



ALLEN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

ALLEN COUNTY
DECEMBER 31, 2017

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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, a certain discretely-presented component unit, each major fund, and the aggregate remaining fund information of Allen County, Ohio (the County), as of and for the year ended December 31, 2017, 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 unit LODDI, Inc. which represents 39 percent, 48 percent, and 14 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for LODDI, Inc., is based solely on the report of other auditors. 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 auditors audited the financial statements of the component unit LODDI, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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

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

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Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified
General Fund	Unmodified
Motor Vehicle and Gasoline Tax Fund	Unmodified
Job and Family Services Fund	Unmodified
Developmental Disabilities Fund	Unmodified
Children Services Fund	Unmodified
Ditch Construction Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Allen County Land Reutilization Corporation were not audited, and we were not engaged to audit the Allen County Land Reutilization Corporation's financial statements as part of our audit of the County's basic financial statements. The Allen County Land Reutilization Corporation's financial activities are included in the County's basic financial statements as a discretely presented component unit and represents 61 percent, 52 percent and 86 percent of the assets, net position and revenues, respectively, of the County's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units* paragraph, and based on the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Allen County, Ohio (the County), as of and for the year ended December 31, 2017, and the respective change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Ohio (the County), as of and for the year ended December 31, 2017, and the respective changes in its financial position and where applicable, its cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gasoline Tax, Job and Family Services, Developmental Disabilities, and Children Services funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 July 11, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

July 11, 2019

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Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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, 2017. 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 decreased less than 1 percent; 1 percent decrease for governmental activities and less than 1 percent increase for business-type activities.

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, the Ditch Construction capital projects fund, 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 2017. 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.

Allen County
Management's Discussion and Analysis
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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 the Allen County Land Reutilization Corporation (Land Bank). These component units are more fully described in Note 1 to the basic financial statements.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds, the General Fund, the Motor Vehicle and Gasoline Tax, Job and Family Services, Developmental Disabilities, and Children Services special revenue funds, the Ditch Construction capital projects fund, 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.

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2017 and 2016.

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
<u>Assets</u>						
Current and Other Assets	\$66,079,065	\$64,811,737	\$6,750,723	\$6,499,868	\$72,829,788	\$71,311,605
Capital Assets, Net	64,499,268	63,255,793	48,043,517	49,863,775	112,542,785	113,119,568
Total Assets	130,578,333	128,067,530	54,794,240	56,363,643	185,372,573	184,431,173
<u>Deferred Outflows of Resources</u>						
Pension	21,438,345	17,083,467	1,109,922	873,542	22,548,267	17,957,009
<u>Liabilities</u>						
Current and Other Liabilities	3,061,155	2,631,532	319,961	1,341,531	3,381,116	3,973,063
Long-Term Liabilities						
Pension	56,175,232	46,290,143	2,909,037	2,307,261	59,084,269	48,597,404
Other Amounts	11,380,454	16,467,001	20,317,686	21,527,036	31,698,140	37,994,037
Total Liabilities	70,616,841	65,388,676	23,546,684	25,175,828	94,163,525	90,564,504
<u>Deferred Inflows of Resources</u>						
Pension	2,478,103	1,684,891	81,982	84,242	2,560,085	1,769,133
Other Amounts	11,728,493	10,237,898	0	0	11,728,493	10,237,898
Total Deferred Inflows of Resources	14,206,596	11,922,789	81,982	84,242	14,288,578	12,007,031
<u>Net Position</u>						
Net Investment in Capital Assets	56,304,858	53,081,156	27,863,045	27,339,381	84,167,903	80,420,537
Restricted	35,444,073	33,159,761	0	0	35,444,073	33,159,761
Unrestricted (Deficit)	(24,555,690)	(18,401,385)	4,412,451	4,637,734	(20,143,239)	(13,763,651)
Total Net Position	\$67,193,241	\$67,839,532	\$32,275,496	\$31,977,115	\$99,468,737	99,816,647

The net pension liability reported by the County at December 31, 2017, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". 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.

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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 the 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.

GASB Statement No. 68 requires the net pension liability to equal the County's proportionate share of the 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 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 the plan's change in net pension liability not accounted for as deferred outflows/inflows.

Changes in deferred outflows and deferred inflows noted in the above table for both governmental and business-type activities are due, in large part, to the difference between projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the County's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

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As indicated previously, the change in net position for governmental activities was a 1 percent decrease, which was not significant. However, within current and other assets, there were a number of changes. For instance, cash and cash equivalents decreased due to overall deficit spending (expenses exceeding revenues for the year), the amount due from other governments increased due partly to Medicaid sales tax reimbursement, property taxes receivable increased based on the County Auditor's estimate of taxes, and special assessments receivable decreased due to special assessments being paid. The effect of these increases and decreases was an overall 2 percent increase in current and other assets. The increase in net capital assets and the net investment in capital assets was primarily due to current year additions exceeding annual depreciation; however, the retirement of debt also factored into the increase in the net investment in capital assets. The increase in current and other liabilities is due to an increase in payables related to new and ongoing construction activities, such as the juvenile detention facility, courthouse improvements, and the clock tower restoration. The decrease in other long-term liabilities was due to scheduled debt retirement.

There was also little change in net position from the prior year for the business-type activity. Due to an operating revenue, there was an increase in cash and cash equivalents noted in the increase in current and other assets. The decrease in current and other liabilities was due to the retirement of bond anticipation notes and the decrease in other long-term liabilities was due to scheduled debt retirement.

Table 2 reflects the change in net position for 2017 and 2016.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$14,513,539	\$12,629,184	\$8,049,261	\$8,023,362	\$22,562,800	\$20,652,546
Operating Grants, Contributions, and Interest	27,923,285	29,923,109	0	0	27,923,285	29,923,109
Capital Grants and Contributions	3,650,865	993,017	0	0	3,650,865	993,017
Total Program Revenues	46,087,689	43,545,310	8,049,261	8,023,362	54,136,950	51,568,672
General Revenues						
Property Taxes Levied for						
General Operations	2,901,739	2,827,013	0	0	2,901,739	2,827,013
Health-Developmental Disabilities	4,993,888	4,837,706	0	0	4,993,888	4,837,706
Human Services-Children Services	2,050,715	1,996,951	0	0	2,050,715	1,996,951
Debt Service	1,318,941	1,285,030	0	0	1,318,941	1,285,030
Permanent Improvement	434,247	420,665	0	0	434,247	420,665
Permissive Sales Taxes	17,020,833	17,443,985	0	0	17,020,833	17,443,985
Grants and Entitlements	3,848,585	2,990,658	0	0	3,848,585	2,990,658
Interest	568,865	543,550	133	42	568,998	543,592
Other	5,219,017	4,850,258	41,227	71,362	5,260,244	4,921,620
Total General Revenues	38,356,830	37,195,816	41,360	71,404	38,398,190	37,267,220
Total Revenues	84,444,519	80,741,126	8,090,621	8,094,766	92,535,140	88,835,892

(continued)

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Management's Discussion and Analysis
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Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
<u>Program Expenses</u>						
General Government						
Legislative and Executive	\$13,107,280	\$12,322,015	\$0	\$0	\$13,107,280	\$12,322,015
Judicial	9,935,778	8,923,866	0	0	9,935,778	8,923,866
Public Safety	13,793,621	12,774,812			13,793,621	12,774,812
Public Works	14,749,833	13,718,055	0	0	14,749,833	13,718,055
Health						
Developmental Disabilities	11,156,960	13,660,028	0	0	11,156,960	13,660,028
Other Health	596,695	721,694	0	0	596,695	721,694
Human Services						
Job and Family Services	9,962,826	9,128,489	0	0	9,962,826	9,128,489
Children Services	6,699,215	7,576,474	0	0	6,699,215	7,576,474
Other Human Services	2,778,927	2,604,964	0	0	2,778,927	2,604,964
Conservation and Recreation	2,133,143	1,895,556	0	0	2,133,143	1,895,556
Interest and Fiscal Charges	216,159	261,815	0	0	216,159	261,815
Sewer	0	0	7,752,613	7,037,132	7,752,613	7,037,132
Total Expenses	<u>85,130,437</u>	<u>83,587,768</u>	<u>7,752,613</u>	<u>7,037,132</u>	<u>92,883,050</u>	<u>90,624,900</u>
Increase (Decrease) in Net Position Before Transfers	(685,918)	(2,846,642)	338,008	1,057,634	(347,910)	(1,789,008)
Transfers	39,627	(289,477)	(39,627)	289,477	0	0
Increase (Decrease) in Net Position	(646,291)	(3,136,119)	298,381	1,347,111	(347,910)	(1,789,008)
Net Position Beginning of Year	<u>67,839,532</u>	<u>70,975,651</u>	<u>31,977,115</u>	<u>30,630,004</u>	<u>99,816,647</u>	<u>101,605,655</u>
Net Position End of Year	<u>\$67,193,241</u>	<u>\$67,839,532</u>	<u>\$32,275,496</u>	<u>\$31,977,115</u>	<u>\$99,468,737</u>	<u>\$99,816,647</u>

For governmental activities, there was a 6 percent increase in program revenues. Charges for services increased due to an increase in settlement fees the County Auditor charges to subdivisions for the settlement of taxes. Several factors contributed to the decrease in operating grants and contributions; a decrease in developmental disabilities funding primarily from Medicaid, a decrease in children's services funding, and the expiration of the Smart Ohio grant. The increase in capital grants and contributions was related to contributions from the Ohio Department of Transportation, the Ohio Public Works Commission, the Ohio Department of Youth Services, and other grant funding and contributions for bridge projects (Central Avenue, Hook-Waltz Road, Neely Road, and Napoleon Road), Kill Road reconstruction, Roschman and Motel Avenue reconstruction, and the juvenile detention center. The largest increase in general revenues was related to unrestricted grants and entitlements and largely Medicaid sales tax reimbursement. The increase in expenses from the prior year was less than 2 percent, much of which can be attributed to personnel costs (salaries and benefits) as well as the increase in pension expense.

For the business-type activity, program revenues are almost 100 percent of total revenues (charges for sewer services). Revenues were very similar to the prior year. The increase in expenses was largely due to annual depreciation expense but there was also an increase due to personnel costs (salaries and benefits), pension expense, and contractual services.

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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	
	2017	2016	2017	2016
General Government:				
Legislative and Executive	\$13,107,280	\$12,322,015	\$8,984,575	\$9,153,961
Judicial	9,935,778	8,923,866	5,055,776	4,135,872
Public Safety	13,793,621	12,774,812	11,082,513	9,783,225
Public Works	14,749,833	13,718,055	806,010	3,058,002
Health				
Developmental Disabilities	11,156,960	13,660,028	6,161,787	7,371,663
Other Health	596,695	721,694	180,126	292,559
Human Services				
Job and Family Services	9,962,826	9,128,489	2,047,774	1,468,313
Children Services	6,699,215	7,576,474	2,510,492	2,914,391
Other Human Services	2,778,927	2,604,964	1,020,637	839,969
Conservation and Recreation	2,133,143	1,895,556	976,899	762,688
Interest and Fiscal Charges	216,159	261,815	216,159	261,815
Total Expenses	<u>\$85,130,437</u>	<u>\$83,587,768</u>	<u>\$39,042,748</u>	<u>\$40,042,458</u>

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) supported 46 percent of the services provided by the County (48 percent in 2016). 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, 30 percent of the legislative and executive program costs were provided for through various charges for services. The judicial program provides for 49 percent of its costs through various fines, court costs, and grants. The public works program receives program revenues from 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 Vehicle and Gasoline Tax, Job and Family Services, Developmental Disabilities, and the Children Services special revenue funds, and the Ditch Construction capital projects fund.

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Fund balance in the General Fund increased over 11 percent from the prior year. There was a 4 percent increase in revenues (primarily reflected in intergovernmental revenues and Medicaid sales tax reimbursement as discussed previously). There was also a modest 3 percent increase in expenditures; however, revenues exceeded expenditures by almost \$1.2 million.

There was very little change in fund balance in the Motor Vehicle and Gas Tax Fund. Revenues and expenditures had similar increases. Revenues will fluctuate depending on grant resources available and expenditures will fluctuate dependent on road improvement projects undertaken.

Fund balance decreased slightly in the Job and Family Services Fund. Revenues and expenditures were fairly similar to the prior year.

Fund balance decreased slightly in the Developmental Disabilities Fund. Revenues decreased almost 20 percent primarily due to less state and federal funding. As a result, expenditures also decreased.

Fund balance increased in the Children Services Fund despite a modest decrease in revenues. Expenditures decreased 19 percent based on client request/demand for services.

Fund balance decrease substantially in the Ditch Construction Fund due to the retirement of special assessment notes.

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 income for 2017 and increase in net position. Revenue was similar to the prior year; however, expenses increased 19 percent. There was an increase in contractual services costs largely for noncapitalized acquisitions and an increase in depreciation expense.

Budgetary Highlights

The County prepares an annual budget of revenues and expenditures/expenses for all funds of the County for use by County officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of January. The County's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget were not significant. The increase from the final budget to actual revenues was due to improved sales taxes revenue performance and an increase in charges for services as mentioned previously. For expenditures, changes from the original budget to the final budget were primarily in the legislative and executive, judicial, and public safety programs; however, actual expenditures more closely mirrored the original budget.

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, 2017, was \$56,304,858 and \$27,863,045, respectively (net of accumulated depreciation and related debt). The primary additions for governmental activities consisted of continuing construction, road and bridge improvements, new vehicles, and equipment replacement. Disposals were vehicles and equipment.

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

For the business-type activity, additions were primarily the completion of infrastructure improvements. There were no disposals.

For further information regarding the County's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2017, the County had \$136,595 in special assessment notes, \$1,189,336 in general obligation bonds, \$1,195,393 in special assessment bonds, \$1,915,203 in OPWC loans, and \$3,679,059 in OWDA loans payable from governmental activities. The business-type activity had \$85,714 in bond anticipation notes and \$20,088,787 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 4.4 percent as of December 2017; it was 5 percent as of December 31, 2016.

The Allen County Commissioners and elected officials have continued monitoring the budget closely and have been diligent in keeping expenditures in line with revenues. Due to cuts and close monitoring, the General Fund carryover balance continues to increase. In 2016, the General Fund carryover balance was \$10.2; in 2017 the carryover balance increased to \$11.4 million. This increase in carryover is important to cover future revenue losses. Allen County could see a 5 percent decrease in sales tax revenue due to the loss of Medicaid Managed Care Organization sales tax. Discussions have continued to create additional discretionary funds for the next 27-day pay and new capital funds for specific capital projects.

The County Commissioners put .20 percent sales tax levy on the May 2018 ballot. The funds would have been used strictly for capital projects and road and bridge projects; however, the levy did not pass. The County Commissioners will have to borrow money to make necessary repairs. Construction has started on a new Juvenile Court building. The next phase of construction will include necessary updates to the Allen County Courthouse.

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 Rachel Gilroy, 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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	LODDI	Land Bank
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$32,790,230	\$4,119,699	\$36,909,929	\$0	\$0
Cash and Cash Equivalents in Segregated Accounts	928,978	0	928,978	115,248	77,767
Investments in Segregated Accounts	0	0	0	42,040	0
Accounts Receivable	72,731	2,999,945	3,072,676	0	0
Accrued Interest Receivable	86,882	0	86,882	0	0
Permissive Sales Taxes Receivable	4,412,485	0	4,412,485	0	0
Permissive Motor Vehicle License Taxes Receivable	25,966	0	25,966	0	0
Other Local Taxes Receivable	87,166	0	87,166	0	0
Due from Other Governments	9,196,148	0	9,196,148	0	0
Due from External Parties	49,147	0	49,147	0	0
Due from Component Unit	73,521	0	73,521	0	0
Prepaid Items	479,676	16,917	496,593	13,017	0
Materials and Supplies Inventory	474,848	59,215	534,063	0	0
Property Held for Resale	0	0	0	0	1,811,490
Internal Balances	445,053	(445,053)	0	0	0
Property Taxes Receivable	12,525,532	0	12,525,532	0	0
Notes Receivable	1,234,356	0	1,234,356	0	0
Special Assessments Receivable	3,196,346	0	3,196,346	0	0
Other Assets	0	0	0	0	14,740
Nondepreciable Capital Assets	5,626,154	51,219	5,677,373	150,004	0
Depreciable Capital Assets, Net	58,873,114	47,992,298	106,865,412	898,600	0
Total Assets	130,578,333	54,794,240	185,372,573	1,218,909	1,903,997
<u>Deferred Outflows of Resources</u>					
Pension	21,438,345	1,109,922	22,548,267	0	0
<u>Liabilities</u>					
Accrued Wages Payable	852,230	48,187	900,417	0	0
Accounts Payable	971,344	63,906	1,035,250	503	0
Contracts Payable	436,989	15,000	451,989	0	0
Due to Other Governments	705,610	100,880	806,490	0	0
Due to External Parties	6,076	0	6,076	0	0
Due to Primary Government	0	0	0	73,521	0
Retainage Payable	81,513	5,971	87,484	0	0
Accrued Interest Payable	7,393	303	7,696	0	0
Notes Payable	0	85,714	85,714	0	0
Loan Payable	0	0	0	0	150,000
Other Liabilities	0	0	0	0	499,605
Long-Term Liabilities:					
Due Within One Year	3,329,768	609,923	3,939,691	608	0
Due in More Than One Year	8,050,686	19,707,763	27,758,449	0	0
Net Pension Liability	56,175,232	2,909,037	59,084,269	0	0
Total Liabilities	70,616,841	23,546,684	94,163,525	74,632	649,605
<u>Deferred Inflows of Resources</u>					
Property Taxes	11,728,493	0	11,728,493	0	0
Pension	2,478,103	81,982	2,560,085	0	0
Total Deferred Inflows of Resources	14,206,596	81,982	14,288,578	0	0

Allen County, Ohio
Statement of Net Position
Primary Government and Discretely Presented Component Units
December 31, 2017
(continued)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	LODDI	Land Bank
<u>Net Position</u>					
Net Investment in Capital Assets	\$56,304,858	\$27,863,045	\$84,167,903	\$1,047,996	\$0
Restricted for:					
Debt Service	2,456,152	0	2,456,152	0	0
Capital Projects	3,468,808	0	3,468,808	0	0
Public Works	3,304,061	0	3,304,061	0	0
Developmental Disabilities	9,882,801	0	9,882,801	0	0
Job and Family Services	1,394,549	0	1,394,549	0	0
Children Services	2,875,003	0	2,875,003	0	0
Real Estate Assessment	2,237,274	0	2,237,274	0	0
Revolving Loan	2,054,144	0	2,054,144	0	0
Ditch Maintenance	2,291,628	0	2,291,628	0	0
Other Purposes	5,479,653	0	5,479,653	0	0
Unrestricted (Deficit)	<u>(24,555,690)</u>	<u>4,412,451</u>	<u>(20,143,239)</u>	<u>96,281</u>	<u>1,254,392</u>
Total Net Position	<u>\$67,193,241</u>	<u>\$32,275,496</u>	<u>\$99,468,737</u>	<u>\$1,144,277</u>	<u>\$1,254,392</u>

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, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
General Government:				
Legislative and Executive	\$13,107,280	\$3,990,846	\$131,859	\$0
Judicial	9,935,778	2,042,338	2,616,076	221,588
Public Safety	13,793,621	750,151	1,960,957	0
Public Works	14,749,833	5,538,902	4,975,644	3,429,277
Health				
Developmental Disabilities	11,156,960	191,298	4,803,875	0
Other Health	596,695	416,569	0	0
Human Services				
Job and Family Services	9,962,826	0	7,915,052	0
Children Services	6,699,215	159,981	4,028,742	0
Other Human Services	2,778,927	429,376	1,328,914	0
Conservation and Recreation	2,133,143	994,078	162,166	0
Interest and Fiscal Charges	216,159	0	0	0
Total Governmental Activities	85,130,437	14,513,539	27,923,285	3,650,865
<u>Business-Type Activity</u>				
Sewer	7,752,613	8,049,261	0	0
Total Primary Government	\$92,883,050	\$22,562,800	\$27,923,285	\$3,650,865
<u>Component Units</u>				
LODDI	\$157,189	\$120,788	\$0	\$0
Land Bank	246,914	180,811	978,175	0
Total Component Units	\$404,103	\$301,599	\$978,175	\$0

General Revenues:
Property Taxes Levied for:
General Operating
Health-Developmental Disabilities
Human Services-Children Services
Debt Service
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

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	Land Bank
(\$8,984,575)	\$0	(\$8,984,575)	\$0	\$0
(5,055,776)	0	(5,055,776)	0	0
(11,082,513)	0	(11,082,513)	0	0
(806,010)	0	(806,010)	0	0
(6,161,787)	0	(6,161,787)	0	0
(180,126)	0	(180,126)	0	0
(2,047,774)	0	(2,047,774)	0	0
(2,510,492)	0	(2,510,492)	0	0
(1,020,637)	0	(1,020,637)	0	0
(976,899)	0	(976,899)	0	0
(216,159)	0	(216,159)	0	0
(39,042,748)	0	(39,042,748)	0	0
0	296,648	296,648	0	0
(39,042,748)	296,648	(38,746,100)	0	0
0	0	0	(36,401)	0
0	0	0	0	912,072
0	0	0	(36,401)	912,072
2,901,739	0	2,901,739	0	0
4,993,888	0	4,993,888	0	0
2,050,715	0	2,050,715	0	0
1,318,941	0	1,318,941	0	0
434,247	0	434,247	0	0
17,020,833	0	17,020,833	0	0
3,848,585	0	3,848,585	67,500	0
568,865	133	568,998	4,119	0
5,219,017	41,227	5,260,244	16,394	176,656
38,356,830	41,360	38,398,190	88,013	176,656
39,627	(39,627)	0	0	0
38,396,457	1,733	38,398,190	88,013	176,656
(646,291)	298,381	(347,910)	51,612	1,088,728
67,839,532	31,977,115	99,816,647	1,092,665	165,664
\$67,193,241	\$32,275,496	\$99,468,737	\$1,144,277	\$1,254,392

Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,367,490	\$838,539	\$1,589,585	\$8,784,266
Cash and Cash Equivalents in Segregated Accounts	12,016	0	0	0
Accounts Receivable	20,280	1,202	0	12,190
Accrued Interest Receivable	86,882	0	0	0
Permissive Sales Taxes Receivable	4,239,178	0	0	0
Permissive Motor Vehicle License Taxes Receivable	0	25,966	0	0
Other Local Taxes Receivable	0	0	0	0
Due from Other Governments	1,331,194	2,509,828	389,610	1,301,452
Due from External Parties	0	0	0	49,147
Due from Component Unit	0	0	0	73,521
Prepaid Items	302,372	22,563	41,248	47,786
Materials and Supplies Inventory	52,042	318,982	33,197	65,875
Interfund Receivable	5,636,931	15,564	0	1,097
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	179,412	0	0	0
Property Taxes Receivable	3,020,913	0	0	5,308,867
Notes Receivable	0	0	0	0
Special Assessments Receivable	0	0	0	0
Total Assets	\$19,248,710	\$3,732,644	\$2,053,640	\$15,644,201
<u>Liabilities</u>				
Accrued Wages Payable	\$371,875	\$75,800	\$110,306	\$121,691
Accounts Payable	204,098	53,430	131,265	51,500
Contracts Payable	0	0	0	0
Due to Other Governments	420,121	37,434	70,561	85,273
Due to External Parties	640	0	0	0
Interfund Payable	622	22,563	42,669	51,577
Retainage Payable	0	0	0	0
Total Liabilities	997,356	189,227	354,801	310,041
<u>Deferred Inflows of Resources</u>				
Property Taxes Receivable	2,843,195	0	0	4,937,274
Unavailable Revenue	4,018,347	2,145,097	279,650	1,727,285
Total Deferred Inflows of Resources	6,861,542	2,145,097	279,650	6,664,559
<u>Fund Balance</u>				
Nonspendable	3,677,874	341,545	74,445	113,661
Restricted	0	1,056,775	1,344,744	8,555,940
Assigned	4,674,746	0	0	0
Unassigned (Deficit)	3,037,192	0	0	0
Total Fund Balance (Deficit)	11,389,812	1,398,320	1,419,189	8,669,601
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$19,248,710	\$3,732,644	\$2,053,640	\$15,644,201

See Accompanying Notes to the Basic Financial Statements

<u>Children Services</u>	<u>Ditch Construction</u>	<u>Other Governmental</u>	<u>Total</u>
\$2,026,869	\$1,865,031	\$13,139,038	\$32,610,818
17,355	0	899,607	928,978
0	0	39,059	72,731
0	0	0	86,882
0	0	173,307	4,412,485
0	0	0	25,966
0	0	87,166	87,166
1,259,864	0	2,404,200	9,196,148
0	0	0	49,147
0	0	0	73,521
25,834	0	39,873	479,676
4,752	0	0	474,848
0	0	200,000	5,853,592
0	0	0	179,412
2,177,394	0	2,018,358	12,525,532
0	0	1,234,356	1,234,356
0	1,125,426	2,070,920	3,196,346
<u>\$5,512,068</u>	<u>\$2,990,457</u>	<u>\$22,305,884</u>	<u>\$71,487,604</u>
\$68,244	\$0	\$104,314	\$852,230
82,142	19,468	429,441	971,344
0	18,468	418,521	436,989
38,098	0	54,123	705,610
0	0	5,436	6,076
79,084	3,838,902	1,373,122	5,408,539
0	4,920	76,593	81,513
<u>267,568</u>	<u>3,881,758</u>	<u>2,461,550</u>	<u>8,462,301</u>
2,042,759	0	1,905,265	11,728,493
1,193,302	1,125,426	4,425,161	14,914,268
<u>3,236,061</u>	<u>1,125,426</u>	<u>6,330,426</u>	<u>26,642,761</u>
30,586	0	39,873	4,277,984
1,977,853	0	14,049,728	26,985,040
0	0	4,813	4,679,559
0	(2,016,727)	(580,506)	439,959
<u>2,008,439</u>	<u>(2,016,727)</u>	<u>13,513,908</u>	<u>36,382,542</u>
<u>\$5,512,068</u>	<u>\$2,990,457</u>	<u>\$22,305,884</u>	<u>\$71,487,604</u>

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Allen County, Ohio
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2017

Total Governmental Fund Balance		\$36,382,542
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		64,499,268
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
Accounts Receivable	7,036	
Accrued Interest Receivable	70,780	
Permissive Sales Taxes Receivable	3,136,993	
Due from Other Governments	7,572,570	
Other Local Tax Receivable	38,252	
Due from External Parties	17,988	
Due from Component Unit	73,521	
Interfund Receivable	3,743	
Delinquent Property Taxes Receivable	797,039	
Special Assessments Receivable	3,196,346	
		14,914,268
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Special Assessment Notes Payable	(136,595)	
General Obligation Bonds Payable	(1,189,336)	
Special Assessment Bonds Payable	(1,195,393)	
OPWC Loans Payable	(1,915,203)	
OWDA Loans Payable	(3,679,059)	
Capital Leases Payable	(139,102)	
Compensated Absences Payable	(3,125,766)	
		(11,380,454)
<p>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.</p>		(7,393)
<p>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.</p>		
Deferred Outflows - Pension	21,438,345	
Deferred Inflows - Pension	(2,478,103)	
Net Pension Liability	(56,175,232)	
		(37,214,990)
Net Position of Governmental Activities		\$67,193,241

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
<u>Revenues</u>				
Property Taxes	\$2,932,974	\$0	\$0	\$5,059,198
Permissive Sales Taxes	16,483,976	0	0	0
Permissive Motor Vehicle License Taxes	0	343,092	0	0
Other Local Taxes	0	0	0	0
Charges for Services	4,762,094	866,278	0	191,345
Licenses and Permits	6,584	12,762	0	0
Fines and Forfeitures	158,895	143,734	0	0
Intergovernmental	2,406,292	5,726,434	7,691,486	4,549,455
Special Assessments	0	0	0	0
Interest	535,750	1,086	0	145
Gifts and Donations	0	0	0	159
Other	1,367,204	179,985	811,427	722,113
Total Revenues	28,653,769	7,273,371	8,502,913	10,522,415
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	10,170,991	0	0	0
Judicial	6,569,672	0	0	0
Public Safety	9,010,206	0	0	0
Public Works	56,392	7,214,019	0	0
Health	199,638	0	0	10,693,108
Human Services	466,820	0	9,108,967	0
Conservation and Recreation	295,213	0	0	0
Other	24,453	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	48,583	245,155	0	0
Interest and Fiscal Charges	5,618	1,987	0	0
Total Expenditures	26,847,586	7,461,161	9,108,967	10,693,108
Excess of Revenues Over (Under) Expenditures	1,806,183	(187,790)	(606,054)	(170,693)
<u>Other Financing Sources (Uses)</u>				
OPWC Loans Issued	0	0	0	0
Sale of Capital Assets	0	11,082	0	0
Inception of Capital Lease	0	158,206	0	0
Transfers In	0	150	371,293	0
Transfers Out	(629,509)	0	0	0
Total Other Financing Sources (Uses)	(629,509)	169,438	371,293	0
Changes in Fund Balance	1,176,674	(18,352)	(234,761)	(170,693)
Fund Balance Beginning of Year	10,213,138	1,416,672	1,653,950	8,840,294
Fund Balance (Deficit) End of Year	\$11,389,812	\$1,398,320	\$1,419,189	\$8,669,601

See Accompanying Notes to the Basic Financial Statements

<u>Children Services</u>	<u>Ditch Costruction</u>	<u>Other Governmental</u>	<u>Total</u>
\$2,074,378	\$0	\$1,773,066	\$11,839,616
0	0	759,226	17,243,202
0	0	0	343,092
0	0	654,039	654,039
159,981	0	4,033,930	10,013,628
0	0	515,208	534,554
0	0	36,922	339,551
3,701,839	0	8,729,951	32,805,457
0	1,367,236	2,368,849	3,736,085
0	0	1,494	538,475
0	0	0	159
546,136	9,277	1,551,382	5,187,524
<u>6,482,334</u>	<u>1,376,513</u>	<u>20,424,067</u>	<u>83,235,382</u>
0	0	1,614,632	11,785,623
0	0	2,232,053	8,801,725
0	0	2,853,960	11,864,166
0	0	2,405,397	9,675,808
0	0	330,494	11,223,240
6,044,091	0	2,069,099	17,688,977
0	0	1,274,669	1,569,882
0	500	3,957	28,910
0	774,041	5,478,943	6,252,984
0	2,746,037	2,180,994	5,220,769
0	4,276	226,896	238,777
<u>6,044,091</u>	<u>3,524,854</u>	<u>20,671,094</u>	<u>84,350,861</u>
<u>438,243</u>	<u>(2,148,341)</u>	<u>(247,027)</u>	<u>(1,115,479)</u>
0	0	45,375	45,375
0	0	29,478	40,560
0	0	0	158,206
0	11,000	662,298	1,044,741
0	0	(252,344)	(881,853)
<u>0</u>	<u>11,000</u>	<u>484,807</u>	<u>407,029</u>
438,243	(2,137,341)	237,780	(708,450)
<u>1,570,196</u>	<u>120,614</u>	<u>13,276,128</u>	<u>37,090,992</u>
<u>\$2,008,439</u>	<u>(\$2,016,727)</u>	<u>\$13,513,908</u>	<u>\$36,382,542</u>

Allen County, Ohio
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2017

Changes in Fund Balance - Total Governmental Funds (\$708,450)

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	2,067,187	
Capital Outlay - Depreciable Capital Assets	1,796,369	
Capital Contribution - Depreciable Capital Assets	1,140,325	
Depreciation	<u>(3,736,839)</u>	1,267,042

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(40,560)	
Gain on Disposal of Capital Assets	26,786	
Loss on Disposal of Capital Assets	<u>(9,793)</u>	(23,567)

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

Delinquent Property Taxes	(140,086)	
Permissive Sales Taxes	(222,369)	
Other Local Taxes	38,252	
Charges for Services	(25,775)	
Licenses and Permits	737	
Intergovernmental	1,260,937	
Special Assessments	(1,007,492)	
Interest	33,115	
Other	<u>104,707</u>	42,026

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	2,846,037	
General Obligation Bonds Payable	1,541,583	
Special Assessment Bonds Payable	301,458	
OPWC Loans Payable	156,958	
OWDA Loans Payable	286,536	
Capital Leases Payable	<u>88,197</u>	5,220,769

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. (158,206)

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

OPWC Loans		(45,375)
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(continued)

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, 2017
 (continued)

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	\$13,534	
Amortization of Premium	<u>9,084</u>	22,618

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. 60,275

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (10,365,705)

Contractually required pension contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows. 4,042,282

Change in Net Position of Governmental Activities (\$646,291)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$2,707,000	\$2,707,000	\$2,928,353	\$221,353
Permissive Sales Taxes	15,500,000	15,700,000	16,573,466	873,466
Charges for Services	3,168,103	3,168,103	4,620,181	1,452,078
Licenses and Permits	5,030	5,030	6,584	1,554
Fines and Forfeitures	90,000	90,000	159,749	69,749
Intergovernmental	1,792,059	1,792,059	1,679,327	(112,732)
Interest	475,000	600,000	649,331	49,331
Other	561,909	561,909	1,179,821	617,912
Total Revenues	24,299,101	24,624,101	27,796,812	3,172,711
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	10,025,467	11,139,207	10,201,921	937,286
Judicial	7,248,216	6,985,320	6,441,585	543,735
Public Safety	8,879,871	9,136,230	9,108,967	27,263
Public Works	53,350	53,350	55,886	(2,536)
Health	201,617	201,617	197,540	4,077
Human Services	695,173	695,173	457,147	238,026
Conservation and Recreation	288,766	298,766	297,201	1,565
Other	0	0	24,453	(24,453)
Debt Service:				
Principal Retirement	48,583	48,583	48,583	0
Interest and Fiscal Charges	5,417	5,700	5,618	82
Total Expenditures	27,446,460	28,563,946	26,838,901	1,725,045
Excess of Revenues Over (Under) Expenditures	(3,147,359)	(3,939,845)	957,911	4,897,756
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	96,060	96,060	193,064	97,004
Advances In	20,000	20,000	3,059,496	3,039,496
Advances Out	(102,459)	(867,922)	(5,219,729)	(4,351,807)
Transfers In	344,000	344,000	0	(344,000)
Transfers Out	(572,846)	(638,420)	(629,509)	8,911
Total Other Financing Sources (Uses)	(215,245)	(1,046,282)	(2,596,678)	(1,550,396)
Changes in Fund Balance	(3,362,604)	(4,986,127)	(1,638,767)	3,347,360
Fund Balance Beginning of Year	5,523,613	5,523,613	5,523,613	0
Prior Year Encumbrances Appropriated	95,698	95,698	95,698	0
Fund Balance End of Year	\$2,256,707	\$633,184	\$3,980,544	\$3,347,360

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Permissive Motor Vehicle License Taxes	\$380,000	\$380,000	\$344,924	(\$35,076)
Charges for Services	703,000	703,000	871,507	168,507
Licenses and Permits	12,000	12,000	12,962	962
Fines and Forfeitures	200,000	200,000	143,734	(56,266)
Intergovernmental	5,025,280	5,809,638	5,742,925	(66,713)
Interest	1,000	1,000	1,006	6
Total Revenues	6,321,280	7,105,638	7,117,058	11,420
<u>Expenditures</u>				
Current:				
Public Works	6,312,429	7,430,239	7,115,838	314,401
Debt Service:				
Principal Retirement	139,328	171,437	156,958	14,479
Total Expenditures	6,451,757	7,601,676	7,272,796	328,880
Excess of Revenues Under Expenditures	(130,477)	(496,038)	(155,738)	340,300
<u>Other Financing Sources</u>				
Other Financing Sources	164,720	164,720	179,985	15,265
Sale of Capital Assets	0	0	11,082	11,082
Transfers In	0	0	150	150
Total Other Financing Sources	164,720	164,720	191,217	26,497
Changes in Fund Balance	34,243	(331,318)	35,479	366,797
Fund Balance Beginning of Year	571,388	571,388	571,388	0
Prior Year Encumbrances Appropriated	199,677	199,677	199,677	0
Fund Balance End of Year	\$805,308	\$439,747	\$806,544	\$366,797

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Charges for Services	\$500	\$500	\$0	(\$500)
Intergovernmental	8,882,500	8,882,500	7,581,526	(1,300,974)
Total Revenues	8,883,000	8,883,000	7,581,526	(1,301,474)
<u>Expenditures</u>				
Current:				
Human Services	10,251,610	10,806,124	10,559,065	247,059
Excess of Revenues Under Expenditures	(1,368,610)	(1,923,124)	(2,977,539)	(1,054,415)
<u>Other Financing Sources</u>				
Other Financing Sources	984,482	984,482	811,612	(172,870)
Transfers In	340,229	340,229	371,293	31,064
Total Other Financing Sources	1,324,711	1,324,711	1,182,905	(141,806)
Changes in Fund Balance	(43,899)	(598,413)	(1,794,634)	(1,196,221)
Fund Balance Beginning of Year	747,740	747,740	747,740	0
Prior Year Encumbrances Appropriated	1,294,632	1,294,632	1,294,632	0
Fund Balance End of Year	<u>\$1,998,473</u>	<u>\$1,443,959</u>	<u>\$247,738</u>	<u>(\$1,196,221)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$5,456,915	\$5,456,915	\$5,049,536	(\$407,379)
Charges for Services	176,677	176,677	189,316	12,639
Intergovernmental	4,394,152	4,470,724	4,869,681	398,957
Interest	160	160	144	(16)
Other	116,037	116,037	152,114	36,077
Total Revenues	10,143,941	10,220,513	10,260,791	40,278
<u>Expenditures</u>				
Current:				
Health	12,313,890	18,005,113	10,722,801	7,282,312
Excess of Revenues Under Expenditures	(2,169,949)	(7,784,600)	(462,010)	7,322,590
<u>Other Financing Sources</u>				
Other Financing Sources	728,828	728,828	563,758	(165,070)
Changes in Fund Balance	(1,441,121)	(7,055,772)	101,748	7,157,520
Fund Balance Beginning of Year	8,411,135	8,411,135	8,411,135	0
Fund Balance End of Year	<u>\$6,970,014</u>	<u>\$1,355,363</u>	<u>\$8,512,883</u>	<u>\$7,157,520</u>

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Children Services Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$2,410,000	\$2,410,000	\$2,070,878	(\$339,122)
Charges for Services	159,500	159,500	155,158	(4,342)
Intergovernmental	<u>4,233,633</u>	<u>4,233,633</u>	<u>3,697,840</u>	<u>(535,793)</u>
Total Revenues	6,803,133	6,803,133	5,923,876	(879,257)
<u>Expenditures</u>				
Current:				
Human Services	<u>7,347,561</u>	<u>7,347,561</u>	<u>6,167,487</u>	<u>1,180,074</u>
Excess of Revenues Under Expenditures	(544,428)	(544,428)	(243,611)	300,817
<u>Other Financing Sources</u>				
Other Financing Sources	<u>480,400</u>	<u>480,400</u>	<u>546,136</u>	<u>65,736</u>
Changes in Fund Balance	(64,028)	(64,028)	302,525	366,553
Fund Balance Beginning of Year	<u>1,611,673</u>	<u>1,611,673</u>	<u>1,611,673</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$1,547,645</u></u>	<u><u>\$1,547,645</u></u>	<u><u>\$1,914,198</u></u>	<u><u>\$366,553</u></u>

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2017

	Sewer
<u>Assets</u>	
<u>Current Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,119,699
Accounts Receivable	2,999,945
Prepaid Items	16,917
Materials and Supplies Inventory	59,215
Interfund Receivable	573,937
Total Current Assets	7,769,713
<u>Non-Current Assets</u>	
Nondepreciable Capital Assets	51,219
Depreciable Capital Assets, Net	47,992,298
Total Non-Current Assets	48,043,517
Total Assets	55,813,230
<u>Deferred Outflows of Resources</u>	
Pension	1,109,922
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accrued Wages Payable	48,187
Accounts Payable	63,906
Contracts Payable	15,000
Due to Other Governments	100,880
Interfund Payable	1,018,990
Retainage Payable	5,971
Accrued Interest Payable	303
Notes Payable	85,714
OWDA Loans Payable	511,274
Compensated Absences Payable	98,649
Total Current Liabilities	1,948,874
<u>Non-Current Liabilities</u>	
OWDA Loans Payable	19,577,513
Net Pension Liability	2,909,037
Compensated Absences Payable	130,250
Total Non-Current Liabilities	22,616,800
Total Liabilities	24,565,674
<u>Deferred Inflows of Resources</u>	
Pension	81,982
<u>Net Position</u>	
Net Investment in Capital Assets	27,863,045
Unrestricted	4,412,451
Total Net Position	\$32,275,496

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, 2017

	Sewer
<u>Operating Revenues</u>	
Charges for Services	\$7,997,608
Licenses, Permits, and Inspections	51,653
Other	41,227
Total Operating Revenues	8,090,488
<u>Operating Expenses</u>	
Personal Services	2,574,963
Materials and Supplies	281,608
Contractual Services	2,225,593
Other	14,624
Depreciation	2,313,585
Total Operating Expenses	7,410,373
Operating Income	680,115
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	133
Interest Expense	(342,240)
Total Non-Operating Revenues (Expenses)	(342,107)
Income before Capital Contributions and Transfers	338,008
Capital Contributions	123,261
Transfers Out	(162,888)
Change in Net Position	298,381
Net Position Beginning of Year	31,977,115
Net Position End of Year	\$32,275,496
See Accompanying Notes to the Basic Financial Statements	

Allen County, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2017

	<u>Sewer</u>
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$8,108,769
Cash Payments for Personal Services	(2,201,379)
Cash Payments to Suppliers	(687,084)
Cash Payments for Contractual Services	(1,795,130)
Cash Received from Other Revenues	41,227
Cash Payments for Other Expenses	(14,624)
	<u>3,451,779</u>
Net Cash Provided by Operating Activities	
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Advances In	889,809
Cash Payments for Advances Out	(441,678)
Cash Payments for Transfers Out	(51,000)
	<u>397,131</u>
Net Cash Provided by Noncapital Financing Activities	
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(364,095)
Principal Paid on Bond Anticipation Notes	(1,023,214)
Interest Paid on Bond Anticipation Notes	(37,915)
OWDA Loans Issued	27,650
Principal Paid on OPWC Loans	(5,042)
Principal Paid on OWDA Loans	(1,294,891)
Interest Paid on OWDA Loans	(312,775)
Lease Principal	(56,135)
Lease Interest	(1,544)
	<u>(3,067,961)</u>
Net Cash Used for Capital and Related Financing Activities	
<u>Cash Flows from Investing Activities</u>	
Interest	133
	<u>133</u>
Net Increase in Cash and Cash Equivalents	781,082
Cash and Cash Equivalents Beginning of Year	<u>3,338,617</u>
Cash and Cash Equivalents End of Year	<u>\$4,119,699</u>

(continued)

Allen County, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2017
(continued)

	<u>Sewer</u>
<u>Reconciliation of Operating Income to</u>	
<u>Net Cash Provided by Operating Activities</u>	
Operating Income	\$680,115
<u>Adjustments to Reconcile Operating Income to</u>	
<u>Net Cash Provided by Operating Activities</u>	
Depreciation	2,313,585
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	63,299
Decrease in Prepaid Items	561
Decrease in Materials and Supplies Inventory	4,515
Increase in Interfund Receivable	(3,791)
Increase in Accrued Wages Payable	3,434
Increase in Accounts Payable	37,037
Decrease in Contracts Payable	(52)
Increase in Due to Other Governments	75,397
Increase in Interfund Payable	17,512
Decrease in Retainage Payable	(110,149)
Increase in Compensated Absences Payable	7,180
Increase in Net Pension Liability	65,122
Decrease in Deferred Outflows - Pension	375,339
Decrease in Deferred Inflows - Pension	(77,325)
Total Adjustments	2,771,664
Net Cash Provided by Operating Activities	\$3,451,779

Non-Cash Capital Transactions

During 2017, governmental activities purchased capital assets, in the amount of \$123,261, and subsequently transferred those assets to the Sewer enterprise fund.

See Accompanying Notes to the Basic Financial Statements

Allen County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Investment Trust	Martha Mark Private Purpose Trust	Agency
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,667,719	\$12,596	\$14,541,170
Cash and Cash Equivalents in Segregated Accounts	0	0	1,418,075
Accounts Receivable	0	0	548,469
Due from Other Governments	0	0	4,097,169
Due from External Parties	0	0	6,076
Property Taxes Receivable	0	0	87,287,745
Special Assessments Receivable	0	0	14,697,253
	<u>4,667,719</u>	<u>12,596</u>	<u>\$122,595,957</u>
<u>Liabilities</u>			
Due to Other Governments	0	0	\$111,583,868
Due to External Parties	0	0	49,147
Undistributed Assets	0	0	10,962,871
Deposits Held and Due to Others	0	0	71
	<u>0</u>	<u>0</u>	<u>\$122,595,957</u>
<u>Net Position</u>			
Held in Trust for External Pool Participants	<u>\$4,667,719</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, 2017

<u>Additions</u>	
Interest	\$25,371
<u>Deductions</u>	
Capital Transactions	<u>660,824</u>
Net Decrease Resulting from Operations	(635,453)
Distributions to Participants	<u>(24,422)</u>
Change in Net Position	(659,875)
Net Position Beginning of Year	<u>5,327,594</u>
Net Position End of Year	<u><u>\$4,667,719</u></u>

See Accompanying Notes to the Basic Financial Statements

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 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.

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 the Allen County Land Reutilization Corporation (Land Bank). They are reported separately to emphasize that they are legally separate from the County. Information about the component units is presented in Notes 27 and 28 to the basic financial statements.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity (continued)

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, 2500 Ada Road, Lima, Ohio 45801.

Allen County Land Reutilization Corporation - The Allen County Land Reutilization Corporation (Land Bank) is a county land reutilization corporation that was formed on January 7, 2016, when the Allen County Board of Commissioners authorized the incorporation of the Land Bank under Chapters 1724 and 1702 of the Ohio Revised Code through a resolution as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Land Bank is to strengthen neighborhoods in the County by returning vacant and abandoned properties to productive use. The Land Bank has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax-foreclosed, or other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

The Land Bank is governed by a five member Board of Directors, consisting of two County Commissioners, the County Treasurer, one representative from the City of Lima, and one representative selected by the statutory directors. The Board of Directors has the authority to make, prescribe, and enforce all rules and regulations for the conduct of all business and affairs of the Land Bank and the management and control of its properties. Because the County makes up and/or appoints a voting majority of the Board of Directors, the County is able to impose its will on the operation of the Land Bank and the relationship between the primary government and the organization is such that exclusion would cause the County's financial statements to be misleading. Separately issued financial statements can be obtained from the Allen County Land Reutilization Corporation, 301 North Main Street, Suite 203, 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 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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity (continued)

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 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

Note 2 - Summary of Significant Accounting Policies

The financial statements of Allen County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

Ditch Construction - This fund accounts for special assessments restricted for the construction of ditches.

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Fiduciary Funds

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

C. Measurement Focus

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.

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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the year in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2017, but which were levied to finance 2018 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, other local taxes, amounts due from external parties, amounts due from the component unit, interfund, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 21. 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.

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, 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 the General Fund and the fund level for all other funds.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts 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 are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

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

During 2017, the County invested in negotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value. 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants”. The County measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant are combined for this purpose.

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 2017 was \$535,750, which includes \$480,891 assigned from other County funds.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 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, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

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.

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 acquisition 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Buildings and Improvements	35 years	35 years
Machinery and Equipment	12 years	12-40 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

N. Unamortized Bond Premium

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

O. Net Position

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

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:

Nonspendable - The nonspendable 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners. Fund balance policy of the County Commissioners authorizes department managers to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners have also assigned fund balance to cover a gap between estimated resources and appropriations in the 2018 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 nonoperating.

R. Capital Contributions

Capital contributions arise from contributions from outside sources and other funds.

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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

T. Estimates

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

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.

Note 3 - Change in Accounting Principles

For 2017, the County has implemented Governmental Accounting Standard Board (GASB) Implementation Guide No. 2016-1. These changes were incorporated in the County's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability and Compliance

A. Accountability

At December 31, 2017, the Department of Defense Community Assistance special revenue fund, Water Projects capital projects fund, Sewer Projects capital projects fund, Ditch Construction capital projects fund, and Kill Road Reconstruction capital projects fund had a deficit fund balance, in the amount of \$80,223, \$9,262, \$110,913, \$2,016,727, and \$380,000, 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 - Accountability and Compliance (continued)

B. Compliance

At December 31, 2017, the Drug Law Enforcement, Department of Defense Community Assistance, Handgun License, Felony Care and Subsidy, Adult Probation Grant, Emergency Management Agency, and Doc Payroll Grant special revenue funds and the Juvenile Detention Center, Building and Expansion, and Issue I Paving capital projects funds had final appropriations in excess of estimated resources plus available balances, in the amount of \$123,633, \$418,033, \$45,698, \$560,738, \$602,456, \$3,188, \$157,983, \$583,800, \$1,781,943 and \$300,000, respectively. The County will review appropriations to ensure they are within available resources.

For the year ended December 31, 2017, the following funds had expenditures plus encumbrances in excess of appropriations at the legal level of control:

Fund Type/Fund	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
General Government - Judicial			
Probate Court	\$4,232	\$8,232	\$4,000
Public Safety			
Sheriff's Rotary	142,297	148,820	6,523
Public Works			
Tax Map Engineering	53,350	55,886	2,536
Other			
Unclaimed Funds	0	24,453	24,453
Debt Service			
Special Assessment Bond Retirement	245,458	247,282	1,824
General Obligation Bond	1,379,175	1,476,664	97,489

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

Note 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 5 - Budgetary Basis of Accounting (continued)

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).

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	\$1,176,674	(\$18,352)	(\$234,761)	(\$170,693)	\$438,243
<u>Increase (Decrease) Due To</u>					
Revenue Accruals					
Accrued 2016, Received in Cash 2017	1,637,677	431,255	0	321,062	197,198
Accrued 2017, Not Yet Received in Cash	(2,105,995)	(407,463)	(109,960)	(81,715)	(201,197)
Expenditure Accruals					
Accrued 2016, Paid in Cash 2017	(771,283)	(247,974)	(459,343)	(305,904)	(363,539)
Accrued 2017, Not Yet Paid in Cash	997,356	189,227	354,801	310,041	267,568
Cash Adjustments					
Unrecorded Activity 2016	155,765	53	185	284,737	93,159
Unrecorded Activity 2017	(524,819)	(26,995)	(49,679)	(271,383)	(130,026)
Prepaid Items	16,548	2,289	1,080	6,015	3,069
Materials and Supplies Inventory	(2,349)	118,439	(4,789)	9,588	(1,950)
Advances In	3,059,496	0	0	0	0
Advances Out	(5,219,729)	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(58,108)	(5,000)	(1,292,168)	0	0
Budget Basis	<u>(\$1,638,767)</u>	<u>\$35,479</u>	<u>(\$1,794,634)</u>	<u>\$101,748</u>	<u>\$302,525</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 - Deposits and Investments

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

Monies held by the County, which are not considered active, are classified as inactive. 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;
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;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts in eligible institutions pursuant to Ohio Revised Code Section 135.32;
6. 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 or consisting exclusively of obligations described in division (1) or (2) above; commercial paper as described in Ohio Revised Code Section 135.143(6); and repurchase agreements secured by such obligations provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Up to forty 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, which are rated in the highest classification 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;

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 - Deposits and Investments (continued)

- b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
- 10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
- 11. A current unpaid or delinquent tax line of credit provided certain conditions are met related to a County land reutilization corporation organized under Ohio Revised Code Chapter 1724; and,
- 12. Up to 2 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 and all interest and principal shall be denominated and payable in United States funds.

Investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, 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. Bankers' acceptances must mature within one hundred eighty days. Commercial paper and corporate notes must mature within two hundred seventy days. All other investments 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 they will be held to maturity.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a 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, \$1,215,080 of the County's bank balance of \$19,246,686 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 risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured or by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 - Deposits and Investments (continued)

One of the County's financial institutions was in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own 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.

In January and April 2018, two of the County's financial institutions participating in OPCS were approved for a reduced collateral floor of 50 percent. At the time the reduced floor became effective, none of the County's bank balance was exposed to custodial credit risk.

Investments

As of December 31, 2017, the County had the following investments:

Measurement/Investment	Measurement	Investment Maturities (in Years)	
	Amount	Less Than 1	1-5
Fair Value (Level 2 Inputs)			
Federal Home Loan Mortgage Corporation Notes	\$7,595,484	\$0	\$7,595,484
Federal Agriculture Mortgage Corporation Notes	1,346,136	0	1,346,136
Federal Home Loan Bank Notes	6,963,660	0	6,963,660
Federal National Mortgage Association Notes	2,491,175	0	2,491,175
Mutual Funds	585,521	585,521	0
Fair Value (Level 3 Inputs)			
Negotiable Certificates of Deposit	16,170,478	3,409,694	12,760,784
Net Asset Value Per Share			
STAR Ohio	5,318,028	5,318,028	0
Total Investments	\$40,470,482	\$9,313,243	\$31,157,239

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2017. The County's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/ dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs). The negotiable certificates of deposit measured at fair value are valued using Level 3 inputs.

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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 - Deposits and Investments (continued)

The negotiable certificates of deposit are generally covered by FDIC insurance. The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and mutual funds carry a rating of Aaa by Moody's or AAA or AA+ by Standard and Poor's. The Federal Agriculture Mortgage Corporation Notes are not rated. 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
Federal Home Loan Mortgage Corporation	\$7,595,484	18.77%
Federal Agriculture Mortgage Corporation Note	1,346,136	3.33
Federal Home Loan Bank	6,963,660	17.21
Federal National Mortgage Association	2,491,175	6.16
Negotiable Certificates of Deposit	16,170,478	39.96

Note 7 - Investment Pool

The County serves as fiscal agent for the North Central Ohio Solid Waste 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, 2017

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$56,131,414
Accrued Interest Receivable	86,882
Total Assets	\$56,218,296

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 7 - Investment Pool (continued)

Statement of Net Position
December 31, 2017
(continued)

<u>Net Position Held in Trust for Pool Participants</u>	
Internal Portion	\$51,550,577
External Portion	4,667,719
Total Net Position Held in Trust for Pool Participants	\$56,218,296

Statement of Changes in Net Position
December 31, 2017

<u>Revenues</u>	
Interest	\$563,979
<u>Expenses</u>	
Operating Expenses	0
Net Increase Resulting from Operations	563,979
Distributions to Participants	(676,450)
Capital Transactions	1,045,887
Total Increase in Net Position	933,416
Net Position Beginning of Year	55,284,880
Net Position End of Year	\$56,218,296

Investments

As of December 31, 2017, the County's investment pool had the following investments:

Measurement/Investment	Measurement Amount	Investment Maturities (in Years)	
		Less Than 1	1-5
Fair Value (Level 2 Inputs)			
Federal Home Loan Mortgage Corporation Notes	\$7,595,484	\$0	\$7,595,484
Federal Agriculture Mortgage Corporation Notes	1,346,136	0	1,346,136
Federal Home Loan Bank Notes	6,963,660	0	6,963,660
Federal National Mortgage Association Notes	2,491,175	0	2,491,175
Mutual Funds	585,521	585,521	0

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 7 - Investment Pool (continued)

Measurement/Investment	Measurement Amount	Investment Maturities (in Years)	
		Less Than 1	1-5
Fair Value (Level 3 Inputs)			
Negotiable Certificates of Deposit	\$16,170,478	\$3,409,694	\$12,760,784
Net Asset Value Per Share			
STAR Ohio	5,318,028	5,318,028	0
Total Investments	<u>\$40,470,482</u>	<u>\$9,313,243</u>	<u>\$31,157,239</u>

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2017. The County's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/ dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs). The negotiable certificates of deposit measured at fair value are valued using Level 3 inputs.

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 Home Loan Bank Notes, Federal National Mortgage Association Notes, and mutual funds carry a rating of Aaa by Moody's or AAA or AA+ by Standard and Poor's. The Federal Agriculture Mortgage Corporation Notes are not rated. 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, 2017

Note 7 - Investment Pool (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
Federal Home Loan Mortgage Corporation	\$7,595,484	18.77%
Federal Agriculture Mortgage Corporation Note	1,346,136	3.33
Federal Home Loan Bank	6,963,660	17.21
Federal National Mortgage Association	2,491,175	6.16
Negotiable Certificates of Deposit	16,170,478	39.96

Note 8 - Receivables

Receivables at December 31, 2017, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales and motor vehicle license taxes; other local taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; amounts due from the external parties; component unit; interfund; property taxes; notes; and special assessments. All receivables are considered fully collectible within one year, except for interfund, property taxes, notes, and special assessments. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Notes receivable, in the amount of \$1,080,400, will not be received within one year. Special assessments receivable, in the amount of \$1,346,293 will not be received within one year. At December 31, 2017, the amount of delinquent special assessments was \$347,713.

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 4.25 percent and are to be repaid over periods ranging from five to twenty-one 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 - Receivables (continued)

A summary of the changes in notes receivable during 2017 follows:

	Balance January 1, 2017	New Loans	Repayments	Balance December 31, 2017
Special Revenue Funds				
Revolving Loan Fund				
Housing Assistance Program	\$283,512	\$9,420	\$2,493	\$290,439
Community Development Block Grant	1,104,318	0	150,783	953,535
Total Revolving Loan Fund	1,387,830	9,420	153,276	1,243,974
Craft Educational Trust Fund				
Scholarships	16,068	600	680	15,988
	1,403,898	\$10,020	\$153,956	1,259,962
Less Allowance for Uncollectible Accounts				25,606
				\$1,234,356

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	\$449,862
Sheriff's Contracts	22,975
Election Costs	103,805
Homestead and Rollback	182,391
Medicaid	490,007
Indigent Defense	80,754
Juvenile Drug Court	1,400
Total General Fund	1,331,194
Motor Vehicle and Gasoline Tax	
Gasoline Tax	1,180,769
Motor Vehicle License Fees	1,305,262
Charges for Services	23,797
Total Motor Vehicle and Gasoline Tax	2,509,828
Job and Family Services	
Department of Job and Family Services	389,610
	(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Major Funds (continued)	
Developmental Disabilities	
Department of Education	\$388,619
Charges for Services	18,687
Auglaize County	3,885
State of Ohio	394,628
Homestead and Rollback	284,577
Personal Property Phase Out	211,056
Total Developmental Disabilities	1,301,452
Children Services	
Department of Education	1,062,746
Homestead and Rollback	124,670
Personal Property Phase Out	72,448
Total Children Services	1,259,864
Total Major Funds	6,791,948
Nonmajor Funds	
Drug Law Enforcement	
Department of Public Safety	38,861
Sheriff's Grants	35,824
Total Drug Law Enforcement	74,685
Child Support Enforcement Agency	
Child Support Enforcement Agency	282,957
Department of Defense Community Assistance	
Department of Defense	71,283
Felony Care and Subsidy	
Ohio Department of Youth Services	228,738
Adult Probation Grant	
Ohio Department of Rehabilitation and Correction	383,880
Emergency Management Agency	
Emergency Management Agency Grants	19,903
General Obligation Bond Debt	
Homestead and Rollback	82,906
Juvenile Detention Center	
Ohio Department of Youth Services	58,944
Sewer Projects	
City of Lima	8,840
Marimor Permanent Improvement	
Homestead and Rollback	18,353
Personal Property Phase Out	24,747
Total Marimor Permanent Improvement	43,100

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Building and Expansion	
Casino Tax	\$617,186
Kill Road Reconstruction	
Ohio Department of Transportation	130,000
629 Roadwork Development Grant	250,000
Total Kill Road Reconstruction	380,000
Roschman and Motel Reconstruction	
Ohio Public Works Commission	151,778
Total Nonmajor Funds	2,404,200
Total Governmental Activities	\$9,196,148
Agency Funds	
Local Government	\$1,376,238
Library Local Government	1,730,613
Gasoline Tax	585,449
Motor Vehicle License Fees	404,869
Total Agency Funds	\$4,097,169

Note 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.

Note 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 2017 represent the collection of 2016 taxes. Real property taxes received in 2017 were levied after October 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 10 - Property Taxes (continued)

Public utility property tax revenues received in 2017 represent the collection of 2016 taxes. Public utility real and tangible personal property taxes received in 2017 became a lien on December 31, 2015, were levied after October 1, 2016, 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, 2017, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2017 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, 2017, was \$11.40 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

Real Property	
Residential	\$1,170,477,810
Agriculture	238,709,600
Commercial/Industrial/Mineral	417,107,490
Public Utility Property	
Real	878,730
Personal	163,930,770
Total Assessed Value	\$1,991,104,400

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$3,929,515	\$0	\$0	\$3,929,515
Construction in Progress	547,288	3,207,512	(2,058,161)	1,696,639
Total Nondepreciable Capital Assets	4,476,803	3,207,512	(2,058,161)	5,626,154

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 - Capital Assets

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Governmental Activities (continued)				
Depreciable Capital Assets				
Buildings and Improvements	\$58,332,313	\$0	\$0	\$58,332,313
Machinery and Equipment	2,126,109	158,206	0	2,284,315
Vehicles	4,654,386	261,584	(280,123)	4,635,847
Furniture, Fixtures, and Equipment	4,886,412	510,557	(129,263)	5,267,706
Roads	31,366,136	585,963	0	31,952,099
Bridges	31,120,720	2,338,220	0	33,458,940
Total Depreciable Capital Assets	<u>132,486,076</u>	<u>3,854,530</u>	<u>(409,386)</u>	<u>135,931,220</u>
Less Accumulated Depreciation for				
Buildings and Improvements	(37,990,065)	(1,167,589)	0	(39,157,654)
Machinery and Equipment	(1,808,972)	(78,940)	0	(1,887,912)
Vehicles	(4,036,563)	(209,242)	265,837	(3,979,968)
Furniture, Fixtures, and Equipment	(4,266,401)	(251,159)	119,982	(4,397,578)
Roads	(15,336,667)	(1,364,411)	0	(16,701,078)
Bridges	(10,268,418)	(665,498)	0	(10,933,916)
Total Accumulated Depreciation	<u>(73,707,086)</u>	<u>(3,736,839)</u>	<u>385,819</u>	<u>(77,058,106)</u>
Total Depreciable Capital Assets, Net	<u>58,778,990</u>	<u>117,691</u>	<u>(23,567)</u>	<u>58,873,114</u>
Governmental Activities				
Capital Assets, Net	<u>\$63,255,793</u>	<u>\$3,325,203</u>	<u>(\$2,081,728)</u>	<u>\$64,499,268</u>

Governmental-type activities accepted a contribution of capital assets from outside sources, in the amount of \$1,140,325.

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Business-Type Activity				
Nondepreciable Capital Assets				
Land	\$51,219	\$0	\$0	\$51,219
Construction in Progress	16,162,421	27,650	(16,190,071)	0
Total Nondepreciable Capital Assets	<u>16,213,640</u>	<u>27,650</u>	<u>(16,190,071)</u>	<u>51,219</u>
Depreciable Capital Assets				
Buildings and Improvements	3,551,806	0	0	3,551,806
Machinery, Equipment, and Vehicles	2,609,502	22,566	0	2,632,068
Infrastructure	61,962,366	16,633,182	0	78,595,548
Total Depreciable Capital Assets	<u>68,123,674</u>	<u>16,655,748</u>	<u>0</u>	<u>84,779,422</u>

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 - Capital Assets (continued)

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Business-Type Activity (continued)				
Less Accumulated Depreciation for				
Buildings and Improvements	(\$1,114,822)	(\$101,480)	\$0	(\$1,216,302)
Machinery, Equipment, and Vehicles	(1,680,990)	(191,946)	0	(1,872,936)
Infrastructure	(31,677,727)	(2,020,159)	0	(33,697,886)
Total Accumulated Depreciation	(34,473,539)	(2,313,585)	0	(36,787,124)
 Total Depreciable Capital Assets, Net	 33,650,135	 14,342,163	 0	 47,992,298
 Business-Type Activity				
Capital Assets, Net	 \$49,863,775	 \$14,369,813	 (\$16,190,071)	 \$48,043,517

Business-type activities accepted a contribution of capital assets from governmental activities, in the amount of \$123,261.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$484,172
Judicial	95,475
Public Safety	227,470
Public Works	2,201,872
Health	201,333
Human Services	111,574
Conservation and Recreation	414,943
Total Depreciation Expense - Governmental Activities	\$3,736,839

Note 12 - Interfund Receivables/Payables

Interfund balances at December 31, 2017, consisted of the following receivables and payables:

Due to General Fund from:	
Motor Vehicle and Gasoline Tax	\$22,563
Job and Family Services	42,669
Developmental Disabilities	47,786
Children Services	77,987
Ditch Construction	3,824,630
Other Governmental Funds	602,306
Sewer Fund	1,018,990
Total Due to General Fund	\$5,636,931

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 12 - Interfund Receivables/Payables (continued)

Due to Motor Vehicle Gas Tax Fund from:	
General Fund	\$622
Ditch Construction	14,272
Other Governmental Funds	670
Total Due to Motor Vehicle Gas Tax Fund	<u>\$15,564</u>
Due to Developmental Disabilities Fund from:	
Children Services	<u>\$1,097</u>
Due to Other Governmental Funds from:	
Other Governmental Funds	200,000
Total Due to Other Governmental Funds	<u>\$200,000</u>
Due to Sewer Fund from:	
Developmental Disabilities	\$3,791
Other Governmental Funds	570,146
Total Due to Sewer Fund	<u>\$573,937</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 \$3,144,048 to the General Fund, \$200,000 to the other governmental funds, and \$570,146 to the Sewer enterprise fund.

Note 13 - Risk Management

A. Workers' Compensation

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 13 - Risk Management

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 2017, 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
Privacy and Security Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Building and Contents	301,092,260
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 2016 and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

Note 14 - Construction and Other Significant Commitments

The County had various outstanding contracts at December 31, 2017. The following amounts remain on these contracts.

Vendor	Outstanding Balance
Allen County Child Support	\$250,000
Allen County Children's Board	475,641
Allen County Common Pleas Court	125,677
Allen County Juvenile Court	480,825
Coleman Professional Services	131,785
Easy Transit	143,138

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 14 - Construction and Other Significant Commitments (continued)

Vendor	Outstanding Balance
HDR Engineering, Inc.	\$150,000
K2M Design, Inc.	156,688
Kohli and Kaliher Association LTD, Inc.	160,190
Miller Pipeline Corporation	163,841
NR Lee Restoration, Ltd.	579,260
Peterson Construction	159,829
Transportation Services Corporation	164,621

At year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in 2018 are as follows:

General Fund	\$58,108
Motor Vehicle and Gasoline Tax Fund	5,000
Job and Family Services Fund	1,292,168
Ditch Construction	82,951
Other Governmental Funds	2,373,364
	\$3,811,591

Note 15 - Defined Benefit Pension Plans

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 net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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.

Note 15 - Defined Benefit Pension Plans (continued)

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.

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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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 including requirements for reduced and unreduced benefits).

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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	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	Formula: 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 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 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
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	Public Safety and Law Enforcement	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	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	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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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
2017 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer			
Pension	13.0 %	17.1 %	17.1 %
Postemployment Health Care Benefits	1.0	1.0	1.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

* 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$4,226,933 for 2017. Of this amount, \$463,914 is reported as an intergovernmental payable.

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.

Note 15 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). 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. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

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, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 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 or later.

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.

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, 2017, the employer rate was 14 percent and the member rate was also 14 percent of covered salary. The 2017 contribution rates were equal to the statutory maximum rates.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

The County's contractually required contribution to STRS was \$22,603 for 2017. Of this amount, \$3,068 is reported as intergovernmental payable.

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, 2016, and the net pension liability for STRS was measured as of June 30, 2017. 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			
Current Measurement Date	0.25620900%	0.00380363%	
Prior Measurement Date	<u>0.26640800%</u>	<u>0.00732584%</u>	
Change in Proportionate Share	<u>0.01019900%</u>	<u>0.00352221%</u>	
Proportionate Share of the Net Pension Liability	\$58,180,708	\$903,561	\$59,084,269
Pension Expense	\$11,489,644	(\$553,549)	\$10,936,095

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Difference Between Expected and Actual Experience	\$78,859	\$34,891	\$113,750
Changes of Assumptions	9,228,173	197,619	9,425,792
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,664,449	0	8,664,449
Changes in Proportion and Differences Between County Contributions and the Proportionate Share of Contributions	0	90,647	90,647
County Contributions Subsequent to the Measurement Date	<u>4,226,933</u>	<u>26,696</u>	<u>4,253,629</u>
Total Deferred Outflows of Resources	<u>\$22,198,414</u>	<u>\$349,853</u>	<u>\$22,548,267</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

Deferred Inflows of Resources

Difference Between Expected and Actual Experience	\$346,263	\$7,282	\$353,545
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	29,819	29,819
Changes in Proportion and Differences Between County Contributions and the Proportionate Share of Contributions	<u>1,293,386</u>	<u>883,335</u>	<u>2,176,721</u>
Total Deferred Inflows of Resources	<u>\$1,639,649</u>	<u>\$920,436</u>	<u>\$2,560,085</u>

\$4,253,629 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Year Ending December 31,	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$6,488,777	(\$164,000)	\$6,324,777
2019	7,052,558	(123,436)	6,929,122
2020	3,044,473	(118,844)	2,925,629
2021	<u>(253,976)</u>	<u>(190,999)</u>	<u>(444,975)</u>
Total	<u>\$16,331,832</u>	<u>(\$597,279)</u>	<u>\$15,734,553</u>

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB Statement No. 67. In 2016, the OPERS actuarial consultants conducted an experience study for the period 2011 through 2015 comparing assumptions to actual results. The experience study incorporates both a historical review and forward looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions with the most notable being a reduction in the actuarially assumed rate of return from 8 percent to 7.5 percent for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared to December 31, 2015, are presented below.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvements back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvements scale to the above described tables.

For 2015, 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.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the traditional pension plan, the defined benefit component of the combined plan, and the annuitized accounts of the member-directed plan. The Defined Benefit portfolio historically included the assets of the member-directed retiree medical accounts funded through the VEBA Trust; however, the VEBA Trust was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit 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 annual money weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit 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 2016 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 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 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 contractually required rates as actuarially determined. 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's Proportionate Share of the Net Pension Liability	\$88,884,026	\$58,180,708	\$32,594,909

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation compared with July 1, 2016, are presented below.

	July 1, 2017	July 1, 2016
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date

For the July 1, 2017, actuarial valuation, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter projected forward generationally using mortality improvement scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females projected forward generationally using mortality improvement scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016, actuarial valuation, 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study effective for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, 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	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	<u>100.00%</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over the 30 year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
County's Proportionate Share of the Net Pension Liability	\$1,295,223	\$903,561	\$573,643

Note 16 - Postemployment Benefits

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

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment health care trust which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a health reimbursement arrangement to qualifying benefit recipients of both the traditional and combined pension plans. This trust is also used to fund health care for member-directed plan participants in the form of a retiree medical account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined pension 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 an other postemployment benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45. See OPERS' CAFR referenced below for additional information.

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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Note 16 - Postemployment Benefits (continued)

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 of both the traditional and combined plans was 1 percent for 2017. As recommended by OPERS' actuary, the portion of the employer contribution allocated to health care beginning January 1, 2018, decreased to 0 percent for both plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2017.

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, 2017, 2016, and 2015 was \$314,881, \$628,677, and \$664,512, respectively. For 2017, 87 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing multiple-employer defined benefit health care plan for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. 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.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary 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. All health care plan enrollees, 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 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

Note 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 18 - Notes Payable

A summary of the note transactions for the year ended December 31, 2017 is as follows:

	Interest Rate	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
<u>Business-Type Activity</u>					
<u>Bond Anticipation Notes</u>					
Sewer Improvements	2.12%	\$171,428	\$0	\$85,714	\$85,714
Improvements to Overflow	3.33	937,500	0	937,500	0
Total Bond Anticipation Notes		<u>\$1,108,928</u>	<u>\$0</u>	<u>\$1,023,214</u>	<u>\$85,714</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.

Year	Sewer Improvements	
	Principal	Interest
2018	\$85,714	\$1,817

Note 19 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2017, was as follows:

	Interest Rate	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
<u>Governmental Activities</u>						
<u>Special Assessment Notes</u>						
Various Purpose	1.60%	\$450,116	\$0	\$450,116	\$0	\$0
Ditch Improvement	2.275	213,641	0	77,046	136,595	0
Ditch Improvement	2.05	238,262	0	238,262	0	0
Ditch Improvement	1.394	2,080,613	0	2,080,613	0	0
Total Special Assessment Notes		<u>2,982,632</u>	<u>0</u>	<u>2,846,037</u>	<u>136,595</u>	<u>0</u>

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - Long-Term Obligations (continued)

	Interest Rate	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Governmental Activities (continued)						
General Obligation Bonds						
2008 Road Improvement Refunding						
(Original Amount \$1,760,000)	3.195%	\$352,000	\$0	\$176,000	\$176,000	\$176,000
2011 Energy Efficiency						
(Original Amount \$2,320,000)	3.5	580,000	0	580,000	0	0
2012 Civic Center Refunding						
(Original Amount \$2,363,000)	2.34	1,196,000	0	562,000	634,000	634,000
2012 Downtown Parking Refunding						
(Original Amount \$735,000)	2.34	360,000	0	175,000	185,000	185,000
2013 Airport Improvement						
(Original Amount \$388,668)	2.29	242,919	0	48,583	194,336	48,583
Total General Obligation Bonds		<u>2,730,919</u>	<u>0</u>	<u>1,541,583</u>	<u>1,189,336</u>	<u>1,043,583</u>
Special Assessment Bonds with Government Commitment						
2005 Delmar/Glenn Sewer						
(Original Amount \$342,600)	3.0 - 5.0	177,500	0	17,400	160,100	21,400
2006 Trebor Drive Waterline						
(Original Amount \$11,000)	3.0 - 5.0	5,500	0	600	4,900	600
2005 Southwood Waterline						
(Original Amount \$71,000)	3.0 - 5.0	30,000	0	4,000	26,000	5,000
2005 Berryman Waterline						
(Original Amount \$133,000)	3.0 - 5.0	62,000	0	8,000	54,000	8,000
2005 Oakview Project						
(Original Amount \$805,000)	3.0 - 5.0	405,000	0	45,000	360,000	45,000
2012 Allentown Road Project						
(Original Amount \$485,000)	2.34	161,668	0	80,833	80,835	80,835
2013 Findlay Road Sewer Project						
(Original Amount \$1,165,000)	2.23	582,500	0	145,625	436,875	0
2006 Bond Premium						
		81,767	0	9,084	72,683	0
Total Special Assessment Bonds		<u>1,505,935</u>	<u>0</u>	<u>310,542</u>	<u>1,195,393</u>	<u>160,835</u>

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - Long-Term Obligations (continued)

	Interest Rate	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Governmental Activities (continued)						
OPWC Loans						
Phillips						
(Original Amount \$147,340)	0.00%	\$18,417	\$0	\$7,367	\$11,050	3,684
Second						
(Original Amount \$188,611)	0.00	70,729	0	9,430	61,299	4,715
Eastown 1						
(Original Amount \$995,670)	0.00	448,053	0	49,782	398,271	24,892
Eastown 2						
(Original Amount \$135,232)	0.00	67,616	0	6,762	60,854	3,381
Eastown 4						
(Original Amount \$684,638)	0.00	462,131	0	34,231	427,900	17,116
Road Resurfacing						
(Original Amount \$345,518)	0.00	215,948	0	17,276	198,672	8,638
Shawnee Road						
(Original Amount \$500,000)	0.00	490,000	0	20,000	470,000	10,000
Hume Road						
(Original Amount \$65,000)	0.00	63,700	0	2,600	61,100	1,300
Zurmehly Road Bridge						
(Original Amount \$190,192)	0.00	190,192	0	9,510	180,682	4,755
Kill Road Reconstruction						
(Original Amount \$45,375)	0.00	0	45,375	0	45,375	0
Total OPWC Loans		<u>2,026,786</u>	<u>45,375</u>	<u>156,958</u>	<u>1,915,203</u>	<u>78,481</u>
OWDA Loans						
Lutz/Early						
(Original Amount \$718,512)	1.00	341,114	0	36,407	304,707	36,772
4 th /Bowman						
(Original Amount \$437,856)	0.00	197,037	0	21,893	175,144	21,893
Perry Schools Sewer						
(Original Amount \$482,944)	3.42	339,919	0	23,346	316,573	24,152
Findlay Rd						
(Original Amount \$429,009)	3.42	292,366	0	22,305	270,061	23,074
Westminister						
(Original Amount \$3,451,817)	0.00	2,445,886	0	168,682	2,277,204	168,682
Indian Village Mobile Home Park						
(Original Amount \$375,581)	3.74	349,273	0	13,903	335,370	14,428
Total OWDA Loans		<u>3,965,595</u>	<u>0</u>	<u>286,536</u>	<u>3,679,059</u>	<u>289,001</u>

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - Long-Term Obligations (continued)

	Interest Rate	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Governmental Activities (continued)						
Net Pension Liability						
Ohio Public Employees Retirement System		\$43,837,961	\$11,433,710	\$0	\$55,271,671	\$0
State Teachers Retirement System		2,452,182	0	1,548,621	903,561	0
Total Net Pension Liability		46,290,143	11,433,710	1,548,621	56,175,232	0
Capital Leases Payable		69,093	158,206	88,197	139,102	86,380
Compensated Absences Payable		3,186,041	265,620	325,895	3,125,766	1,671,488
Total Governmental Activities		\$62,757,144	\$11,902,911	\$7,104,369	\$67,555,686	\$3,329,768
Business-Type Activity						
OPWC Loans						
Sanitary Sewer Relining Phase I (Original Amount \$201,676)	0.00%	5,042	\$0	\$5,042	\$0	\$0
OWDA Loans						
American II (Original Amount \$9,311,017)	1.00	5,807,860	0	457,879	5,349,981	462,469
Bath SSO (Original Amount \$636,518)	1.00	428,026	0	30,991	397,035	31,302
Woodbriar (Original Amount \$169,091)	1.00	52,510	0	17,329	35,181	17,503
Ottawa River Sewer Inceptor (Original Amount \$3,318,241)	3.65	3,064,519	17,775	122,362	2,959,932	0
Shawnee II WWTP, Pump Station (Original Amount \$15,589,221)	3.45 - 3.95	11,891,225	9,875	554,442	11,346,658	0
Total OWDA Loans		21,244,140	27,650	1,183,003	20,088,787	511,274
Net Pension Liability						
Ohio Public Employees Retirement System		2,307,261	601,776	0	2,909,037	0
Capital Leases Payable		56,135	0	56,135	0	0
Compensated Absences Payable		221,719	10,003	2,823	228,899	98,649
Total Business-Type Activities		\$23,834,297	\$639,429	\$1,247,003	\$23,226,723	\$609,923

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 matured on May 9, 2017; 2.275 percent and mature on September 25, 2020; 2.05 percent and matured on May 9, 2017; and 1.394 percent and matured on September 25, 2017. The notes will be repaid from the Ditch Construction capital projects fund. As of December 31, 2017, all of the proceeds had been spent.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - Long-Term Obligations (continued)

General Obligation Bonds

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

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.

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. As of December 31, 2017, the Kill Road Reconstruction project funded by OPWC loans has not been completed. An amortization schedule for the repayment of the loan will not be available until the project is complete and, therefore, is not included in the schedule of future principal and interest requirements.

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 Projects and Sewer Projects capital projects funds and the Sewer enterprise fund. As of December 31, 2017, the Ottawa River Sewer Inceptor and Shawnee II WWTP Pump Station, 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 \$1,869,828, principal and interest remaining to be paid on the OWDA loans is \$3,679,059 and \$250,999, respectively. The OPWC loans are payable through 2041 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 OWDA loans, for which amortization schedules are currently available, principal and interest remaining to be paid on the loans is \$5,782,197 and \$338,723, respectively. Principal and interest paid in the Sewer enterprise fund for the current year were \$1,299,933 and \$312,775, respectively. Total net revenues for the Sewer enterprise fund were \$2,993,700. The OWDA loans are payable through 2035.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - Long-Term Obligations (continued)

There is no repayment schedule for the net pension liability; however, employer pension contributions are paid from the General Fund, Motor Vehicle and Gasoline Tax, Job and Family Services, Developmental Disabilities, Children’s Services, Auditor/Recorder/Clerk Fees, 911 Systems, Dog and Kennel, Drug Law Enforcement, Child Support Enforcement Agency, Real Estate Assessment, DRETAC, Law Library, Department of Defense Community Assistance, CEBCO Wellness Grant, Adult Probation Grant, Emergency Management Agency, Ditch Maintenance, Doc Payroll, and Mental/Drug/Reeny Payroll Subsidy special revenue funds, and the Sewer enterprise fund. 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, Motor Vehicle and Gasoline Tax Fund, Job and Family Services Fund, Developmental Disabilities Fund, Children’s Services Fund, Child Support Enforcement Agency Fund, and the Sewer Fund being the most significant funds.

The County’s legal debt margin was \$48,655,354 and an unvoted debt margin of \$20,288,788.

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

Year	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2018	\$1,043,583	\$26,489	\$160,835	\$40,808	\$78,481	\$289,001	\$35,027
2019	48,583	3,384	225,625	31,669	156,962	291,542	32,485
2020	48,583	2,256	230,625	24,421	149,593	294,167	29,862
2021	48,587	1,128	235,625	16,924	149,593	296,873	27,156
2022	0	0	95,000	11,475	149,593	299,663	24,365
2023-2027	0	0	175,000	11,050	641,617	1,292,766	72,929
2028-2032	0	0	0	0	297,796	851,560	25,570
2033-2037	0	0	0	0	155,793	63,487	3,605
2038-2041	0	0	0	0	90,400	0	0
	<u>\$1,189,336</u>	<u>\$33,257</u>	<u>\$1,122,710</u>	<u>\$136,347</u>	<u>\$1,869,828</u>	<u>\$3,679,059</u>	<u>\$250,999</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - Long-Term Obligations (continued)

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

Year	OWDA Loans	
	Principal	Interest
2018	\$511,274	\$56,547
2019	516,399	51,422
2020	503,720	46,289
2021	508,770	41,239
2022	513,871	36,139
2023-2027	2,647,667	102,380
2028-2029	580,496	4,707
	\$5,782,197	\$338,723

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, 2017, \$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, 2017, \$345,000 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, 2017, \$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, 2017, \$152,315,000, \$186,970,000, \$94,000,000, and \$89,000,000, respectively, was still outstanding.

In, 2011, the County issued health care facilities revenue bonds, in the amount of \$87,470,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2017, \$12,875,000 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, 2017, \$100,000,000 and \$273,620,000, respectively, was still outstanding.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - Long-Term Obligations (continued)

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, 2017, \$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.

Note 20 - Capital Leases

The County has entered into capitalized leases for machinery and equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Principal payments in 2017 were \$88,197 for governmental funds and \$56,135 from the enterprise fund. The capital lease in the enterprise fund was fully retired in 2017.

	Governmental Activities
Equipment	\$296,111
Less Accumulated Depreciation	(47,660)
Carrying Value, December 31, 2017	\$248,451

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, 2017.

	Governmental Activities	
Year	Principal	Interest
2018	\$86,380	\$3,805
2019	52,722	1,440
Total	\$139,102	\$5,245

Note 21 - Interfund Transfers

During 2017, the General Fund made transfers to the Job and Family Services special revenue fund and to other governmental funds, in the amount of \$371,293 and \$258,216, to subsidize operations in those funds. Other governmental funds made transfers to the Motor Vehicle and Gas Tax special revenue fund, in the amount of \$150 to subsidize operations of the fund. Other governmental funds made transfers to the Ditch Construction capital projects fund and other governmental funds, in the amount of \$11,000 and \$241,194, respectively, for construction activities. The Sewer enterprise fund made transfers to the other governmental funds, in the amount of \$162,888; \$51,000 for construction activities and \$111,888 to make debt payments when due.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 22 - Fund Balance

Fund balance is classified as nonspendable, 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
Nonspendable for:				
Interfund Loans	\$3,144,048	\$0	\$0	\$0
Prepaid Items	302,372	22,563	41,248	47,786
Materials and Supplies				
Inventory	52,042	318,982	33,197	65,875
Unclaimed Monies	179,412	0	0	0
Total Nonspendable	3,677,874	341,545	74,445	113,661
Restricted for:				
Developmental Disabilities				
Operations	0	0	0	8,555,940
Job and Family Services				
Operations	0	0	1,344,744	0
Road and Bridge Repair/ Improvement	0	1,056,775	0	0
Total Restricted	0	1,056,775	1,344,744	8,855,940
Assigned for:				
Airport	1,068	0	0	0
Clerk of Courts	886,685	0	0	0
Drug Court Payroll	7,116	0	0	0
Economic Development	69,895	0	0	0
Probate Court	391	0	0	0
Projected Budget Shortage	2,795,104	0	0	0
Recorder Equipment	27,545	0	0	0
Title Administration	830,686	0	0	0
Unpaid Obligations	56,256	0	0	0
Total Assigned	4,674,746	0	0	0
Unassigned	3,037,192	0	0	0
Total Fund Balance	\$11,389,812	\$1,398,320	\$1,419,189	\$8,669,601

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 22 - Fund Balance (continued)

Fund Balance	Children Services	Ditch Construction	Other Governmental Funds
Nonspendable for:			
Prepaid Items	\$25,834	\$0	\$39,873
Materials and Supplies Inventory	4,752	0	0
Total Nonspendable	30,586	0	39,873
Restricted for:			
Board of Elections	0	0	134
Child Support Enforcement	0	0	234,942
Children Services	1,977,853	0	0
Civic Center	0	0	1,171,478
Court Operations	0	0	1,491,583
Debt Retirement	0	0	1,687,231
Delinquent Tax Collections	0	0	123,152
Ditch Maintenance	0	0	1,328,506
Dog and Kennel Operations	0	0	456,547
Economic Development and Rehabilitation	0	0	2,112,629
Emergency Management Agency	0	0	21,478
Family Counseling	0	0	5,901
Foreign Trade Zone	0	0	3,258
Law Library Operations	0	0	264,502
Permanent Improvements	0	0	2,153,807
Real Estate Assessments	0	0	2,246,275
Scholarships	0	0	50,949
Sheriff Operations	0	0	675,533
Tax Abatement	0	0	16,889
Wellness	0	0	4,934
Total Restricted	1,977,853	0	14,049,728
Assigned for:			
Permanent Improvements	0	0	4,813
Unassigned (Deficit)	0	(2,016,727)	(580,506)
Total Fund Balance	\$2,008,439	\$2,016,727	\$13,513,908

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 22 - Fund Balance (continued)

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, 2017, was \$1,266,980.

Note 23 - Joint Ventures

A. Lima-Allen County Downtown Construction

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

The operation and maintenance costs associated with the skywalk and the parking garage are the joint responsibility of the County and the City. The 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, 2017, 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 are 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 23 - Joint Ventures (continued)

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.

Note 24 - Jointly Governed Organizations

A. Lima-Allen County Regional Planning Commission

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

Duties of the Commission include making studies, maps, plans, and other reports of the County and adjoining areas, recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region.

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

In 2017, 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 District

Allen County participates in a multi-county solid waste district along with Champaign, Hardin, Madison, 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 district nor does it anticipate doing so in the future. Allen County serves as fiscal agent. Financial information may be obtained from the North Central Ohio Solid Waste District, 815 Shawnee Road, Suite D, Lima, Ohio 45805.

Note 24 - Jointly Governed Organizations (continued)

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

D. Lima-Allen County Joint Parking Commission

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

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

Note 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 25 - Insurance Pools (continued)

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.

Note 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.

Note 27 - LODDI

A. Summary of Significant Accounting Policies

Reporting Entity

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 27 - LODDI (continued)

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 December 31, 2017, the carrying amount of deposits was \$115,248. 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 \$150,004 and \$1,395,246, respectively, as of December 31, 2017. Accumulated depreciation was \$496,646, with a net capital asset amount of \$1,048,604. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

	Interest Rate	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Mortgage Notes Payable	3.575-7.5%	\$4,231	\$0	\$3,623	\$608	\$608

Note 28 - Allen County Land Reutilization Corporation

A. Summary of Significant Accounting Policies

Reporting Entity

The Allen County Land Reutilization Corporation (Land Bank) is presented following the provisions of NCGA Statement No. 1 “Governmental Accounting and Financial Reporting Principles”, as modified by subsequent NCGA and GASB pronouncements.

Basis of Presentation

The Land Bank 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 Land Bank 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.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 28 - Allen County Land Reutilization Corporation (continued)

B. Deposits and Investments

At December 31, 2017, the carrying amount of deposits was \$77,767. 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. Property Held for Resale

Property held for resale is recorded at cost, which totaled \$1,811,490 as of December 31, 2017. The property held is mostly vacant and abandoned properties in primarily distressed neighborhoods. All significant costs incurred to acquire and improve or rehabilitate the property are recorded as “Property Held for Resale” on the statement of net position. Reimbursements for these costs are reported as part of the property sale revenue when sold.

Lots are often held in depressed areas and obtaining appraisals is not reasonably possible. Consequently, lots are carried at cost which is a departure from GAAP. The impact on earnings and equity would equal a difference between lot costs and what they could be sold for. This difference could not be reasonably determined.

D. Short-Term Obligations

	Interest Rate	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
D'Arcy Fund, Inc. Loan Payable	5%	\$0	\$150,000	\$0	\$150,000
Superior Credit Union Line of Credit	variable	0	499,605	0	499,605
		<u>\$0</u>	<u>\$649,605</u>	<u>\$0</u>	<u>\$649,605</u>

Note 29 - Contingent Liabilities

A. Litigation

The County is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The County management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the County.

B. Federal and State Grants

For the period January 1, 2017, to December 31, 2017, 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, 2017

Note 30 - Subsequent Events

On May 15, 2018, the County issued revenue bonds, in the amount of \$833,000, for sewer improvements. The revenue bonds are payable from the revenues of the Sewer enterprise fund. The bonds have an interest rate of 2.75 percent and mature on July 1, 2058.

On July 16, 2018, the County issued general obligation bonds, in the amount of \$5,000,000, for construction of the Juvenile Detention Center. The bonds have an interest rate of 2.75 percent and mature on July 15, 2023.

Allen County was placed “On Review With Direction Uncertain” on July 1, 2019, by Moody’s Investment Services. The County had not, as of June 30, 2019, received the completed 2017 Allen County Audit, and subsequently was unable to provide the 2017 Audit of Allen County to Moody’s within the time limit prescribed. Failure to provide the 2017 Audit to Moody’s for review before July 31, 2019, may create a situation where Moody’s Investment Services may withdraw or lower the credit rating of Allen County.

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

	2017	2016	2015	2014
County's Proportion of the Net Pension Liability	0.25620900%	0.26640800%	0.27637600%	0.27637600%
County's Proportionate Share of the Net Pension Liability	\$58,180,708	\$46,145,222	\$33,334,034	\$32,581,130
County's Covered Payroll	\$31,433,836	\$33,225,588	\$32,790,592	\$37,870,469
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	185.09%	138.88%	101.66%	86.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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

	2017	2016	2015	2014
County's Proportion of the Net Pension Liability	0.00380363%	0.00732584%	0.00678598%	0.00727737%
County's Proportionate Share of the Net Pension Liability	\$903,561	\$2,452,182	\$1,875,444	\$1,770,107
County's Covered Payroll	\$418,164	\$770,821	\$708,007	\$800,746
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	318.13%	264.89%	221.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%

(1) Information prior to 2013 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2013

0.00727737%

\$2,108,541

\$780,192

270.26%

69.30%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$4,226,933	\$3,907,021	\$4,122,098	\$4,073,325
Contributions in Relation to the Contractually Required Contribution	<u>(4,226,933)</u>	<u>(3,907,021)</u>	<u>(4,122,098)</u>	<u>(4,073,325)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$31,488,073	\$31,433,836	\$33,225,588	\$32,790,592
Contributions as a Percentage of Covered Payroll	13.42%	12.43%	12.41%	12.42%

(1) Information prior to 2013 is not available.

See Accompanying Notes to the Required Supplementary Information

2013

\$5,063,631

(5,063,631)

\$0

\$37,870,469

13.37%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$22,603	\$73,323	\$77,672	\$73,514
Contributions in Relation to the Contractually Required Contribution	<u>(22,603)</u>	<u>(73,323)</u>	<u>(77,672)</u>	<u>(73,514)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$161,450	\$523,736	\$554,800	\$565,490
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

See Accompanying Notes to the Required Supplementary Information

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$99,683	\$103,166	\$111,869	\$129,462	\$130,787	\$127,878
<u>(99,683)</u>	<u>(103,166)</u>	<u>(111,869)</u>	<u>(129,462)</u>	<u>(130,787)</u>	<u>(127,878)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$766,792	\$793,585	\$860,531	\$995,862	\$1,006,054	\$983,677
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Allen County
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below.

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvements back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvements scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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 Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - STRS

Amounts reported for 2017 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below.

	2017	2016 and Prior
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date

For 2017, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter projected forward generationally using mortality improvement scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females projected forward generationally using mortality improvement scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using mortality improvement scale MP-2016.

For 2016 and prior actuarial valuation, 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.

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Allen County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/ Pass Through Grantor/ Program / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures	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-1617-11-5478/G-1819-11-5705	10.561	\$0	\$910,906	\$0
Total SNAP Cluster			0	910,906	0
<i>Passed through the Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program					
Marimor School	N/A	10.553	0	5,237	0
National School Lunch Program					
Marimor School	N/A	10.555	0	9,211	985
Total Child Nutrition Cluster			0	14,448	985
Total U.S. Department of Agriculture			0	925,354	985
U.S. Department of Defense					
<i>Direct Program</i>					
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	N/A	12.611	0	1,535,911	0
Total U.S. Department of Defense			0	1,535,911	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-16-1AB-1	14.228	0	107,029	0
Total Formula Allocation Program			0	107,029	0
CDBG Revolving Loans	N/A	14.228	0	205,237	0
CDBG Revolving Loans	N/A	14.228	0	840	0
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			0	313,106	0
Total U.S. Department of Housing and Urban Development			0	313,106	0
U.S. Department of Labor					
<i>Passed through the Area 7 Workforce Development Board:</i>					
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	2016-S0702-1	17.207	0	18,938	0
Total Employment Service Cluster			0	18,938	0
WIOA Cluster					
WIA/WOIA Adult Program	2016-S0702-1	17.258	0	283,906	0
WIA/WOIA Youth Activities	2016-S0702-1	17.259	112,175	229,940	0
WIA/WOIA Dislocated Workers Formula Grants	2016-S0702-1	17.278	0	452,464	0
Total WIOA Cluster			112,175	966,310	0
Total U.S. Department of Labor			112,175	985,248	0
U.S. Department of Transportation					
<i>Passed through the Ohio Department of Transportation:</i>					
Highway Planning and Construction Cluster:					
Highway Planning and Construction	PID #103460	20.205	0	5,280	0
Total Highway Planning and Construction Cluster			0	5,280	0
Highway Safety Cluster:					
State and Community Highway Safety	STEP-2017-2-00-00-00475-00	20.600	0	28,942	0
State and Community Highway Safety	STEP-2018-2-00-00-00022-00	20.600	0	4,088	0
Total State and Community Highway Safety Program			0	33,030	0
National Priority Safety Programs	IDEP-2017-2-00-00-00382-00	20.616	0	28,278	0
National Priority Safety Programs	IDEP-2018-2-00-00-00022-00	20.616	0	11,030	0
Total National Priority Safety Program			0	39,308	0
Total Highway Safety Cluster			0	72,338	0
Total U.S. Department of Transportation			0	77,618	0

Allen County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/ Pass Through Grantor/ Program / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures	Non-Cash Expenditures
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	81,957	0
Total Special Education Cluster (IDEA)			<u>0</u>	<u>81,957</u>	<u>0</u>
<i>Passed through the Ohio Department of Developmental Disabilities:</i>					
Special Education-Grants for Infants and Families FY 17					
(Early Intervention Part C)	H181A150024	84.181	0	191,575	0
Total U.S. Department of Education			0	273,532	0
U.S. Department of Health and Human Services					
<i>Passed through the Ohio Department of Health:</i>					
Maternal, Infant and Early Childhood Home Visiting Cluster:					
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home					
Visiting Program - FY17	N/A	93.505	0	37,349	0
Total Maternal, Infant and Early Childhood Home Visiting Cluster:			\$0	\$37,349	\$0
<i>Passed through the Ohio Department of Developmental Disabilities:</i>					
Social Services Block Grant					
	N/A	93.667	\$0	\$69,844	\$0
<i>Passed through the Ohio Department of Job and Family Services:</i>					
Social Services Block Grant					
	G-1617-11-5478/G-1819-11-5705	93.667	0	315,015	0
Total Social Services Block Grant			<u>0</u>	<u>384,859</u>	<u>0</u>
<i>Passed through the Ohio Department of Job and Family Services:</i>					
Promoting Safe and Stable Families					
	G-1617-11-5480 / G-1819-11-5707	93.556	0	91,345	0
Promoting Safe and Stable Families - FY17	5AU-17-C0002	93.556	0	10,335	0
Promoting Safe and Stable Families - FY18	5AU-17-C0002	93.556	0	6,830	0
Total Promoting Safe and Stable Families			<u>0</u>	<u>108,510</u>	<u>0</u>
Child Support Enforcement	G-1617-11-5479 / G-1819-11-5706	93.563	0	1,110,560	0
Stephanie Tubbs Jones Child Welfare Service Program	G-1617-11-5480 / G-1819-11-5707	93.645	0	200,224	0
Stephanie Tubbs Jones Child Welfare Service Program - FY17	5AU-17-C0002	93.645	0	1,277	0
Stephanie Tubbs Jones Child Welfare Service Program - FY18	5AU-17-C0002	93.645	0	844	0
Total Stephanie Tubbs Jones Child Welfare Service Program			<u>0</u>	<u>202,345</u>	<u>0</u>
Foster Care_Title IV-E	G-1617-11-5480 / G-1819-11-5707	93.658	0	1,353,671	0
Adoption Assistance	G-1617-11-5480 / G-1819-11-5707	93.659	0	756,739	0
Chafee Foster Care Independence Program	G-1617-11-5480 / G-1819-11-5707	93.674	0	24,958	0
Children's Health Insurance Program	G-1617-11-5478/G-1819-11-5705	93.767	0	115,380	0
CCDF Cluster:					
Child Care and Development Block Grant	G-1617-11-5478/G-1819-11-5705	93.575	0	170,085	0
Total CCDF Cluster			<u>0</u>	<u>170,085</u>	<u>0</u>
TANF Cluster:					
Temporary Assistance for Needy Families (TANF)	G-1617-11-5478 / G-1819-11-5705	93.558	122,732	4,049,279	0
Total TANF Cluster			<u>122,732</u>	<u>4,049,279</u>	<u>0</u>
<i>Passed through the Ohio Department of Developmental Disabilities:</i>					
Medicaid Cluster:					
Medical Assistance Program	N/A	93.778	0	353,529	0
<i>Passed through the Ohio Department of Job and Family Services:</i>					
Medical Assistance Program	G-1617-11-5478 / G-1819-11-5705	93.778	0	1,278,415	0
Total Medicaid Cluster	G-1617-11-5480 / G-1819-11-5707	93.778	<u>0</u>	<u>1,631,944</u>	<u>0</u>
Total U.S. Department of Health and Human Services			122,732	9,945,679	0
U.S. Department of Justice					
<i>Passed through the Ohio Department of Public Safety:</i>					
Edward Byrne Memorial Justice Assistance Grant Program	2016-JG-A01-6409	16.738	0	29,000	0
Total U.S. Department of Justice			0	29,000	0

Allen County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/ Pass Through Grantor/ Program / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures	Non-Cash Expenditures
U.S. Department of Homeland Security					
<i>Passed through the Ohio Department of Public Safety:</i>					
Emergency Management Performance Grants:					
Emergency Management Performance Grants	EMC-2017-EP-00006-S01	97.042	0	46,989	0
Emergency Management Performance Grants	EMC-2016-EP-00003-S01	97.042	0	34,687	0
Total Emergency Management Performance Grants			0	81,676	0
Total U.S. Department of Homeland Security			0	81,676	0
Total Expenditures of Federal Awards			\$234,907	\$14,167,124	\$985

N/A - pass through entity number not available

The accompanying notes are an integral part of this schedule.

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ALLEN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 20.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Allen County (the County) under programs of the federal government for the year ended December 31, 2017. 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting, with exception for expenditures passed through the Area 7 Workforce Development Board and expenditures for the Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii (CFDA#14.228), which are reported on the accrual basis of accounting in accordance with U.S. Department of Labor and the U.S. Department of Housing and Urban Development requirements. Such expenditures are recognized following the cost principles contained in 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 (CDBG) WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has a revolving loan fund (RLF) program to provide low-interest loans to business to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The U.S. Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Development Services Agency, Office of Community Development. The Schedule reports loan 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 - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2017 is \$1,243,974.

NOTE 6 – 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.

ALLEN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 20.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017 (Continued)

NOTE 7 - SUBRECIPIENTS

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, except expenditures passed through Area 7 Workforce Development Board are presented on an accrual basis.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these sub-awards 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.

NOTE 9 – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

During the calendar year, the County Board of Developmental Disabilities received a notice of liability owed for the 2012 Cost Report and received a notice of liability owed for the 2013 Cost Report to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$5,470 and \$5,196, respectively. The Cost Report Settlement liabilities were for the settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. The liabilities are not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liabilities were invoiced by the Ohio Department of Developmental Disabilities.

OHIO AUDITOR OF STATE KEITH FABER



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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, a certain discretely presented component unit, each major fund, and the aggregate remaining fund information of Allen County, (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 11, 2019. Our report refers to other auditors who audited the financial statements of the component unit LODDI, Inc. as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. The financial statements of LODDI, Inc. were not audited in accordance with *Government Auditing Standards*. We also qualified our opinion on the Allen County Land Reutilization Corporation discretely presented component unit since it was not audited for the year ended December 31, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 11, 2019

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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 Allen County's major federal programs for the year ended December 31, 2017. 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 Community Economic Adjustment Assistance for Reductions in Defense Industry Employment Grant

As described in Finding 2017-002 in the accompanying schedule of findings, the County did not comply with requirements regarding Allowable Cost/Cost Principles applicable to its CFDA 12.611 Community Economic Adjustment Assistance for Reductions in Defense Industry Employment Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Community Economic Adjustment Assistance for Reductions in Defense Industry Employment Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Economic Adjustment Assistance for Reductions in Defense Industry Employment Grant* paragraph, Allen County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Economic Adjustment Assistance for Reductions in Defense Industry Employment Grant for the year ended December 31, 2017.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, Allen County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2017.

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 2017-003. Our opinion on *each* major federal program is not modified with respect to this matter.

The County's response to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the County's responses to the auditing procedures applied in the audit of compliance 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 a deficiency we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-002 and 2017-004 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 deficiency in internal control over compliance described in the accompanying schedule of findings as item 2017-003 to be a significant deficiency.

The County's response to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the County's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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



Keith Faber
Auditor of State
Columbus, Ohio

July 11, 2019

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ALLEN COUNTY
SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified Qualified for discretely presented component units
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control 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: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, WIOA Cluster, Social Services Block Grant, and TANF Cluster Qualified: Community Economic Adjustment Assistance for Reductions in Defense Industry Employment
(d)(1)(vi)	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Community Economic Adjustment Assistance for Reductions in Defense Industry Employment, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, WIOA Cluster, Social Services Block Grant, and 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 C.F.R. § 200.520?	No

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

FINDING NUMBER 2017-001

Material Weakness – Accuracy of Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were identified in the December 31, 2017 financial statements:

- The Net Position Beginning of Year Balance for the Investment Trust Fund was overstated by \$76,457; and
- The financial activity for the Allen County Land Reutilization Corporation (Land Bank) was not reported on the County's financial statements as a discretely presented component unit. This resulted in adjustments to record assets totaling \$1,903,997; liabilities totaling \$649,605; beginning net position totaling \$165,664; ending net position totaling \$1,254,392; expenses totaling \$246,914; and revenues totaling \$1,335,642.

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

Other recording errors, in amounts ranging from \$111,817 to \$377,146, that were not material to the financial statements were identified but not adjusted in the basic financial statements.

Financial reporting errors may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements. The errors discussed above may be due to the lack of or failure of accuracy and completeness controls over financial reporting.

A procedure(s) and/or control(s) should be implemented to help prevent these errors in subsequent years. Such a procedure(s) and/or control(s) may include but not be limited to the comparison of the prior audited financial statements to the current un-audited statements, inquiry with other officials to help identify relationships with other governments, and discussion with the conversion firm on matters that may impact the annual financial statements.

OFFICIALS' RESPONSE: It was not the County's intention to specifically withhold information regarding the Allen County Land Reutilization Corporation from inclusion into the county's financial statements. The ACLRC's records were not included in 2016. At the conclusion of the 2016 ACLRC first annual audit by the Auditor of State, the ACLRC was verbally informed that no further reporting was due to the State until such time the next audit would be completed by the State, at the end of the 2018 calendar year, and encompassing both years of 2017 and 2018. The ACLRC has an independent accounting firm review and audit all accounting records on a monthly basis, and this independent firm also provided the ACLRC's financial statements for the 2017 Allen County Audit immediately when requested.

3. FINDINGS FOR FEDERAL AWARDS

**Noncompliance Citation / Material Weakness - Allowable Cost / Cost Principles
 Lack of Semi - Annual Certifications**

Finding Number	2017-002		
CFDA Title and Number	Community Economic Adjustment Assistance for Reductions in Defense Industry Employment (CFDA #12.611)		
Federal Award Identification Number / Year	CR1332-15-01/ CR1332-17-03		
Federal Agency	U.S. Department of Defense		
Compliance Requirement	Allowable Cost/ Cost Principles		
Pass-Through Entity	N/A		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2016-002

2 C.F.R. § 1103.100 gives regulatory effect to the Department of Defense for **2 C.F.R. § 200.430(a)** which states, in part, that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities. In addition, **2 C.F.R. § 200.430(h) (8)(i)(1)(i-iii)** states, in part, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-Federal entity; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

The County has not established the required written policy related to compensation. The lack of this written policy may have contributed to semi-annual certifications not being maintained for the one employee paid from both the Community Economic Adjustment Assistant for Reductions in Defense Industry Employment Grant (the Grant) and the General Fund, or for the other employee paid solely from the Community Economic Adjustment Assistant for Reductions in Defense Industry Employment Grant. Based on the Grant agreement these payroll charges were allowed by the Grant.

The failure to establish the required policy increases the risk of noncompliance with grant requirements going undetected in a timely manner and failure to complete and retain proper semi-annual certifications, could result in the loss or decrease of future Federal funding and potential questioned costs being issued in future audits.

The County should establish and adopt a formal written policy as required by the C.F.R. section identified, above and should establish control(s), such as a reminder system to verify that semi-annual certifications, or other required certifications, are completed and maintained for all employees paid from the Community Economic Adjustment Assistance for Reductions in Defense Industry Employment.

OFFICIALS' RESPONSE: Allen County had sufficient reason to believe the personnel involved with the administration and daily performance of the grant's activities were fully authorized and recognized as allowable and qualified employees. This belief of their qualifications was evidenced by the employee's successful submission of paperwork and the conduction of federal background checks, thereby allowing the employee successful access to the federal government's applicable data bases.

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

Finding Number	2017-003		
CFDA Title and Number	Community Economic Adjustment Assistance for Reductions in Defense Industry Employment Grant (CFDA #12.611), WIA/WOIA Youth Activities (CFDA # 17.259) - WIOA Cluster, Highway Planning and Construction (CFDA #20.205) - Highway Planning and Construction Cluster, State and Community Highway Safety (CFDA #20.600) and National Priority Safety Program (CFDA #20.616) – Highway Safety Cluster, Temporary Assistance for Needy Families (TANF) State Programs (CFDA #93.558) - TANF Cluster		
Federal Award Identification Number / Year	CR1332-15-01/ CR1332-17-03 2016-S0702-1 PID #103460 G-1617-11-5478/ G1819-11-5705; G-1617-11-5480/ G-1819-11-5707		
Federal Agency	U.S. Department of Defense U.S. Department of Labor U.S. Department of Transportation US Department of Health and Human Services		
Compliance Requirement	Other		
Pass-Through Entity	Area 7 Workforce Development Board Ohio Department of Transportation Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2016-003

2 C.F.R. Subpart F § 200.510(b) requires, that the auditee to prepare a Schedule of Expenditures of Federal Awards for the period covered by the County’s financial statements which must include the total Federal awards expended as determined in accordance with § 200.502.

At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee has elected to use the 10 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

**FINDING NUMBER 2017-003
(Continued)**

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 which may have been due to the lack of controls and/or procedures to detect errors:

- The expenditures for the major federal program Community Economic Adjustment Assistance for Reductions in Defense Industry Employment, CFDA # 12.611 were understated by \$52,164;
- The expenditures passed through to subrecipients for the WIA/WOIA Youth Activities major federal program (WIOA Cluster) were overstated by \$13,988;
- The expenditures for the non-major federal program Highway Planning and Construction Cluster, CFDA #20.205 were overstated by \$784,358 as the result of recording State money paid on be-half of the County as federal grant money;
- The County reported \$72,338 in federal expenditures for the non-major federal program Highway Safety Cluster, CFDA #20.600 and CFDA #20.616, on the Schedule; however, the County was not able to provide supporting documentation for the expenditure reimbursements for January 2017 to September 30, 2017 which totaled \$57,220 of the total amount reported for the cluster; and
- The expenditures for the major federal program TANF Cluster, CFDA #93.558 were understated by \$693,762.

We also noted other less significant errors in certain programs on the Schedule and within the Notes.

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. Errors and omissions to the Schedule of Expenditures of Federal Awards could have an adverse effect on future grant awards by the awarding agency or agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit.

County management should review all grant and loan awards and be familiar with federal reporting requirements. The County should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This will help ensure the Schedule is complete and accurate and major federal programs are correctly identified for audit.

Procedures and controls should be implemented to verify 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: We did not receive a response from Officials to this finding.

**Material Weakness – Program Income
 ED RLF Semi-Annual Reports**

Finding Number	2017-004		
CFDA Title and Number	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii CFDA #14.228		
Federal Award Identification Number / Year	B-F-16-1AB-1		
Federal Agency	US Department of Housing and Urban Development		
Compliance Requirement	Program Income		
Pass-Through Entity	Ohio Development Services Agency, Office of Community Development		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	

The County established revolving loan funds to provide loans to entities within the County using Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - CFDA #14.228 (CDBG) funds. The receipt of payments of principal and interest on the loans provided constitute program revenues with the CDBG major federal program. The County prepared ED RLF Semi-Annual Reports for program revenues which were prepared by the Finance Director and were required to be reviewed by the Commissioners.

Possibly due to a lack of monitoring controls or the failure to maintain evidence of monitoring controls, for both reports prepared during 2017 there was no evidence of the Commissioners' review or approval.

Failure to maintain documentation of the Commissioners' review and approval of the ED RLF Semi-Annual Reports could result in information being submitted to the granting agency that is not complete or accurate.

The County should implement a control(s), such as a reminder system, to help ensure that the ED RLF Semi-Annual Reports are reviewed by the Commissioners and that evidence of the review and approval is maintained.

OFFICIALS' RESPONSE: Allen County Board of Commissioners has already adopted procedures calling for semi-annual reviews of the RLF by the entire Board. Sufficient records will be kept reporting the results of the semi-annual reviews.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Significant Deficiency / Noncompliance Citation Ohio Rev. Code §5705.15 Transfer of Public Funds - Exceptions	Corrective Action Taken and Finding is Fully Corrected	The Auditor's Office has concentrated on providing training to staff through qualified continuing education programs to ensure staff is trained to recognize, prevent, and educate County Departments and the Board of Commissioners as to proper Fund Transfers. This includes Auditor of State Training, as well as constant review of Auditor of State Bulletins.
2016-002	Noncompliance Citation / Material Weakness – Allowable Cost / Cost Principles Lack of Semi – Annual Certifications Community Economic Adjustment Assistance for Reductions in Defense Industry Employment, CFDA #12.611	Corrective Action Taken	The Auditor's Office has met with the Board of Commissioners to review requirements for Department of Defense Grants, to ensure compliance on all levels. As of 2019, this is Fully Corrected.
2014-002 Repeated as 2015-005 Repeated as 2016-003	Noncompliance Citation / Significant Deficiency Reporting – Accuracy of the Schedule of Expenditures of Federal Awards	Partially Corrected	<p>The Auditor's Office has met with the Board of Commissioners and Allen County Department of Job & Family Services to review requirements of Grants, to ensure compliance on all levels.</p> <p>The County continues to take this finding very seriously and we are working diligently to get any and all errors corrected. While we have corrected some issues, it is still a work in progress that we continually monitor and provide insight and guidance to departments. We continue to work with each department to improve the reporting for each federal grant.</p>

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**CORRECTIVE ACTION PLAN
2 CFR 200.511(C)
DECEMBER 31, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Auditor's Office will continue to concentrate on providing access to all records necessary during the compilation of material needed for the preparation of the County's financial statement and the annual audit. To assist in this, comparisons between the previous year's audited information and the current year's information will be used to determine the accuracy of information reported for the current year. Conversation with department heads will continue to make sure accurate and complete information is received.	December 31, 2019	Rachael Gilroy, Allen County Auditor
2017-002	The Auditor's Office will meet, and has met, with the Board of Commissioners to review requirements for U.S. Department of Defense Grants, to ensure compliance on all levels. If future Department of Defense grants are received, a formal written policy related to compensation will be adopted to ensure controls are established and compliance is achieved.	December 31, 2019	Rachael Gilroy, Allen County Auditor



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2017-003	The Auditor's Office has met, and will continue to meet with the Board of Commissioners, the Allen County Engineer, and the Allen County Department of Job & Family Services to review requirements of Grants, to ensure compliance on all levels. The Auditor's Office will request copies of all grants and loan awards, and will compare the same with those reported on the Schedule to ensure it is correct and complete, and that all federal reporting requirements are met.	December 31, 2019	Rachael Gilroy, Allen County Auditor
2017-004	The Auditor's Office has met with the Board of County Commissioners. The Board has already established procedures that include scheduling semi-annual reviews of the RLF by the Board of Commissioners. Adequate records of said semi-annual reviews will be maintained and available for review.	July 31, 2019	Rachael Gilroy, Allen County Auditor

OHIO AUDITOR OF STATE
KEITH FABER



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
JULY 18, 2019**