<u>\$169,526</u>	<u>\$432,258</u>

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, 2015.

Year	Governmental Activities		Business Type Activity	
	Principal	Interest	Principal	Interest
2016	\$33,042	\$2,980	\$125,107	\$5,513
2017	34,035	1,987	56,135	1,544
2018	35,058	965	0	0
	<u>\$102,135</u>	<u>\$5,932</u>	<u>\$181,242</u>	<u>\$7,057</u>

21. INTERFUND TRANSFERS

During 2015, the General Fund made transfers to the Job and Family Services special revenue fund, in the amount of \$305,945, and to other governmental funds, in the amount of \$47,397, to subsidize operations in those funds. Other governmental funds made transfers to the General Fund, in the amount of \$97,000, to reimburse costs paid by the General Fund. The Sewer enterprise fund made transfers to the other governmental funds, in the amount of \$318,207; \$220,000 for construction activities and \$98,207 to make debt payments when due.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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:				
Interfund Loans	\$1,176,881	\$0	\$0	\$0
Prepaid Items	172,459	0	0	0
Materials and Supplies				
Inventory	44,760	507,198	29,458	84,034
Unclaimed Monies	156,723	0	0	0
Total Non-spendable	<u>1,550,823</u>	<u>507,198</u>	<u>29,458</u>	<u>84,034</u>
Restricted for:				
Developmental Disabilities				
Operations	0	0	0	8,928,978
Job and Family Services				
Operations	0	0	1,697,560	0
Road and Bridge Repair/ Improvement	0	1,137,908	0	0
Total Restricted	<u>0</u>	<u>1,137,908</u>	<u>1,697,560</u>	<u>8,928,978</u>
Assigned for:				
Airport	525	0	0	0
Clerk of Courts	295,724	0	0	0
Economic Development	41,245	0	0	0
Probate Court	4,324	0	0	0
Projected Budget Shortage	1,862,206	0	0	0
Recorder Equipment	19,697	0	0	0
Title Administration	1,213,242	0	0	0
Unpaid Obligations	96,360	0	0	0
Total Assigned	<u>3,533,323</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unassigned	4,087,232	0	0	0
Total Fund Balance	<u>\$9,171,378</u>	<u>\$1,645,106</u>	<u>\$1,727,018</u>	<u>\$9,013,012</u>

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

22. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>Children Services</u>	<u>Other Governmental Funds</u>
Non-spendable for:		
Materials and Supplies Inventory	\$4,427	\$0
Restricted for:		
Board of Elections	0	134
Child Support Enforcement	0	270,309
Children Services	2,323,270	0
Civic Center	0	722,950
Court Operations	0	1,008,050
Debt Retirement	0	2,038,899
Delinquent Tax Collections	0	136,026
Ditch Maintenance	0	489,910
Dog and Kennel Operations	0	248,989
Economic Development and Rehabilitation	0	2,299,544
Family Counseling	0	12,306
Foreign Trade Zone	0	3,258
Law Library Operations	0	187,727
Permanent Improvements	0	5,779,924
Real Estate Assessments	0	3,032,812
Scholarships	0	53,129
Sheriff Operations	0	632,669
Tax Abatement	0	11,186
Wellness	0	5,909
Total Restricted	<u>2,323,270</u>	<u>16,933,731</u>
Assigned for:		
Permanent Improvement	0	4,813
Unassigned (Deficit)	0	(340,565)
Total Fund Balance	<u>\$2,327,697</u>	<u>\$16,597,979</u>

The County has established a General Fund budget stabilization arrangement by resolution pursuant to Ohio Revised Code Section 5705.13 to stabilize against cyclical changes in revenues. The stabilization arrangement does not meet the criteria to be classified as restricted or committed. The County did not identify any requirements for additions to the stabilization amount or conditions under which amounts can be spent other than upon approval by the County Commissioners. The balance in the reserve at December 31, 2015, was \$1,266,980.

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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

23. JOINT VENTURES (Continued)

The operation and maintenance costs associated with the skywalk and the parking garage are the joint responsibility of the County and the City. The County and the City 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, 2015, this lease has not been executed.

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.

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.

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

24. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2015, 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 Joint 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.

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.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

24. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Lima-Allen County Joint Parking Commission

The County and the City of Lima have established a joint parking commission (JPC) which 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.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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 \$158,977. 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 \$135,704 and \$1,255,633, respectively, as of December 31, 2015. Accumulated depreciation was \$432,333, with a net capital asset amount of \$959,004. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

	<u>Interest Rate</u>	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
Mortgage Notes Payable	3.575-7.5%	\$21,455	\$0	\$11,378	\$10,077	\$5,846

ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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 \$198,101. None of the bank balance was exposed to custodial credit risk as it was covered by the National Credit Union Association. Investments consisted of certificates of deposit with a cost value of \$244,522 at December 31, 2015.

C. Capital Assets

The Industries capital assets consisted of equipment, in the amount of \$905,078, as of December 31, 2015. Accumulated depreciation was \$638,116, with a net capital asset amount of \$266,962. 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 2015, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker's compensation, repairs, supplies, equipment, Medicare, and other expenses was \$3,388,737.

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, 2015, to December 31, 2015, 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.

ALLEN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

31. SUBSEQUENT EVENT

On July 1, 2016, Marimor Industries became a private entity. The adult sheltered workshop is changing nationally due to litigation, legislation, and competition of the private sector. There is more emphasis to have adults with developmental disabilities to work in the community rather than in sheltered workshops. Beginning with the County's 2016 financial statements, because of privatization, Marimor Industries will no longer be considered a component unit of Allen County because the Allen County Board of Developmental Disabilities no longer has control over the board, management, or operations.

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Allen County
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional
 Last Two Years (1)

	2014	2013
County's Proportion of the Net Pension Liability	0.27637600%	0.27637600%
County's Proportionate Share of the Net Pension Liability	\$33,334,034	\$32,581,130
County's Covered-Employee Payroll	\$32,790,592	\$37,870,469
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	101.66%	86.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the County's measurement date which is the prior year end.

Allen County
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	2015	2014	2013
County's Proportion of the Net Pension Liability	0.00678598%	0.00727737%	0.00727737%
County's Proportionate Share of the Net Pension Liability	\$1,875,444	\$1,770,107	\$2,108,541
County's Covered-Employee Payroll	\$708,007	\$800,746	\$780,192
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.89%	221.06%	270.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented for each fiscal year were determined as of June 30th.

Allen County
 Required Supplementary Information
 Schedule of the County's Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Three Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$4,122,098	\$4,073,325	\$5,063,631
Contributions in Relation to the Contractually Required Contribution	<u>(4,122,098)</u>	<u>(4,073,325)</u>	<u>(5,063,631)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$33,225,588	\$32,790,592	\$37,870,469
Contributions as a Percentage of Covered-Employee Payroll	12.41%	12.42%	13.37%

(1) Information prior to 2013 is not available.

Allen County
 Required Supplementary Information
 Schedule of the County's Contributions
 State Teachers Retirement System of Ohio
 Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$77,672	\$73,514	\$99,683	\$103,166
Contributions in Relation to the Contractually Required Contribution	<u>(77,672)</u>	<u>(73,514)</u>	<u>(99,683)</u>	<u>(103,166)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$554,800	\$565,490	\$766,792	\$793,585
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$111,869	\$129,462	\$130,787	\$127,878	\$123,862	\$122,069
<u>(111,869)</u>	<u>(129,462)</u>	<u>(130,787)</u>	<u>(127,878)</u>	<u>(123,862)</u>	<u>(122,069)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$860,531	\$995,862	\$1,006,054	\$983,677	\$952,785	\$938,992
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Allen County, Ohio

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Grantor/ Pass Through Grantor/ Program Title / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Passed Through to Sub-recipients	Expenditure	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through the Ohio Department of Job and Family Services:</i>					
SNAP Cluster:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1415-11-5323/G-1617-11-5478	10.561	\$0	\$816,328	\$0
Total SNAP Cluster			0	816,328	0
<i>Passed through the Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program					
Marimor School	N/A	10.553	0	7,624	0
Total School Breakfast Program			0	7,624	0
National School Lunch Program					
Marimor School	N/A	10.555	0	14,043	1,448
Total National School Lunch Program			0	14,043	1,448
Total Child Nutrition Cluster			0	21,667	1,448
Team Nutrition Grants	N/A	10.574	0	600	0
Total Team Nutrition Grants			0	600	0
Total U.S. Department of Agriculture			0	838,595	1,448
U.S. Department of Defense					
<i>(Direct Program)</i>					
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	N/A	12.611	0	158,894	0
Total U.S. Department of Defense			0	158,894	0
U.S. Department of Housing and Urban Development					
<i>Passed through the Ohio Development Services Agency, Office of Community Development</i>					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Formula Allocation Program	B-F-14-1AB-1	14.228	0	145,000	0
Total Formula Allocation Program			0	145,000	0
Community Housing Improvement Program - CHIP	B-C-13-1AB-1	14.228	0	89,356	0
CDBG Revolving Loans	N/A	14.228	0	357,111	0
CDBG Revolving Loans	N/A	14.228	0	17,532	0
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			0	608,999	0
Home Investment Partnerships Program	B-C-13-1AB-2	14.239	0	184,825	0
Total Home Investment Partnerships Program			0	184,825	0
Total U.S. Department of Housing and Urban Development			0	793,824	0
U.S. Department of Labor					
<i>Passed through the Area 7 Workforce Investment Board:</i>					
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	N/A	17.207	0	18,025	0
Total Employment Service Cluster			0	18,025	0
WIA Cluster					
WIA/WIOA Adult Program	N/A	17.258	0	328,812	0
WIA/WIOA Youth Activities	N/A	17.259	221,504	286,399	0
WIA/WIOA Dislocated Workers Formula Grants	N/A	17.278	0	398,724	0
Total WIA Cluster			221,504	1,013,935	0
Total U.S. Department of Labor			221,504	1,031,960	0

(Continued)

Allen County, Ohio

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Grantor/ Pass Through Grantor/ Program Title / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Passed Through to Sub-recipients	Expenditure	Non-Cash Expenditures
U.S. Department of Transportation					
<i>Federal Highway Administration</i>					
<i>Passed through the Ohio Department of Transportation:</i>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	PID #92471	20.205	0	319,899	0
Highway Planning and Construction	PID #77305	20.205	0	2,035,964	0
Highway Planning and Construction	PID #94613	20.205	0	4,958	0
Total Highway Planning and Construction Cluster			0	2,360,821	0
Highway Safety Cluster:					
State and Community Highway Safety	STEP-2015-2-00-00-00503-00	20.600		11,622	
State and Community Highway Safety	STEP-2016-2-00-00-00447-00	20.600	0	3,532	0
Total Highway Safety Cluster			0	15,154	0
National Priority Safety Programs					
National Priority Safety Programs	IDEP-2015-2-00-00-00355-00	20.616		13,791	
National Priority Safety Programs	IDEP-2016-2-00-00-00327-00	20.616	0	9,490	0
Total National Priority Safety Programs			0	23,281	0
Total Highway Safety Cluster:			0	38,435	0
Total U.S. Department of Transportation			0	2,399,256	0
U.S. Department of Education					
<i>Passed through the Ohio Department of Education:</i>					
Special Education Cluster (IDEA):					
Special Education-Grants to States	N/A	84.027	\$0	\$86,305	\$0
Total Special Education-Grants to States			0	86,305	0
Special Education-Preschool Grants					
Special Education-Preschool Grants	N/A	84.173	0	3,065	0
Total Special Education-Preschool Grants			0	3,065	0
Total Special Education Cluster (IDEA)			0	89,370	0
<i>Passed through the Ohio Department of Health:</i>					
Special Education-Grants for Infants and Families FY15	N/A	84.181	0	77,947	0
Special Education - Grants for Infants and Families FY16	N/A	84.181	0	68,791	0
			0	146,738	0
Total U.S. Department of Education			0	236,108	0
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					
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program - FY15	N/A	93.505	0	2,511	0
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program - FY16	N/A	93.505	0	76,573	0
			0	24,145	0
			0	103,229	0
<i>Passed through the Ohio Department of Developmental Disabilities:</i>					
Social Services Block Grant	N/A	93.667	0	72,755	0
<i>Passed through the Ohio Department of Job and Family Services:</i>					
Social Services Block Grant	G-1415-11-5323/G-1617-11-5478	93.667	0	285,163	0
Total Social Services Block Grant			0	357,918	0

(Continued)

Allen County, Ohio

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Grantor/ Pass Through Grantor/ Program Title / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Passed Through to Sub-recipients	Expenditure	Non-Cash Expenditures
<i>Passed through the Ohio Department of Job and Family Services:</i>					
Promoting Safe and Stable Families	G-1415-11-5325/G-1617-11-5480	93.556	0	136,897	0
Child Support Enforcement	G-1415-11-5324/G1617-11-5479	93.563	0	1,117,405	0
Community-Based Child Abuse Prevention Grants	G-1415-11-5325/G-1617-11-5480	93.590	0	2,000	0
Children's Justice Grants to States	G-1415-11-5325/G-1617-11-5480	93.643	0	1,180	0
Stephanie Tubbs Jones Child Welfare Services Program	G-1415-11-5325/G-1617-11-5480	93.645	0	83,622	0
Foster Care_Title IV-E	G-1415-11-5325/G-1617-11-5480	93.658	0	1,655,766	0
Adoption Assistance	G-1415-11-5325/G-1617-11-5480	93.659	0	945,131	0
Chafee Foster Care Independence Program	G-1415-11-5325/G-1617-11-5480	93.674	0	21,651	0
Children's Health Insurance Program	G-1415-11-5323/G-1617-11-5478	93.767	0	2,168	0
			0	3,965,820	0
Child Care and Development Fund (CCDF) Cluster					
Child Care and Development Block Grant	G-1415-11-5323/G-1617-11-5478	93.575	0	136,844	0
Total Child Care and Development Fund (CCDF) Cluster			0	136,844	0
TANF Cluster:					
Temporary Assistance for Needy Families	G-1415-11-5323/G-1617-11-5478	93.558	1,037,053	3,505,775	0
TANF Cluster			1,037,053	3,505,775	0
<i>Passed through the Ohio Department of Developmental Disabilities:</i>					
Medicaid Cluster:					
Medical Assistance Program	N/A	93.778	0	304,774	0
<i>Passed through the Ohio Department of Job and Family Services:</i>					
Medical Assistance Program	G-1415-11-5323/G-1617-11-5478	93.778	0	1,301,732	0
Total Medicaid Cluster			0	1,606,506	0
Total U.S. Department of Health and Human Services			1,037,053	9,676,092	0
U.S. Department of Justice					
<i>Passed through the Ohio Department of Public Safety:</i>					
Edward Byrne Justice Assistance Grant (JAG) Cluster:					
Edward Byrne Memorial Justice Assistance Grant Program - West (2014-JG-A01-6409	16.738	0	28,000	0
Total Edward Byrne Justice Assistance Grant (JAG) Cluster			0	28,000	0
Total U.S. Department of Justice			0	28,000	0
U.S. Department of Homeland Security					
<i>Passed through the Ohio Department of Public Safety:</i>					
Homeland Security Grant Program	EMW-2014-SS-00101-S01	97.067	0	85,956	0
Emergency Management Performance Grants	EMW-2015-EP-00034-S01	97.042	0	22,255	0
Emergency Management Performance Grants	EMW-2014-EP-00064	97.042	0	31,944	0
Total Emergency Management Performance Grants			0	54,199	0
Total U.S. Department of Homeland Security			0	140,155	0
Total Expenditures of Federal Awards			\$1,258,557	\$15,302,884	\$1,448

The accompanying notes are an integral part of this schedule.

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ALLEN COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Allen County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE 2 – BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIPS FUNDS (CDBG AND HOME) WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money 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. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans. These loans are collateralized by second position mortgages on the land and building on behalf of the County for HUD.

NOTE 4 – CHILD NUTRITION CLUSTER – MARIMOR SCHOOL

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE 5 – MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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.

ALLEN COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 7 – SUB-RECIPIENTS

The County passes certain federal awards received from U.S. Department of Labor and the U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As Note 2 describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE 8 – FOOD DONATION PROGRAM

The County reports commodities consumed on the Schedule at the fair value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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

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, (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 30, 2017, wherein we noted the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our report refers to the other auditors 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

County'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

August 30, 2017



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 THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect each of the Allen County's major federal programs for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, and Adoption Assistance Federal Programs

As described in Findings 2015-002 through 2015-004 in the accompanying schedule of findings, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-002	10.561 93.558	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster Temporary Assistance for Needy Families (TANF) Cluster	Activities Allowed or Unallowed
2015-003	93.659	Adoption Assistance	Activities Allowed or Un-allowed
2015-004	14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Reporting

Compliance with these requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

Qualified Opinion on State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, and Adoption Assistance Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, and Adoption Assistance Federal programs* paragraph, Allen County complied, in all material respects, with the requirements referred to above that could directly and materially affect its *State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, and Adoption Assistance* major federal programs for the year ended December 31, 2015.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Allen County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2015-005. Our opinion on the other major federal program is not modified with respect to this matter.

The County's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

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 the Uniform Guidance, 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-002 through 2015-004, and 2015-006 to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-005, 2015-007, and 2015-008 to be significant deficiencies.

The County's responses to our internal control over compliance finding are described in the accompanying corrective action plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 30, 2017

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ALLEN COUNTY
SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(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)?	Yes
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified: Highway Planning and Construction Cluster Qualified: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Adoption Assistance, and Temporary Assistance for Needy Families (TANF) Cluster
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Highway Planning and Construction Cluster, Adoption Assistance, and Temporary Assistance for Needy Families (TANF) Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

At December 31, 2015 the following funds had negative cash balances:

Fund	Amount	Fund	Amount
Sheriff's Rotary 1860	(\$46,044)	Slabtown-Bluelick Road Sewer Improvement 4570	(\$18,200)
Child Support Enforcement Agency 2012	(\$369,726)	Springbrook Estates Sewer Improvement 4580	(\$34,000)
DOD Community Assistance 2040	(\$64,355)	Shawnee #2 WWTP CIP 5401	(\$336,317)
WIA 2066	(\$107,138)	Planning 5470	(\$30,318)
Allen County Emergency Management Agency 2091	(\$123,742)	Shawnee I & I Improvement 5408	(\$951,607)
1268 Wrasman 4268	(\$277,141)	CDG Grant - Solid Waste 8045	(\$12,000)
Chemtrade/Eagle Rail Water & Sew 4510	(\$135,091)	Ohio Income Tax W/H 9850	(\$41,259)
Gomer Sewer Improvement Area 4560	(\$160,190)	Support 9876	(\$41,760)

In addition, there were twenty-five other funds with negative balances ranging from less than \$1 to \$11,087. Also, negative fund balances existed during the year.

Negative fund balances could result in the use of restricted receipts for unallowable purposes.

Procedures and controls should be developed to monitor fund balances and identify those funds that may potentially develop a negative balance. Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The County should refer to Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

OFFICIALS' RESPONSE:

See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

**Noncompliance Citation / Material Weakness – Activities Allowed or Unallowed
 Income Maintenance and Social Services RMS Timely Completion and Approvals**

Finding Number	2015-002		
CFDA Title and Number	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster - CFDA #10.561 Temporary Assistance for Needy Families (TANF) Cluster CFDA #93.558		
Federal Award Identification Number / Year	G-1415-11-5323/G-1617-11-5478 – 2015 G-1415-11-5323/G-1617-11-5478 - 2015		
Federal Agency	U.S. Department of Agriculture / U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Job & Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

45 C.F.R. § 95.507(a)(2) requires cost allocation plans conform to the accounting principles and standards in Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 C.F.R. Part. 225). Furthermore, **2 C.F.R. Part 225, Appendix A, Paragraphs C.1 and C.3** state, program costs must be reasonable and necessary and allocated in accordance with the benefits received by the program. Additionally, **2 C.F.R. Part 225, Appendix B Section 8(h)(6)** indicates, random moment sampling may be used to allocate salaries and wages to a Federal award, but such systems must “meet acceptable statistical sampling standards”.

The Ohio Department of Job and Family Services has implemented a cost allocation plan approved by the US Department of Health and Human services and has communicated time sampling requirements for said plan to county agencies.

Ohio Admin. Code § 5101:9-7-20(A) states, in part, the income maintenance random moment sample (IMRMS) and social services random moment sample (SSRMS) time studies are designed to measure activity regarding various programs. **Ohio Admin. Code § 5101:9-7-20(E)(3)** states an employee receiving an observation moment will have twenty-four hours to respond, not including weekends or holidays. **Ohio Admin. Code § 5101:9-7-20(F)(3)** states in accordance with federally accepted timelines, the RMS coordinator shall review and approve by accepting all observation moment responses within forty-eight hours.

Two of the observation moments within the income maintenance random moment sample (IMRMS) and one observation moment within the social services random moment sample (SSRMS) of the total 25 observation moments tested in the second quarter and allocated with pre Uniform Guidance funding were not responded to in a timely manner.

Failure to complete the random moments within the required timeframe could result in loss of funding due to non-compliance with the Ohio Administrative Code.

A procedure(s) and/or control(s) should be developed, such as reminder system to monitor the response time of observations, to ensure compliance.

OFFICIALS’ RESPONSE:

See Corrective Action Plan.

**Noncompliance Citation / Material Weakness
 Activities Allowed or Unallowed - Accuracy of FTE Counts**

Finding Number	2015-003		
CFDA Title and Number	Adoption Assistance - CFDA #93.659		
Federal Award Identification Number / Year	G-1415-11-5325/G-1617-11-5480 - 2015		
Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

45 C.F.R. § 95.507(a)(2) requires cost allocation plans conform to the accounting principles and standards in Office of Management and Budget (OMB) *Cost Principles for State, Local, and Indian Tribal Governments*. Furthermore, **2 C.F.R. Part 200.405** states, that a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

The Ohio Department of Job and Family Services has implemented a cost allocation plan approved by the US Department of Health and Human services and has communicated time sampling requirements for said plan to county agencies.

Ohio Admin. Code § 5101:9-1-05 (B)(1) states, in part, that shared costs are allocated to individual program areas within the County Department of Job and Family Services (CDJFS), based on the average number of full-time equivalent (FTE) positions imported to ODJFS in the county finance information system (CFIS).

The Ohio Department of Job and Family Services Bureau's County Finance and Technical Assistance Full Time Equivalent (FTE) User Manual, dated February 2015, indicates that standalone children service boards do not have shared costs, therefore FTEs are not utilized for the purpose of distributing shared costs since these agencies do not have a shared cost pool. However, the FTE information is used for federal reporting.

The Children Services Board reported fourth quarter FTE of 937.668. Quarters one through three reported FTE ranging from 61.952 to 62.958. This error appears to be the result of an input error which was not subsequently corrected.

Errors in FTE counts or other data impacts the required reporting to grantor agencies which could have an impact on federal funding.

A procedure(s) or control(s), such as the recalculation or review of FTE and other data by a second person, should be implemented to help prevent reporting errors.

OFFICIALS' RESPONSE:

See Corrective Action Plan.

**Noncompliance Citation / Material Weakness
 Reporting – Revolving Loan Fund Reports**

Finding Number	2015-004		
CFDA Title and Number	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – CFDA #14.228		
Federal Award Identification Number / Year	N/A		
Federal Agency	U.S. Department of Housing and Urban Development		
Pass-Through Entity	Ohio Development Services Agency, Office of Community Development		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

24 C.F.R. Part 85.41 requires, in part, grantees will use only the forms specified in paragraphs (a) through (e) of this section for submitting financial reports to Federal agencies.

Office of Community Development (OCD) Program Policy Notice 15-04, Program Income Retained Section G requires the unit of general local government must maintain financial records on the receipt and expenditure of Program Income funds separately from other CDBG/HOME program funds currently being administered at the local level. **Program Income Retained Section H** requires the unit of general local government is required to submit to OCD, at least annually, a status report on Program Income received and expended for the previous 12-month period as well as projected levels of Program Income for the upcoming 12-month period. Units of general local government must submit Revolving Loan Fund (RLF) reports to OCD no more than 30 days after receiving the RLF Report request. RLF Reports may include but are not limited to the following:

- program income;
- program activities; and
- program outcomes.

The Commissioner's Office maintains a revolving loan and is required to submit ED Revolving Loan (RLF) Semi-Annual reports. The required reports were provided; however, there were variances noted when comparing the RLF Semi-Annual Report amounts to the Allen County Detail Revenue Report and Allen County Detail Expenditure Report.

On the ED RLF Semi-Annual Report for the period ending June 30, 2015, the following discrepancies were noted:

- The Balance as of December 31, 2014 was understated by \$2,392 when compared to the prior audit's Notes to the Schedule of Federal Awards Expenditures, Cash balance on hand in the revolving loan fund as of December 31, 2014.
- The total reported for Principal Received, Loan Interest Received and Fees received was understated on the RLF Semi-Annual Report by \$10,663.
- The administrative costs were understated by \$1,167.
- The County Commissioners reported \$600,000 as an Other disbursement for the Eagle Railcar Water/Sewer Project; however, this amount is for a grant and should not be reported on the RLF Semi-Annual Report.

**FINDING NUMBER 2015-004
 (Continued)**

On the ED RLF Semi-Annual Report for the period ending December 31, 2015, the following discrepancy was noted:

- The administrative costs were understated by \$4,307.

Failure to ensure the accuracy of the RLF Reports could result in loss of funding in the future.

The Commissioner's Office should implement a procedure(s) and/or control(s) such as a supervisor or other individual performing a review and comparison to the accounting records of the completed RLF and other reports.

OFFICIALS' RESPONSE:

See Corrective Action Plan.

**Noncompliance Citation / Significant Deficiency
 Reporting - Accuracy of the Schedule of Expenditures of Federal Awards**

Finding Number	2015-005		
CFDA Title and Number	Highway Planning and Construction Cluster CFDA #20.205		
Federal Award Identification Number / Year	Project Identification Numbers (PID) 92471, 77305, and 94613		
Federal Agency	U.S. Department of Transportation		
Pass-Through Entity	Ohio Department of Transportation		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2014-002

2 C.F.R. § 200.510(b)(3) requires, in part, the auditee to prepare a Schedule of Expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. The Schedule must include total Federal awards expended for each individual Federal program and for a cluster of programs, provide the cluster name and the total for the cluster.

2 C.F.R. § 200.510(b)(6) requires the auditee to include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the non-Federal entity elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

The County prepared a Schedule of Expenditures of Federal Awards (the Schedule) and Notes to the Schedule of Expenditures of Federal Awards; however, the following errors were identified:

The Highway Planning and Construction Cluster grant had the following reporting errors on the Schedule:

- For PID 92471, the expenditures reported on the Schedule were understated by \$10,421. The expenditures reported included \$9,988 in expenditures that occurred during 2014 and should have been reported on the 2014 Schedule.
- For PID 77305, the expenditures reported on the Schedule were understated by \$28,318. The expenditures reported included \$23,987 in expenditures that occurred during 2014. The Schedule also included an expenditure in the amount of \$1,290.20 that was reimbursed at the County's request, two times, resulting in an overpayment of \$1,290.20.
- For PID 94613, the expenditures were understated by \$4,958. The \$4,958 in expenditures occurred during 2013 and should have been reported on the 2013 Schedule.

**FINDING NUMBER 2015-005
 (Continued)**

The expenditures for the major federal program Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, CFDA #14.228 were overstated by \$1,076.

The heading for the Notes to the Schedule of Expenditures of Federal Awards incorrectly identified the Schedule and did not reference 2 C.F.R. 200.510. Also the notes did not indicate that the grants were subject to both Uniform Guidance and pre- Uniform Guidance requirements.

We also noted similar errors in certain non-major programs.

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

The failure to prepare an accurate Schedule and Notes could result in a material misstatement of the Schedule and inaccuracy of the Notes which may result in follow-up action being taken by the 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:

See Corrective Action Plan.

Material Weakness – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance(or Availability) of Federal Funds, and Procurement and Suspension and Debarment - Invoice Review and Approval

Finding Number	2015-006		
CFDA Title and Number	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – CFDA #14.228		
Federal Award Identification Number / Year	B-C-13-1AB-1 - 2013 B-F-14-1AB-1 - 2014		
Federal Agency	U.S. Department of Housing and Urban Development		
Pass-Through Entity	Ohio Development Services Agency, Office of Community Development		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

All expenditures should be reviewed and approved by someone with direct knowledge of the grant in order to help assure that expenditures from the Community Development Block Grants/State's program and Non-Entitlement Grants are an allowable cost, allowable activity and within the period of availability.

For four out of eight transactions tested, the invoice was paid without being reviewed and approved by either the Executive Director at the Lima-Allen County Regional Planning Commission (the Commission) for grants under the Commission's administration or the County Commissioners for all other grants. Although the expenditures were permissible from this grant, the failure to review and approve the invoices prior to payment increased the risk of an unallowable expenditure, an expenditure that was not paid within the period of availability, or a payment to an improper vendor.

**FINDING NUMBER 2015-006
 (Continued)**

Supporting documentation for expenditures should be reviewed by the individual responsible for authorization and should be signed or initialed as evidence of the review performed. Failure to properly and formally authorize grant transactions could result on improper expenditures which could result in federal questioned costs in future audits.

OFFICIALS' RESPONSE:

See Corrective Action Plan.

**Significant Deficiency – Eligibility
 Review of Prevention, Retention, and Contingency Plan Applications**

Finding Number	2015-007		
CFDA Title and Number	Temporary Assistance for Needy Families (TANF) Cluster CFDA #93.558		
Federal Award Identification Number / Year	G-1415-11-5323/G-1617-11-5478 - 2015		
Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

The County has established a Prevention, Retention, and Contingency Plan to assist families that meet the plan requirements. Individuals requesting assistance are required to complete and sign an application, and provide all requested information. The application is reviewed, eligibility is determined, and the application is signed by the Case Manager.

In 2015, there was one instance in the 40 transactions tested in which the application was not signed by the case manager.

Failure to ensure the appropriate reviews are performed could result in errors in the determination of eligibility not being detected in a timely manner, if at all.

A procedure(s) or control(s), such as a second person reviewing the applications for evidence of a signature, should be implemented to help assure that all applications have the required signatures.

OFFICIALS' RESPONSE:

See Corrective Action Plan.

**Significant Deficiency – Cash Management
 Request for Payment and Status of Funds Report**

Finding Number	2015-008		
CFDA Title and Number	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii CFDA #14.228		
Federal Award Identification Number / Year	B-C-13-1AB-1 - 2013		
Federal Agency	U.S. Department of Housing and Urban Development		
Pass-Through Entity	Ohio Development Services Agency, Office of Community Development		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

The County is required, per step 5 of the Statement of the Agreement in the B-C-13-1AB-1 Grant Agreement, to submit a *Request for Payment and Status of Funds Report* each time a drawdown is requested for the Community Development Block Grants/State's program and Non-Entitlement Grants. The Commissioners should have procedures in place to ensure that all *Request for Payment and Status of Funds Reports* are submitted and maintained within their files in order to support the drawdown requests being requested. For four out of ten drawdown requests made during calendar year 2015, the Commissioners were not able to provide the *Request for Payment and Status of Funds Report*.

The failure to maintain all supporting documentation eliminates the County's evidence of compliance with the Grant Agreement.

The County should notify all employees and officials that grant documents are subject to the same public record requirements as other County records and implement procedures to verify that such documents are maintained to support grant transactions.

OFFICIALS' RESPONSE:

See Corrective Action Plan.

ALLEN COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(B)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness - Financial Reporting Errors	Partially Corrected	The 2014 financial statements were amended for the errors. The individual that created our financial reports left in April, 2014. Therefore, we outsourced our 2014 Financial Reports. We worked with the consultant to implement processes that would reduce/eliminate future financial reporting errors. We also sent the findings to Jobs and Family Services and Developmental Disabilities. We asked those departments to set up procedures to eliminate recording errors.
2014-002	Noncompliance Citation / Material Weakness - Accuracy of the Schedule of Federal Awards Expenditures	Not Corrected and Repeated as Finding 2015-005	The Highway Planning and Construction Grant expenditures were overstated due to an oversight by our consultant. We have worked closely with our consultant to reduce/eliminate future errors. We sent the findings for CFDA 93.558 to Jobs and Family Services. In prior years we were able to rely on their excel reports without any problems. We requested they set up procedures to eliminate future reporting errors.

ALLEN COUNTY

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(C)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The County takes the finding regarding the negative cash balances very seriously. We have made significant progress with monitoring the cash balances over the prior year. For the reimbursable grant funds, monies will be advanced from the General Fund and repaid once grant monies are received. We will continue to work with each department to ensure that the County has no negative cash balances.	Immediately	Rhonda Eddy-Stienecker, Allen County Auditor
2015-002	The Business Administrator met with Administrators during the Fiscal meeting and reviewed the RMS User Manual. During the review they were shown how to change a Supervisor for a staff if their current Supervisor is going to be out. This will ensure that the observations are being monitored every day. They were shown what report can be run so they can see what observations are coming up for the day/week. They were also shown what report can be run to see how long it is taking staff to complete the observations. The above information was then reviewed with Supervisors during their meeting.	Administrator meeting was held March 21, 2017. Supervisor meeting was held April 20, 2017.	Jessica Welker, Assistant Business Administrator
2015-003	The fiscal coordinator is responsible for data entry for FTE reporting. Effective July 20, 2017, every quarterly FTE report will have a secondary oversight review completed by the agency Department Director.	July 20, 2017	Joanne Sidener, Administrative Coordinator
2015-004	ED RLF Semi-Annual Reports will be reviewed and compared to the MUNIS accounting records for discrepancies. We are also working with our RLF coordinator at Ohio Development.	Immediately	Susan Wildermuth, Financial Director
2015-005	The County takes the finding regarding the accuracy of the amounts reported on the federal schedule very seriously. We have made significant progress over the accuracy of the federal schedule over the prior year and believe that the differences denoted during the audit were not significant and did not impact the testing of the federal programs. We will continue to work with each office to continue to improve our reporting of federal awards expenditures.	Immediately	Rhonda Eddy-Stienecker, Allen County Auditor

ALLEN COUNTY

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(C)
DECEMBER 31, 2015**

2015-006	Due to change in staff/departments overseeing said program, there was neglect in ensuring approval of expenses as it relates to the CDBG program. Program is now being overseen by the Regional Planning Commission and is being administered properly. Supporting documentation for expenditures is either approved/initialed by the Community Development Coordinator or a Commissioner.	Immediately	Community Development Coordinator in Putnam County or a Commissioner: Jay Begg, Cory Noonan, or Greg Sneary
2015-007	The individual that made the error was notified of the error at the time the error was discovered, procedure for processing a PRC application was reviewed with the individual. All employees in Social Services were reminded to verify that all documents have been scanned in to Northwoods before disposing of the paper copy. A new position of Administrative Assistant to Social Services was created. This position conducts weekly in house reviews of assigned cases to detect, correct and reduce errors in casework previously processed by other workers.	Case Worker error was reviewed with the caseworker when the lack of documentation was found during the audit. Administrative Assistant to Social Services filled June 30, 2016.	Jessica Welker, Assistant Business Administrator
2015-008	All tracking and responsibility for the B-C-13-1AB-1 Grant Agreement and Community Development Block Grant has been assigned to Putnam County and WSOS. It is believed future deficiencies will be eliminated due to this assignment.	Immediately	Susan Wildermuth, Financial Director



Dave Yost • Auditor of State

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 5, 2017