



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

ALLEN COUNTY FINANCIAL CONDITION ALLEN COUNTY, OHIO

SINGLE AUDIT

January 1, 2011 through December 31, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Allen County prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 7, 2012

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Allen County Financial Condition
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For the Year Ended December 31, 2011

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and discretely presented component units of Allen County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the County's discretely presented component units, LODDI, Inc. and Marimor Industries. Other auditors audited those financial statements. They have furnished their reports thereon to us and we base our opinion, insofar as it relates to the amounts included for LODDI, Inc., and Marimor Industries on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements do not include financial data for the Port Authority of Allen County, which is a component unit of the County that should be discretely presented. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component unit's financial data. The County has not issued reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues and expenses of the Port Authority of Allen County are understated by amounts which we cannot determine.


In our opinion, because of the omission of the Port Authority of Allen County, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely-presented component units of Allen County, Ohio as of December 31, 2011 and the changes in its financial position for the year then ended. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Job and Family Services Fund, Developmental Disabilities Fund, Children Services Fund, and the Motor Vehicle and Gasoline Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards was subject 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.

As described in Note 3, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions"



Balestra, Harr & Scherer, CPAs, Inc.
June 25, 2012

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the County's performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

In total the County's total net assets increased by \$1.75 million from 2010, which represents an overall increase of .02 percent from 2010, which is a fairly insignificant change. Governmental activities increased by \$20 thousand while business-type activities increased by \$1.73 million (6.0 percent).

Using this Annual Report

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

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

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

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Unaudited

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

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

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

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

Reporting the County's Most Significant Funds

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

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

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

Proprietary Funds - Enterprise funds use the accrual basis of accounting and are used to report the same functions presented as business-type activities in the government-wide financial statements.

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

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Unaudited

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2011 compared to 2010.

Table 1
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| <u>Assets</u> | | | | | | |
| Current and Other Assets | \$67,739,029 | \$67,936,639 | \$6,174,497 | \$5,683,976 | \$73,913,526 | \$73,620,615 |
| Capital Assets, Net | 59,433,724 | 60,973,223 | 39,622,941 | 39,294,345 | 99,056,665 | 100,267,568 |
| Total Assets | 127,172,753 | 128,909,862 | 45,797,438 | 44,978,321 | 172,970,191 | 173,888,183 |
| <u>Liabilities</u> | | | | | | |
| Current and Other Liabilities | 16,474,291 | 26,213,567 | 193,225 | 3,466,833 | 16,667,516 | 29,680,400 |
| Long-Term Liabilities | 26,945,154 | 18,963,329 | 15,150,708 | 12,785,087 | 42,095,862 | 31,748,416 |
| Total Liabilities | 43,419,445 | 45,176,896 | 15,343,933 | 16,251,920 | 58,763,378 | 61,428,816 |
| <u>Net Assets</u> | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 35,751,319 | 36,004,390 | 24,646,157 | 23,391,975 | 60,397,476 | 59,396,365 |
| Restricted | 31,237,355 | 36,396,138 | 0 | 0 | 31,237,355 | 36,396,138 |
| Unrestricted | 16,764,634 | 11,332,438 | 5,807,348 | 5,334,426 | 22,571,982 | 16,666,864 |
| Total Net Assets | \$83,753,308 | \$83,732,966 | \$30,453,505 | \$28,726,401 | \$114,206,813 | \$112,459,367 |

Overall the County reported a slight increase in total net assets for government activities from 2010 to 2011, while business-type total net assets increased from 2010 to 2011.

Business-type activities net assets increased 1.7 million. The increase is mainly due to a decrease in long term liabilities of \$954,000.

Table 2 reflects the changes in net assets for 2011.

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|--------------|--------------------------|-------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| <u>Revenues</u> | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$10,342,637 | \$10,118,035 | \$6,539,622 | \$5,739,101 | \$16,882,259 | \$15,857,136 |
| Operating grants, contributions and interest | 31,117,288 | 28,699,690 | 0 | 0 | 31,117,288 | 28,699,690 |
| Capital grants and Contributions | 408,504 | 1,959,219 | 0 | 1,016,658 | 408,504 | 2,975,877 |
| Total program revenues | 41,868,429 | 40,776,944 | 6,539,622 | 6,755,759 | 48,408,051 | 47,532,703 |

(continued)

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Unaudited

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| General revenues | | | | | | |
| Property taxes levied for: | | | | | | |
| General Operating | \$4,420,471 | \$4,715,014 | \$0 | \$0 | \$4,420,471 | \$4,715,014 |
| Health - developmental disabilities | 4,390,787 | 4,624,397 | 0 | 0 | 4,390,787 | 4,624,397 |
| Human services – children services | 1,910,702 | 1,502,117 | 0 | 0 | 1,910,702 | 1,502,117 |
| Sales tax | 14,476,311 | 14,245,977 | 0 | 0 | 14,476,311 | 14,245,977 |
| Intergovernmental not restricted | 5,558,456 | 5,826,292 | 0 | 0 | 5,558,456 | 5,826,292 |
| Interest | 668,490 | 11,292 | 1,795 | 2,138 | 670,285 | 13,430 |
| Other | 4,239,302 | 2,888,662 | 98,295 | 127,086 | 4,337,597 | 3,015,748 |
| Total general revenues | 35,664,519 | 33,813,751 | 100,090 | 129,224 | 35,764,609 | 33,942,975 |
| Total revenues | 77,532,948 | 74,590,695 | 6,639,712 | 6,884,983 | 84,172,660 | 81,475,678 |
| Transfers | 220,948 | 164,164 | (220,948) | (164,164) | 0 | 0 |
| Total revenues and transfers | 77,753,896 | 74,754,859 | 6,418,764 | 6,720,819 | 84,172,660 | 81,475,678 |
| <u>Program Expenses</u> | | | | | | |
| General government | | | | | | |
| Legislative and executive | 13,910,177 | 12,852,426 | 0 | 0 | 13,910,177 | 12,852,426 |
| Judicial | 8,948,301 | 8,780,327 | 0 | 0 | 8,948,301 | 8,780,327 |
| Public safety | 10,765,774 | 10,579,107 | 0 | 0 | 10,765,774 | 10,579,107 |
| Public works | | | | | | |
| Motor vehicle and gas tax | 8,903,567 | 7,229,584 | 0 | 0 | 8,742,603 | 7,057,389 |
| Other public works | 2,297,710 | 4,230,390 | 0 | 0 | 2,297,710 | 4,230,390 |
| Health | | | | | | |
| Mental retardation and developmental disabilities | 14,553,369 | 13,700,882 | 0 | 0 | 14,553,369 | 13,700,882 |
| Other health | 1,187,344 | 584,345 | 0 | 0 | 1,187,344 | 584,345 |
| Human services | | | | | | |
| Job and family services | 8,433,338 | 9,432,379 | 0 | 0 | 8,433,338 | 9,432,379 |
| Children services | 6,186,857 | 5,885,822 | 0 | 0 | 6,186,857 | 5,885,822 |
| Other human services | 0 | 384,165 | 0 | 0 | 0 | 384,165 |
| Conservation and recreation | 1,471,045 | 1,442,441 | 0 | 0 | 1,471,045 | 1,442,441 |
| Other | 30,990 | 54,971 | 0 | 0 | 30,990 | 54,971 |
| Intergovernmental | 168,803 | 157,409 | 0 | 0 | 168,803 | 157,409 |
| Interest and fiscal charges | 876,281 | 1,125,795 | 0 | 0 | 876,281 | 1,125,795 |
| Sanitary sewer | 0 | 0 | 4,691,660 | 6,052,728 | 4,691,660 | 6,052,728 |
| Total expenses | 77,733,556 | 76,440,043 | 4,691,660 | 6,052,728 | 82,425,216 | 82,492,771 |
| Increase (decrease)in net assets | 20,340 | (1,685,184) | 1,727,104 | 668,091 | 1,747,444 | (1,017,093) |
| Net Assets – Beginning of Year | 83,732,968 | 85,418,150 | 28,726,401 | 28,058,310 | 112,459,369 | 113,476,460 |
| Net Assets – End of Year | \$83,753,308 | \$83,732,966 | \$30,453,505 | \$28,726,401 | \$114,206,813 | \$112,459,367 |

Certain reclassifications were made in the prior year to be consistent with current year presentation.

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Unaudited

For governmental activities, general revenues, which consist primarily of property and sales taxes and unrestricted grants and entitlements, represent 46 percent of total revenues, and of the total general revenues, property taxes and sales taxes represent 71 percent of that revenue. Almost 54 percent of the County's governmental activities were supported by program revenues, those revenues specifically restricted for use by a particular program such as public safety or human services.

General government activities account for 29 percent of the total program expenditures. These activities include the operation of various county departments including general government and judicial activities. Human services related expenditures represent over 19 percent of the total. These expenditures are for Children's Services and for the Department of Job and Family Services. Health related expenditures account for about 20 percent of the expenditures which are primarily for the operation of Marimor School. Combined, these three areas account for 68 percent of the County's expenditures for 2011.

For business-type activities, program specific revenues are 99 percent of total revenues. As such, the County's business-type activities are mainly supported by charges for the services provided as well as contributions from customers for tap fees or from contractors. The only business-type activity is the Sanitary Sewer District.

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

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|--|------------------------|--------------|----------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| General Government | | | | |
| Legislative and Executive | \$13,910,177 | \$12,852,426 | \$8,914,798 | \$8,102,843 |
| Judicial | 8,948,301 | 8,780,327 | 4,485,137 | 4,043,778 |
| Public Safety | 10,765,774 | 10,579,107 | 8,706,308 | 8,789,898 |
| Public Works | | | | |
| Motor vehicle and gasoline tax | 8,903,567 | 7,229,584 | 297,635 | 741,360 |
| Other public works | 2,297,710 | 4,230,390 | 1,511,730 | 2,052,305 |
| Health | | | | |
| Mental Retardation and Developmental Disabilities | 14,553,369 | 13,700,882 | 7,417,958 | 6,860,515 |
| Other Health | 1,187,344 | 584,345 | 679,735 | 441,485 |
| Human Services | | | | |
| Job and Family Services | 8,433,338 | 9,432,379 | (518,912) | 1,153,224 |
| Children's Service | 6,186,857 | 5,885,822 | 2,626,795 | 1,781,122 |
| Other Human Services | 0 | 384,165 | 0 | 341,730 |
| Conservation and Recreation | 1,471,045 | 1,442,441 | 667,869 | 16,664 |
| Other | 30,990 | 54,971 | 30,990 | 54,971 |
| Intergovernmental | 168,803 | 157,409 | 168,803 | 157,409 |
| Interest and Fiscal Charges | 876,281 | 1,125,795 | 876,281 | 1,125,795 |
| Total Expenses | \$77,733,556 | \$76,440,043 | \$35,865,127 | \$35,663,099 |

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Unaudited

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) pay for 46 percent of the services provided by the County. However, a review of the table above demonstrates that program revenues contributed significantly to the public works services. The funding for general government related activities as well as the sheriff continues to be primarily from general revenue sources.

Governmental Funds Financial Analysis

The County's major funds are the General Fund; the Job and Family Services Fund; the Developmental Disabilities Fund; the Children Services Fund; and the Motor Vehicle and Gasoline Tax Fund. The primary funding for Job and Family Services is from operating grants. The Developmental Disabilities Fund, the Children Services Fund, and the Motor Vehicle and Gasoline Tax Fund revenues are primarily from taxes and grants. The Developmental Disabilities Fund and the Children Services Fund have a specific property tax levy to support the activities of the fund as well.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Sanitary Sewer Fund had operating income for 2011 of \$2,326,535. After non-operating activity and transfers and capital contributions, the fund ended with an increase in net assets of \$1,727,104.

Budgetary Highlights

The County prepares an annual budget of revenues and expenditures/expenses for all funds of the County for use by County officials and department heads and such other budgetary documents are required by State statute, including the annual appropriations resolution which is effective early in the year. The County's most significant budgeted fund is the General Fund. Modifications from the original budget to the final budget were insignificant. The budget is reviewed monthly and results are communicated to the taxpayer quarterly.

Differences resulted from the final budget to the actual revenues collected by (\$105,383). Actual expenditures were less than budgeted by \$1.26 million as the County was able to reduce expenditures significantly for general government operations.

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

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2011, was \$59,433,724 and \$39,622,941 respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, roads, bridges, machinery and equipment, computer equipment, furniture and fixtures, and vehicles. Additions to governmental activities capital assets consisted primarily of the addition of buildings and roads. Additional information related to capital assets is included in Note 11 of the notes to the basic financial statements.

Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Unaudited

At December 31, 2011, the County had \$2,055,500 in special assessment notes payable from governmental activities and \$2,500,000 in bond anticipation notes payable business-type activities. The County also had various long-term obligations outstanding. These obligations included \$10,600,999 of general obligation bonds and \$3,688,187 of special assessment bonds including the premiums of \$127,187.

In addition to the debt outlined above, the County's long-term debt also includes compensated absences, capital leases, Issue II loans, and OWDA loans. Additional information related to debt is included in Notes 18 and 19 of the notes to the basic financial statements.

Current Issues

The unemployment rate for the County is currently 8.0 percent (as of April 2012), which is lower from one year ago. This rate is above the State's current rate of 7.3 percent and below the national rate of 8.1 percent.

Sales tax revenue for the County was up in 2011 due to the economy stabilizing in 2010. Net sales tax revenue in 2011 in the General Fund was \$13,742,576 compared to \$13,515,537 in 2010. Net sales taxes are equal to total sales tax revenues less the amounts allocated monthly to other funds.

Request for Information

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

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Allen County, Ohio
Statement of Net Assets
Primary Government and Discretely Presented Component Units
December 31, 2011

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|-----------------------|---------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | LODDI | Marimor Industries |
| <u>Assets:</u> | | | | | |
| Equity in pooled cash and cash equivalents | \$ 38,302,801 | \$ 1,631,659 | \$ 39,934,460 | \$ 89,808 | \$ 175,480 |
| Cash and cash equivalents in segregated accounts | 558,824 | - | 558,824 | - | - |
| Cash and cash equivalents with fiscal agents | 84,563 | - | 84,563 | - | - |
| Investment in segregated accounts | - | - | - | - | 567,245 |
| Accounts receivable | 11,937 | 1,723,315 | 1,735,252 | - | 50,782 |
| Accrued interest receivable | 101,469 | - | 101,469 | - | - |
| Sales tax receivable | 2,409,030 | - | 2,409,030 | - | - |
| Due from other governments | 5,585,517 | - | 5,585,517 | - | - |
| Internal balances | (560,417) | 560,417 | - | - | - |
| Prepaid items | 506,268 | 19,627 | 525,895 | - | 10,805 |
| Materials and supplies inventory | 547,823 | 59,114 | 606,937 | - | - |
| Property tax receivable | 13,565,532 | - | 13,565,532 | - | - |
| Notes receivable | 2,187,294 | - | 2,187,294 | - | - |
| Special assessments receivable | 4,389,388 | 204,673 | 4,594,061 | - | - |
| Unamortized bond issuance costs | 49,000 | 189,095 | 238,095 | - | - |
| Restricted assets: | | | | | |
| Equity in pooled cash and cash equivalents | - | 1,165,567 | 1,165,567 | - | - |
| Cash and cash equivalents with fiscal agents | - | 621,030 | 621,030 | - | - |
| Nondepreciable capital assets | 3,929,515 | 51,219 | 3,980,734 | 139,404 | - |
| Depreciable capital assets, net | 55,504,209 | 39,571,722 | 95,075,931 | 947,172 | 139,377 |
| Total Assets | 127,172,753 | 45,797,438 | 172,970,191 | 1,176,384 | 943,689 |
| <u>Liabilities:</u> | | | | | |
| Accrued wages payable | 1,470,697 | 73,886 | 1,544,583 | - | 11,342 |
| Accounts payable | 579,976 | 46,167 | 626,143 | 2,632 | 63,301 |
| Contracts payable | 109,513 | - | 109,513 | - | - |
| Due to other governments | 1,078,047 | 45,010 | 1,123,057 | - | 12,642 |
| Accrued interest payable | 452,937 | 28,162 | 481,099 | 147 | - |
| Retainage payable | 104,864 | - | 104,864 | - | - |
| Deferred revenue | 12,678,257 | - | 12,678,257 | - | - |
| Long-Term Liabilities: | | | | | |
| Due Within One Year | 5,898,542 | 3,320,949 | 9,219,491 | 18,774 | - |
| Due in More Than One Year | 21,046,612 | 11,829,759 | 32,876,371 | 46,822 | - |
| Total Liabilities | 43,419,445 | 15,343,933 | 58,763,378 | 68,375 | 87,285 |
| <u>Net Assets:</u> | | | | | |
| Invested in capital assets, net of related debt | 35,751,319 | 24,646,157 | 60,397,476 | - | - |
| Restricted for: | | | | | |
| Capital projects | 5,612,265 | - | 5,612,265 | - | - |
| Developmental Disabilities | 12,937,200 | - | 12,937,200 | - | - |
| Children Services | 2,465,340 | - | 2,465,340 | - | - |
| Motor Vehicle Gasoline Tax | 3,507,582 | - | 3,507,582 | - | - |
| Auditor/Recorder/Clerk Fees | 1,241,850 | - | 1,241,850 | - | - |
| Real Estate Assessment | 2,599,452 | - | 2,599,452 | - | - |
| Revolving Loan | 2,402,845 | - | 2,402,845 | - | - |
| Ditch Maintenance | 1,135,137 | - | 1,135,137 | - | - |
| Other purposes | 4,599,472 | - | 4,599,472 | - | 1,726 |
| Unrestricted | 11,500,846 | 5,807,348 | 17,308,194 | 1,108,009 | 854,678 |
| Total Net Assets | \$ 83,753,308 | \$ 30,453,505 | \$ 114,206,813 | \$ 1,108,009 | \$ 856,404 |

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Activities
For the Year Ended December 31, 2011

| Function/Program | Expenses | Program Revenues | | |
|--------------------------------------|----------------------|----------------------|---|----------------------------------|
| | | Charges for Services | Operating Grants, Contributions, and Interest | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | | | | |
| Legislative and executive | \$ 13,910,177 | \$ 4,105,622 | \$ 889,757 | \$ - |
| Judicial | 8,948,301 | 1,980,706 | 2,482,458 | - |
| Public safety | 10,765,774 | 731,480 | 983,948 | 344,038 |
| Public works | | | | |
| Motor vehicle gas tax | 8,903,567 | 852,592 | 7,753,340 | - |
| Other public works | 2,297,710 | 721,514 | - | 64,466 |
| Health | | | | |
| Developmental disabilities | 14,553,369 | 762,010 | 6,373,401 | - |
| Other health | 1,187,344 | 507,609 | - | - |
| Human services | | | | |
| Job and family services | 8,433,338 | 15 | 8,952,235 | - |
| Children services | 6,186,857 | 97,494 | 3,462,568 | - |
| Conservation and recreation | 1,471,045 | 583,595 | 219,581 | - |
| Other | 30,990 | - | - | - |
| Intergovernmental | 168,803 | - | - | - |
| Interest and fiscal charges | 876,281 | - | - | - |
| Total governmental activities | 77,733,556 | 10,342,637 | 31,117,288 | 408,504 |
| Business-type activities: | | | | |
| Sanitary Sewer | 4,691,660 | 6,539,622 | - | - |
| Total primary government | \$ 82,425,216 | \$ 16,882,259 | \$ 31,117,288 | \$ 408,504 |
| Component Units: | | | | |
| LODDI | 114,837 | 120,961 | 111,939 | - |
| Marimor Industries | 4,332,196 | 719,687 | 3,532,135 | - |
| Total component units | \$ 4,447,033 | \$ 840,648 | \$ 3,644,074 | \$ - |

General Revenues:

Property taxes levied for:

 General Operating

 Health - developmental disabilities

 Human services-children services

Sales taxes

Intergovernmental not restricted to a particular purpose

Interest

Increase in fair value of investments

Other

Total general revenues

Transfers

Change in net assets

Net assets beginning of year

Net assets end of year

Net (Expense) Revenue and Changes in Net Assets
 Primary Government Component Units

| Primary Government | | | Component Units | | |
|----------------------------|-----------------------------|----------------|-----------------|-----------------------|--|
| Governmental Activities | Business-Type Activities | Total | LODDI | Marimor Industries | |
| \$ (8,914,798) | \$ - | \$ (8,914,798) | \$ - | \$ - | |
| (4,485,137) | - | (4,485,137) | - | - | |
| (8,706,308) | - | (8,706,308) | - | - | |
| (297,635) | - | (297,635) | - | - | |
| (1,511,730) | - | (1,511,730) | - | - | |
| (7,417,958) | - | (7,417,958) | - | - | |
| (679,735) | - | (679,735) | - | - | |
| 518,912 | - | 518,912 | - | - | |
| (2,626,795) | - | (2,626,795) | - | - | |
| (667,869) | - | (667,869) | - | - | |
| (30,990) | - | (30,990) | - | - | |
| (168,803) | - | (168,803) | - | - | |
| (876,281) | - | (876,281) | - | - | |
| (35,865,127) | - | (35,865,127) | - | - | |
| - | 1,847,962 | 1,847,962 | - | - | |
| (35,865,127) | 1,847,962 | (34,017,165) | - | - | |
| - | - | - | 118,063 | - | |
| - | - | - | - | (80,374) | |
| - | - | - | 118,063 | (80,374) | |
| 4,420,471 | - | 4,420,471 | - | - | |
| 4,390,787 | - | 4,390,787 | - | - | |
| 1,910,702 | - | 1,910,702 | - | - | |
| 14,476,311 | - | 14,476,311 | - | - | |
| 5,558,456 | - | 5,558,456 | - | - | |
| 668,490 | 1,795 | 670,285 | 16 | 13,573 | |
| - | - | - | - | 10,700 | |
| 4,239,302 | 98,295 | 4,337,597 | 10,826 | 27,295 | |
| 35,664,519 | 100,090 | 35,764,609 | 10,842 | 51,568 | |
| 220,948 | (220,948) | - | - | - | |
| 20,340 | 1,727,104 | 1,747,444 | 128,905 | (28,806) | |
| 83,732,968 | 28,726,401 | 112,459,369 | 979,104 | 885,210 | |
| \$ 83,753,308 | \$ 30,453,505 | \$ 114,206,813 | \$ 1,108,009 | \$ 856,404 | |

See accompanying notes to the basic financial statements

Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2011

| | General Fund | Job and Family Services | Developmental Disabilities | Children Services |
|--|---------------------|-------------------------------|-------------------------------|----------------------|
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,440,676 | \$1,533,161 | \$12,330,831 | \$2,910,858 |
| Cash and cash equivalents in segregated accounts | 15,359 | - | - | 11,568 |
| Cash and cash equivalents with fiscal agent | - | - | - | - |
| Accounts receivable | 6,749 | - | 5,188 | - |
| Accrued interest receivable | 101,469 | - | - | - |
| Sales tax receivable | 2,280,292 | - | - | - |
| Due from other governments | 1,151,816 | - | 1,488,600 | - |
| Interfund receivable | 126,023 | - | - | - |
| Prepaid items | 410,091 | - | - | 38,724 |
| Materials and supplies inventory | 27,109 | 92,685 | 95,912 | 9,187 |
| Property tax receivable | 2,890,780 | - | 5,929,677 | 2,613,132 |
| Notes receivable | - | - | - | - |
| Special assessments receivable | - | - | - | - |
| Total assets | \$13,450,364 | \$1,625,846 | \$19,850,208 | \$5,583,469 |
| <u>Liabilities</u> | | | | |
| Accrued wages payable | \$553,891 | \$163,983 | \$347,681 | \$136,672 |
| Accounts payable | 44,730 | 66,111 | 99,133 | 141,145 |
| Contracts payable | - | - | - | - |
| Due to other governments | 390,027 | 176,069 | 275,238 | 67,631 |
| Interfund payable | 511,057 | - | 750 | 43,007 |
| Retainage payable | - | - | - | - |
| Deferred revenue | 5,187,415 | - | 7,161,514 | 2,613,132 |
| Total liabilities | 6,687,120 | 406,163 | 7,884,316 | 3,001,587 |
| <u>Fund balances:</u> | | | | |
| Nonspendable | 737,598 | 92,685 | 95,912 | 47,911 |
| Restricted | 301,850 | 1,126,998 | 11,869,980 | 2,533,971 |
| Assigned | 1,237,802 | - | - | - |
| Committed | 1,266,980 | - | - | - |
| Unassigned (Deficit) | 3,219,014 | - | - | - |
| Total fund balances | 6,763,244 | 1,219,683 | 11,965,892 | 2,581,882 |
| Total liabilities and fund balances | \$13,450,364 | \$1,625,846 | \$19,850,208 | \$5,583,469 |

(Continued)

| Motor Vehicle and Gasoline Tax | Other Governmental Funds | Total |
|--------------------------------------|--------------------------------|---------------------|
| \$1,084,407 | \$14,002,868 | \$38,302,801 |
| - | 531,897 | 558,824 |
| - | 84,563 | 84,563 |
| - | - | 11,937 |
| - | - | 101,469 |
| - | 128,738 | 2,409,030 |
| 2,637,594 | 307,507 | 5,585,517 |
| 4,344 | 711,259 | 841,626 |
| 34,181 | 23,272 | 506,268 |
| 322,930 | - | 547,823 |
| - | 2,131,943 | 13,565,532 |
| - | 2,187,294 | 2,187,294 |
| - | 4,389,388 | 4,389,388 |
| <u>\$4,083,456</u> | <u>\$24,498,729</u> | <u>\$69,092,072</u> |
| \$117,246 | \$151,224 | \$1,470,697 |
| 99,639 | 129,218 | 579,976 |
| 57,030 | 52,483 | 109,513 |
| 63,112 | 105,970 | 1,078,047 |
| - | 847,229 | 1,402,043 |
| - | 104,864 | 104,864 |
| <u>2,187,599</u> | <u>6,823,156</u> | <u>23,972,816</u> |
| <u>2,524,626</u> | <u>8,214,144</u> | <u>28,717,956</u> |
| 357,111 | 2,210,566 | 3,541,783 |
| 1,201,719 | 12,309,379 | 29,343,897 |
| - | 1,300,776 | 2,538,578 |
| - | 509,131 | 1,776,111 |
| - | (45,267) | 3,173,747 |
| <u>1,558,830</u> | <u>16,284,585</u> | <u>40,374,116</u> |
| <u>\$4,083,456</u> | <u>\$24,498,729</u> | <u>\$69,092,072</u> |

See accompanying notes to the basic financial statements

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Allen County, Ohio
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2011

Total governmental fund balances \$40,374,116

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. 59,433,724

Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:

| | | |
|--------------------------------|-----------|------------|
| Accounts receivable | 10,786 | |
| Accrued interest receivable | 101,469 | |
| Due from other governments | 5,902,572 | |
| Property taxes receivable | 890,344 | |
| Special assessments receivable | 4,389,388 | |
| | | 11,294,559 |

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:

| | | |
|----------------------------------|--------------|--------------|
| Accrued interest payable | (452,937) | |
| Compensated absences payable | (3,126,478) | |
| General obligation bonds payable | (10,600,999) | |
| Unamortized bond issuance costs | 49,000 | |
| Special assessment bonds payable | (3,561,000) | |
| Unamortized bond premium | (127,187) | |
| Issue II loans payable | (1,910,824) | |
| OWDA loans payable | (5,103,832) | |
| Notes payable | (2,514,834) | |
| | | (27,349,091) |

Net assets of governmental activities \$83,753,308

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

| | General Fund | Job and Family Services | Developmental Disabilities | Children Services |
|---|---------------------|-------------------------------|-------------------------------|----------------------|
| <u>Revenues:</u> | | | | |
| Property taxes | \$ 2,702,552 | \$ - | \$ 4,455,151 | \$ 1,934,022 |
| Sales tax | 13,736,430 | - | - | - |
| Permissive motor vehicle license taxes | - | - | - | - |
| Charges for services | 4,426,787 | 15 | 762,010 | 139,931 |
| Licenses and permits | 7,723 | - | - | - |
| Fines, costs, and forfeitures | 254,882 | - | - | - |
| Intergovernmental | 2,464,187 | 9,485,283 | 8,822,548 | 4,072,565 |
| Special assessments | - | - | - | - |
| Interest | 683,261 | - | 117 | - |
| Other | 1,069,204 | 301,044 | 987,705 | 111,971 |
| Total revenues | <u>25,345,026</u> | <u>9,786,342</u> | <u>15,027,531</u> | <u>6,258,489</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative and executive | 9,286,767 | - | - | - |
| Judicial | 5,521,315 | - | - | - |
| Public safety | 8,591,872 | - | - | - |
| Public works | 185,907 | - | - | - |
| Health | 203,480 | - | 14,542,736 | - |
| Human services | 393,806 | 8,833,327 | - | 6,167,913 |
| Conservation and recreation | 277,377 | - | - | - |
| Other | 30,990 | - | - | - |
| Capital outlay | - | - | - | - |
| Intergovernmental | 168,803 | - | - | - |
| Debt Service: | | | | |
| Principal retirement | 35,333 | - | - | - |
| Interest and fiscal charges | 22,957 | - | - | - |
| Total expenditures | <u>24,718,607</u> | <u>8,833,327</u> | <u>14,542,736</u> | <u>6,167,913</u> |
| Excess of revenues over (under) expenditures | 626,419 | 953,015 | 484,795 | 90,576 |
| <u>Other financing sources (uses)</u> | | | | |
| Proceeds from sale of capital assets | 14,858 | - | - | - |
| Proceeds of loans and notes | - | - | - | - |
| Proceeds of bonds | - | - | - | - |
| Operating transfers - in | - | - | - | - |
| Operating transfers - out | (634,596) | - | - | - |
| Total other financing sources (uses) | <u>(619,738)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | 6,681 | 953,015 | 484,795 | 90,576 |
| Fund balances at beginning of year (Restated see Note 3) | <u>6,756,563</u> | <u>266,668</u> | <u>11,481,097</u> | <u>2,491,306</u> |
| Fund balances at end of year | <u>\$ 6,763,244</u> | <u>\$ 1,219,683</u> | <u>\$ 11,965,892</u> | <u>\$ 2,581,882</u> |

(Continued)

| | Motor Vehicle and Gasoline Tax | Other Governmental Funds | Total |
|----|--------------------------------------|--------------------------------|----------------------|
| \$ | - | \$ 1,768,291 | \$ 10,860,016 |
| | - | 772,426 | 14,508,856 |
| | 2,931,374 | - | 2,931,374 |
| | 751,634 | 2,464,993 | 8,545,370 |
| | 8,550 | 306,746 | 323,019 |
| | 173,873 | 28,462 | 457,217 |
| | 4,876,219 | 5,482,768 | 35,203,570 |
| | - | 1,614,393 | 1,614,393 |
| | 946 | 582 | 684,906 |
| | 350,642 | 1,725,260 | 4,545,826 |
| | <u>9,093,238</u> | <u>14,163,921</u> | <u>79,674,547</u> |
| | - | 2,740,941 | 12,027,708 |
| | - | 3,405,349 | 8,926,664 |
| | - | 2,013,336 | 10,605,208 |
| | 8,710,332 | 3,337,263 | 12,233,502 |
| | - | 1,254,386 | 16,000,602 |
| | - | - | 15,395,046 |
| | - | 785,181 | 1,062,558 |
| | - | - | 30,990 |
| | - | 599,037 | 599,037 |
| | - | - | 168,803 |
| | 124,850 | 7,869,428 | 8,029,611 |
| | - | 808,979 | 831,936 |
| | <u>8,835,182</u> | <u>22,813,900</u> | <u>85,911,665</u> |
| | 258,056 | (8,649,979) | (6,237,118) |
| | 21,349 | 4,069 | 40,276 |
| | - | 4,555,238 | 4,555,238 |
| | - | 2,320,000 | 2,320,000 |
| | - | 855,544 | 855,544 |
| | - | - | (634,596) |
| | <u>21,349</u> | <u>7,734,851</u> | <u>7,136,462</u> |
| | 279,405 | (915,128) | 899,344 |
| | <u>1,279,425</u> | <u>17,199,713</u> | <u>39,474,772</u> |
| \$ | <u>1,558,830</u> | <u>\$ 16,284,585</u> | <u>\$ 40,374,116</u> |

See accompanying notes to the basic financial statements

Allen County, Ohio
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended December 31, 2011

Net change in fund balances - total governmental funds \$899,344

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

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

| | | |
|---|--------------------|---------|
| Capital outlay - depreciable capital assets | 3,785,128 | |
| Depreciation | <u>(3,421,409)</u> | 363,719 |

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

| | | |
|--|------------------|-----------|
| Proceeds from sale of capital assets | 40,276 | |
| Loss on the disposal of capital assets | <u>(160,964)</u> | (120,688) |

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

| | | |
|----------------------|----------------|-------------|
| Property taxes | (138,056) | |
| Sales taxes | (32,545) | |
| Special assessments | (355,883) | |
| Charges for services | (235,385) | |
| Intergovernmental | (1,880,678) | |
| Interest | 16,416 | |
| Other | <u>306,524</u> | (2,319,607) |

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

| | | |
|--------------------------|----------------|-----------|
| General obligation bonds | 1,272,000 | |
| Special assessment bonds | 494,000 | |
| Notes payable | 5,959,033 | |
| Issue II loans payable | 124,851 | |
| OWDA loan payable | <u>179,731</u> | 8,029,615 |

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

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

| | | |
|-------------------------------------|--------------|------------|
| Accrued interest payable | (40,845) | |
| Amortization of premium | 9,084 | |
| Amortization of bond issuance costs | <u>3,500</u> | (\$28,261) |

(continued)

Allen County, Ohio
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended December 31, 2011
 (continued)

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

| | |
|--------------------------|---------------|
| General obligation bonds | (\$2,320,000) |
| Notes payable | (\$2,388,000) |
| OWDA loans payable | (2,167,238) |

Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

| | |
|------------------------------|--------|
| Compensated absences payable | 71,456 |
|------------------------------|--------|

| | |
|---|----------|
| Change in net assets of governmental activities | \$20,340 |
|---|----------|

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, 2011

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Over (Under) |
|--|-------------------------|--------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues</u> | | | | |
| Property taxes | \$ 2,517,000 | \$2,598,571 | \$ 2,641,393 | \$ 42,822 |
| Sales taxes | 13,300,000 | 13,530,000 | 13,742,576 | 212,576 |
| Charges for services | 3,711,520 | 3,931,520 | 3,747,522 | (183,998) |
| Licenses and permits | 6,030 | 6,030 | 7,723 | 1,693 |
| Fines, costs, and forfeitures | 160,000 | 220,000 | 148,526 | (71,474) |
| Intergovernmental | 2,590,754 | 2,512,973 | 2,495,778 | (17,195) |
| Interest | 600,000 | 600,000 | 546,955 | (53,045) |
| Rent | 937,548 | 813,958 | 704,979 | (108,979) |
| Other | 281,350 | 281,350 | 353,567 | 72,217 |
| Total revenues | <u>24,104,202</u> | <u>24,494,402</u> | <u>24,389,019</u> | <u>(105,383)</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative and executive | 9,382,547 | 9,334,627 | 8,850,838 | 483,789 |
| Judicial | 5,292,505 | 5,464,473 | 5,307,600 | 156,873 |
| Public safety | 8,741,539 | 8,958,996 | 8,576,468 | 382,528 |
| Public works | 186,188 | 187,492 | 185,284 | 2,208 |
| Health | 204,422 | 204,422 | 203,480 | 942 |
| Human services | 1,201,406 | 1,144,834 | 926,043 | 218,791 |
| Conservation and recreation | 256,346 | 278,913 | 277,551 | 1,362 |
| Other | 45,000 | 45,000 | 30,990 | 14,010 |
| Intergovernmental | 174,969 | 191,040 | 191,039 | 1 |
| Debt service: | | | | |
| Principal retirement | 35,350 | 35,350 | 35,333 | 17 |
| Interest and fiscal charges | 23,000 | 23,000 | 22,957 | 43 |
| Total expenditures | <u>25,543,272</u> | <u>25,868,147</u> | <u>24,607,583</u> | <u>1,260,564</u> |
| Excess of revenues under expenditures | <u>(1,439,070)</u> | <u>(1,373,745)</u> | <u>(218,564)</u> | <u>1,155,181</u> |
| <u>Other financing sources (uses)</u> | | | | |
| Proceeds from sale of capital assets | 500 | 500 | 14,858 | 14,358 |
| Advances - in | 60,000 | 20,000 | 16,876 | (3,124) |
| Advances - out | (175,000) | (176,166) | (176,166) | - |
| Operating transfers - in | 483,340 | 483,340 | 480,000 | (3,340) |
| Operating transfers - out | (755,296) | (736,979) | (719,596) | 17,383 |
| Total other financing sources (uses) | <u>(386,456)</u> | <u>(409,305)</u> | <u>(384,028)</u> | <u>25,277</u> |
| Excess of revenues and other financing sources under expenditures and other financing uses | <u>(1,825,526)</u> | <u>(1,783,050)</u> | <u>(602,592)</u> | <u>1,180,458</u> |
| Fund balance at beginning of year | 5,568,635 | 5,568,635 | 5,568,635 | - |
| Unexpended prior year encumbrances | 112,863 | 112,863 | 112,863 | - |
| Fund balance at end of year | <u>\$ 3,855,972</u> | <u>\$3,898,448</u> | <u>\$ 5,078,906</u> | <u>\$ 1,180,458</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
Job and Family Services Fund
For the Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|-------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Intergovernmental | \$ 12,494,700 | \$ 12,494,700 | \$ 9,528,196 | \$(2,966,504) |
| Charges for services | 500 | 500 | 15 | (485) |
| Other | 536,500 | 536,500 | 301,044 | (235,456) |
| Total revenues | <u>13,031,700</u> | <u>13,031,700</u> | <u>9,829,255</u> | <u>(3,202,445)</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Human Services | 13,031,700 | 13,031,700 | 8,805,128 | 4,226,572 |
| Excess of revenues over expenditures | - | - | 1,024,127 | 1,024,127 |
| Fund balance at beginning of year | 509,033 | 509,033 | 509,033 | - |
| Fund balance at end of year | <u>\$ 509,033</u> | <u>\$ 509,033</u> | <u>\$ 1,533,160</u> | <u>\$ 1,024,127</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, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-------------------------|---------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Property taxes | \$ 5,441,990 | \$ 4,469,865 | \$ 4,481,044 | \$ 11,179 |
| Charges for services | 710,432 | 710,432 | 766,034 | 55,602 |
| Intergovernmental | 7,770,964 | 8,902,915 | 8,940,844 | 37,929 |
| Interest | 155 | 155 | 139 | (16) |
| Other | 773,830 | 773,830 | 987,705 | 213,875 |
| Total revenues | 14,697,371 | 14,857,197 | 15,175,766 | 318,569 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Health | 22,105,290 | 22,595,643 | 14,626,090 | 7,969,553 |
| Excess of revenues over (under) expenditures | (7,407,919) | (7,738,446) | 549,676 | 8,288,122 |
| <u>Other financing sources (uses)</u> | | | | |
| Advances - in | 33,263 | 33,263 | - | (33,263) |
| Advances - out | (41,042) | (42,789) | - | 42,789 |
| Operating transfers - out | (57,888) | - | - | - |
| Total other financing sources (uses) | (65,667) | (9,526) | - | 9,526 |
| Excess of revenues and other financing sources under expenditures and other financing uses | (7,473,586) | (7,747,972) | 549,676 | 8,297,648 |
| Fund balance at beginning of year | 11,590,355 | 11,590,355 | 11,590,355 | - |
| Fund balance at end of year | <u>\$ 4,116,769</u> | <u>\$ 3,842,383</u> | <u>\$ 12,140,031</u> | <u>\$ 8,297,648</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, 2011

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Over (under) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues</u> | | | | |
| Property taxes | \$ 2,553,032 | \$ 2,091,573 | \$ 1,943,403 | \$ (148,170) |
| Charges for services | 115,000 | 115,000 | 139,931 | 24,931 |
| Intergovernmental | 3,684,168 | 4,213,834 | 4,074,065 | (139,769) |
| Other | 114,000 | 114,000 | 111,971 | (2,029) |
| Total revenues | <u>6,466,200</u> | <u>6,534,407</u> | <u>6,269,370</u> | <u>(265,037)</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Human services | <u>6,499,100</u> | <u>6,567,307</u> | <u>6,139,875</u> | <u>427,432</u> |
| Excess of revenues over (under) expenditures | (32,900) | (32,900) | 129,495 | 162,395 |
| Fund balance at beginning of year | <u>2,735,029</u> | <u>2,735,029</u> | <u>2,735,029</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 2,702,129</u> | <u>\$ 2,702,129</u> | <u>\$ 2,864,524</u> | <u>\$ 162,395</u> |

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Permissive motor vehicle license tax | \$ 3,087,000 | \$ 3,087,000 | \$ 2,931,374 | \$ (155,626) |
| Charges for services | 689,000 | 689,000 | 836,802 | 147,802 |
| Intergovernmental | 2,400,000 | 2,400,000 | 4,854,337 | 2,454,337 |
| Licenses and permits | 8,000 | 8,000 | 8,550 | 550 |
| Fines and forfeitures | 150,000 | 150,000 | 169,090 | 19,090 |
| Interest | 2,500 | 2,500 | 972 | (1,528) |
| Other | 100,000 | 2,644,127 | 350,642 | (2,293,485) |
| Total revenues | 6,436,500 | 8,980,627 | 9,151,767 | 171,140 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Public Works | 6,444,502 | 9,280,501 | 8,850,748 | 429,753 |
| Debt service: | | | | |
| Principal retirement | 159,149 | 124,851 | 124,850 | 1 |
| Total expenditures | 6,603,651 | 9,405,352 | 8,975,598 | 429,754 |
| Excess of revenues over (under) expenditures | (167,151) | (424,725) | 176,169 | 600,894 |
| <u>Other financing sources</u> | | | | |
| Proceeds sale of capital assets | 10,000 | 10,000 | 21,349 | 11,349 |
| Operating transfers - in | 30,552 | 30,552 | - | (30,552) |
| Total other financing sources | 40,552 | 40,552 | 21,349 | (19,203) |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | (126,599) | (384,173) | 197,518 | 581,691 |
| Fund balance at beginning of year | 508,285 | 508,285 | 508,285 | - |
| Unexpended prior year encumbrances | 80,674 | 80,674 | 80,674 | - |
| Fund balance at end of year | \$ 462,360 | \$ 204,786 | \$ 786,477 | \$ 581,691 |

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

| | Business-Type Activity |
|---|---------------------------|
| | Sewer |
| <u>Assets:</u> | |
| <u>Current assets</u> | |
| Equity in pooled cash and cash equivalents | \$ 1,631,659 |
| Accounts receivable | 1,723,315 |
| Interfund receivable | 560,417 |
| Special assessments receivable | 204,673 |
| Prepaid items | 19,627 |
| Materials and supplies inventory | 59,114 |
| Total current assets | 4,198,805 |
| <u>Restricted assets</u> | |
| Equity in pooled cash and cash equivalents | 1,165,567 |
| Cash and cash equivalents with fiscal agent | 621,030 |
| Total restricted assets | 1,786,597 |
| <u>Noncurrent assets</u> | |
| Unamortized bond issuance costs | 189,095 |
| Non-depreciable capital assets | 51,219 |
| Depreciable capital assets | 39,571,722 |
| Total noncurrent assets | 39,812,036 |
| Total assets | \$ 45,797,438 |
| <u>Liabilities:</u> | |
| <u>Current liabilities</u> | |
| Accrued wages payable | \$ 73,886 |
| Accounts payable | 46,167 |
| Due to other governments | 45,010 |
| Accrued interest payable | 28,162 |
| Notes payable | 2,500,000 |
| Compensated absences payable | 114,139 |
| Issue II loans payable | 10,276 |
| OWDA loans payable | 240,185 |
| Revenue bonds payable | 455,000 |
| Total current liabilities | 3,512,825 |
| <u>Long-term liabilities</u> | |
| Compensated absences payable | 59,785 |
| Issue II loans payable | 87,051 |
| OWDA loans payable | 8,504,830 |
| Revenue bonds payable | 3,179,442 |
| Total long-term liabilities | 11,831,108 |
| Total liabilities | 15,343,933 |
| <u>Net assets:</u> | |
| Invested in capital assets, net of related debt | 24,646,157 |
| Unrestricted | 5,807,348 |
| Total net assets | \$ 30,453,505 |

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

| | Business-Type Activities |
|---|-----------------------------|
| | Sewer |
| <u>Operating Revenues:</u> | |
| Charges for services | \$ 6,538,222 |
| Licenses, permits, inspections | 1,400 |
| Other | 98,295 |
| Total operating revenues | 6,637,917 |
| <u>Operating expenses:</u> | |
| Personal services | 2,199,056 |
| Contractual services | 564,341 |
| Materials and supplies | 379,129 |
| Other | 498 |
| Depreciation | 1,168,358 |
| Total operating expenses | 4,311,382 |
| Operating income | 2,326,535 |
| <u>Non-Operating revenues (expenses)</u> | |
| Loss on disposal of capital assets | (4,900) |
| Interest revenue | 1,795 |
| Interest expense | (375,378) |
| Total Non-Operating revenues (expenses) | (378,483) |
| Loss before transfers and capital contributions | 1,948,052 |
| Transfers out | (220,948) |
| Change in net assets | 1,727,104 |
| Net assets at beginning of year | 28,726,401 |
| Net assets at end of year | \$ 30,453,505 |

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

| | Business-Type Activities |
|---|-----------------------------|
| | Sewer |
| Increase (decrease) in cash and cash equivalents: | |
| <u>Cash flows from operating activities</u> | |
| Cash received from customers | \$6,480,322 |
| Cash received from other revenues | 98,295 |
| Cash payments for personal services | (2,194,956) |
| Cash payments to suppliers | (380,495) |
| Cash payments for contractual services | (549,020) |
| Cash payments for other expenses | (498) |
| Net cash provided by operating activities | 3,453,648 |
| <u>Cash flows from noncapital financing activities</u> | |
| Cash received for advances - in | 171,300 |
| Cash payments for advances - out | (405,900) |
| Cash payments for operating transfers - out | (220,948) |
| Net cash used for noncapital financing activities | (455,548) |
| <u>Cash flows from capital and related financing activities</u> | |
| Acquisition of fixed assets | (1,501,854) |
| Proceeds of bond anticipation notes | 2,500,000 |
| Principal paid on bond anticipation notes | (2,500,000) |
| Interest paid on bond anticipation notes | (62,026) |
| Principal paid on revenue bonds | (440,000) |
| Interest paid on revenue bonds | (176,888) |
| Principal paid on Issue II loan payable | (20,552) |
| Principal paid on OWDA loan payable | (476,793) |
| Interest paid on OWDA loan payable | (96,029) |
| Net cash used for capital and related financing activities | (2,774,142) |
| <u>Cash flows from investing activities</u> | |
| Interest on investments | 446 |
| Net increase in cash and cash equivalents | 224,404 |
| Cash and cash equivalents at beginning of year | 2,572,822 |
| Cash and cash equivalents at end of year | \$2,797,226 |

(Continued)

Allen County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011
(continued)

| | Sewer |
|--|-------------|
| Reconciliation of operating income to <u>net cash provided by operating activities</u> | |
| Operating income | \$2,326,535 |
| Adjustments to reconcile operating income to <u>net cash provided by operating activities</u> | |
| Depreciation | 1,168,358 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (28,845) |
| Increase in due from special assessments | (30,455) |
| Increase in materials and supplies inventory | (439) |
| Decrease in prepaid items | 1,208 |
| Increase in accounts payable | 14,394 |
| Decrease in accrued wages payable | (199) |
| Increase in compensated absences payable | 711 |
| Increase in due to other governments | 2,380 |
| Total adjustments | 1,127,113 |
| Net cash provided by operating activities | \$3,453,648 |

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

| | Investment Trust | Martha Mark Private Purpose Trust | Agency |
|--|---------------------------|---|-----------------------------|
| | <hr/> | <hr/> | <hr/> |
| <u>Assets</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 4,060,433 | \$ 12,619 | \$ 13,545,373 |
| Cash and cash equivalents in segregated accounts | - | 7,219 | 1,527,844 |
| Accounts receivable | - | - | 422,362 |
| Due from other governments | - | - | 4,949,682 |
| Property tax receivable | - | - | 73,762,570 |
| Special assessments receivable | - | - | 9,649,932 |
| Total assets | <hr/> <u>\$ 4,060,433</u> | <hr/> <u>\$ 19,838</u> | <hr/> <u>\$103,857,763</u> |
| <u>Liabilities</u> | | | |
| Due to other governments | \$ - | \$ - | \$ 91,196,539 |
| Undistributed monies | - | - | 12,661,152 |
| Deposits held and due to others | - | - | 72 |
| Total liabilities | <hr/> <u>-</u> | <hr/> <u>-</u> | <hr/> <u>\$ 103,857,763</u> |
| <u>Net Assets</u> | | | |
| Held in trust for external pool participants | <hr/> <u>4,060,433</u> | <hr/> <u>19,838</u> | |
| Total net assets | <hr/> <u>\$ 4,060,433</u> | <hr/> <u>\$ 19,838</u> | |

See accompanying notes to the basic financial statements

Allen County, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2011

| | Investment Trust Funds | Martha Mark Private Purpose Trust |
|--|---------------------------|---|
| <u>Revenues</u> | | |
| Interest | \$ 4,458 | \$ - |
| <u>Expenses</u> | | |
| Operating expenses | - | - |
| Net increase in assets resulting from operations | 4,458 | - |
| Distributions to participants | (4,781) | - |
| Capital transactions | 1,045,523 | - |
| Total increase (decrease) in net assets | 1,045,200 | - |
| Net assets beginning of year | 3,015,233 | 19,838 |
| Net assets end of year | \$ 4,060,433 | \$ 19,838 |

See accompanying notes to the basic financial statements

Note 1 - Reporting Entity

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

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

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

A. Primary Government

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

B. Component Units

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

Discretely Presented Component Units

The component unit columns on the financial statements identify the financial data of the County's component units, Marimor Industries and LODDI. They are reported separately to emphasize that they are legally separate from the County. Information about these component units are presented in Notes 24, and 25 to the basic financial statements.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 1 - Reporting Entity (Continued)

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

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

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

- Mental Health and Recovery Services of Allen, Auglaize, and Hardin Counties
- District Board of Health
- Family and Children First Council
- Allen County Soil and Water Conservation District
- Special Emergency Planning Commission
- District Court of Appeals
- Lima-Allen County Regional Planning Commission

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 1 - Reporting Entity (Continued)

Western Ohio Regional Training and Habilitation (WORTH) Center

The County is associated with certain organizations which are defined as joint ventures, jointly governed organizations, and insurance pools. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements. These organizations are:

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Developmental Disabilities - The fund accounts for the operation of a school for the mentally retarded and developmentally disabled, financed by a county-wide property tax levy and federal and state grants.

Motor Vehicle and Gasoline Tax Fund – The fund accounts for resources derived from gasoline taxes and the sale of motor vehicle licenses. Expenditures are restricted by state law to county road and bridge repair/improvement program.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's major enterprise fund:

Sewer – The fund accounts for revenue received from user charges for sewer services provided to residents of Allen County.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2011, but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

F. Cash and Investments

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

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

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

During 2011, the County invested in nonnegotiable certificates of deposit, U.S. Treasury Notes, federal agency securities, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2011.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool 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. All investments of the County as of December 31, 2011 were investments of the cash management pool.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets because their use is limited by applicable bond covenants.

J. Unamortized Bond Issuance and Refunding Costs

Unamortized bond issuance and refunding costs consist of underwriting fees and other costs incurred in the issuance and reissuance of bonds which are deferred and amortized over the life of the related new bonds issued.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Interfund Receivables/Payables

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

M. Compensated Absences

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

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

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

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements as payments come due each period upon the occurrence of employee resignations and retirements. General obligation bonds, special assessment bonds, and capital leases are recognized as liabilities on the fund financial statements when due.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities for various federal and state grants 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.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Fund Balance

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

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 long-term portion of interfund receivable.

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 law or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (county resolutions).

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

Committed – The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the County Commissioners. The committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of 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 balances represent the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Commissioners or by a County official delegated that authority by resolution.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 proprietary funds. For the County, these revenues are charges for services for sewer services, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

R. Interfund Transactions

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

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

S. Estimates

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 3 – Change in Accounting Principles and Restatement of Fund Balances

A. Changes in Accounting Principles

For 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balances

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the County as they were previously reported.

| | General | Other Governmental |
|--|-------------|-----------------------|
| Fund Balance at December 31, 2010 | \$6,034,745 | \$17,921,531 |
| Change in Fund Structure | 721,818 | (721,818) |
| Adjusted Fund Balance at December 31, 2010 | \$6,756,563 | \$17,199,713 |

Note 4- Accountability and Compliance

A. Accountability

At December 31, 2011, the Dog and Kennel and Wellness special revenue funds had deficit fund balances of \$43,789 and \$1,478, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The County incurred negative fund balances, which is contrary to the Ohio Revised Code. The County continually monitors budgetary transactions to eliminate compliance errors.

Appropriations exceeded actual resources in the Child Support Enforcement Agency and Wellness special revenue funds. The County continually monitors budgetary transactions to eliminate compliance errors.

Actual resources in the Job and Family Services special revenue fund were significantly less than estimated resources and fell below the level of appropriations to that fund. A reduced amended certificate was not obtained for this reduced revenue.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund; Job and Family Services; Developmental Disabilities; Children Services; and Motor Vehicle and Gasoline Tax special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The County has certain activities within the General Fund that are not budgeted by the County Commissioners. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

| | General | Job and Family Services | Motor Vehicle and Gasoline Tax | Developmental Disabilities | Children Services |
|--|--------------------|-------------------------------|--------------------------------------|-------------------------------|----------------------|
| GAAP Basis | \$6,681 | \$953,015 | \$279,405 | \$484,795 | \$90,576 |
| <u>Increase (Decrease) Due To</u> | | | | | |
| Revenue Accruals | (192,395) | 42,913 | 58,529 | 148,235 | 10,881 |
| Expenditure Accruals | 56,939 | 53,483 | 94,810 | (85,321) | 24,980 |
| Outside Cash | (10,658) | 0 | 0 | 0 | 1,778 |
| Materials and Supplies Inventory | 24,016 | (25,284) | 55,409 | 1,967 | (1,968) |
| Prepaid Items | 26,744 | 0 | 7,224 | 0 | 3,248 |
| Advances In | 16,876 | 0 | 0 | 0 | 0 |
| Advances Out | (176,166) | 0 | 0 | 0 | 0 |
| Perspective Difference | (165,384) | 0 | 0 | 0 | 0 |
| Encumbrances Outstanding at Year End (Budget Basis) | (189,245) | 0 | (297,859) | 0 | 0 |
| Budget Basis | <u>(\$602,592)</u> | <u>\$1,024,127</u> | <u>\$197,518</u> | <u>\$549,676</u> | <u>\$129,495</u> |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 6 - Deposits and Investments

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 6 - Deposits and Investments (Continued)

9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred and seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 6 - Deposits and Investments (Continued)

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities value at least 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be obligations of or guaranteed securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the County's name.

Cash on Hand

At year end, the County had \$6,193 in un-deposited cash on hand which is included on the financial statements of the County as part of "Cash, cash equivalents and investments."

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The County's bank balance of \$19,291,804 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments

As of December 31, 2011 the County had the following investments:

| | Fair value | Investment Maturities (In Years) | |
|---|---------------------|----------------------------------|---------------------|
| | | less than 1 | 1 - 5 |
| Federal Home Loan Bank | \$10,071,755 | \$1,012,487 | \$9,059,268 |
| Federal Farm Credit Bank | 3,507,476 | 0 | 3,507,476 |
| Federal Home Loan Mortgage Corporation | 16,253,077 | 0 | 16,253,077 |
| Federal National Mortgage Association | 7,941,162 | 0 | 7,941,162 |
| Freddie MAC | 2,194,456 | 0 | 2,194,456 |
| Fannie Mae | 1,000,860 | 0 | 1,000,860 |
| Total Investments | <u>\$40,968,786</u> | <u>\$1,012,487</u> | <u>\$39,956,299</u> |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 6 - Deposits and Investments (Continued)

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

| | <u>Fair Value</u> | <u>Percentage of Portfolio</u> |
|--|-------------------|------------------------------------|
| Federal Home Loan Bank | \$10,071,755 | 24.58% |
| Federal Farm Credit Bank | 3,507,476 | 8.56 |
| Federal Home Loan Mortgage Corporation | 16,253,077 | 39.68 |
| Federal National Mortgage Association | 7,941,162 | 19.38 |
| Freddie MAC | 2,194,456 | 5.36 |
| Fannie Mae | 1,000,860 | 2.44 |

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

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

Note 7 - Investment Pool

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 7 - Investment Pool (continued)

Condensed financial information for the investment pool is as follows:

Statement of Net Assets
December 31, 2011

| | |
|---|---------------------|
| <u>Assets</u> | |
| Equity in Pooled Cash and Cash Equivalents | \$57,552,885 |
| Accrued Interest Receivable | 101,469 |
| <u>Restricted Assets</u> | |
| Equity in Pooled Cash and Cash Equivalents | 1,165,567 |
| Total Assets | <u>\$58,819,921</u> |
| <u>Net Assets Held in Trust for Pool Participants</u> | |
| Internal Portion | \$54,759,488 |
| External Portion | 4,060,433 |
| Total Net Assets Held in Trust for Pool Participants | <u>\$58,819,921</u> |

Statement of Changes in Net Assets
December 31, 2011

| | |
|--|---------------------|
| <u>Revenues</u> | |
| Interest | \$665,659 |
| <u>Expenses</u> | |
| Operating Expenses | 0 |
| Net Increase in Assets Resulting from Operations | 665,659 |
| Distributions to Participants | (553,727) |
| Capital Transactions | 4,660,229 |
| Total Increase in Net Assets | 4,772,161 |
| Net Assets Beginning of Year | 54,047,760 |
| Net Assets End of Year | <u>\$58,819,921</u> |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 8 - Receivables

Receivables at December 31, 2011, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property taxes; notes; and special assessments. All receivables are considered collectible within one year except for loans and special assessments. All receivables are considered collectible in full.

The County has two types of loans. Some represent zero to six percent loans for home improvements granted to eligible County residents under the Federal Community Development Block Grant program. These loans are to be repaid over periods ranging from ten to thirty years.

Some loans are zero interest loans for college tuition granted to recipients of the Craft Educational Trust Scholarship. Beginning three years after the recipient graduates from college, sixty percent of the awarded scholarship is to be repaid over the next five years. The remaining forty percent is not required to be repaid and therefore is not recorded as part of loans receivable.

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|-------------|
| Governmental Activities | |
| Major Funds | |
| General Fund | |
| Local Government | \$796,932 |
| Sheriff's Contracts | 16,255 |
| Public Defender | 108,581 |
| Election Costs | 180,055 |
| Title VI-D | 46,982 |
| Other | 3,011 |
| Total General Fund | 1,151,816 |
| Developmental Disabilities | |
| IDEA | 50,297 |
| Federal Breakfast and Lunch Program | 1,252 |
| Ohio Department of Education | 501,449 |
| Title XIX & XX | 935,602 |
| Total Developmental Disabilities | 1,488,600 |
| Motor Vehicle and Gas Tax | |
| Gas Tax | 1,155,104 |
| Motor Vehicle License Tax | 1,465,688 |
| Fines and Cost | 16,802 |
| Total Motor Vehicle and Gas Tax | \$2,637,594 |
| Total Major Funds | |

(continued)

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 8 – Receivables (Continued)

| Nonmajor Funds (continued) | Amount |
|--|--------------|
| Auditor/Recorder/Clerk of Court Fees | |
| Fines and Cost | \$13,487 |
| Drug/Law Enforcement | |
| Fines and Cost | 2,133 |
| Child Support Enforcement Agency | |
| Other | 37,629 |
| Law Library | |
| Fines and Costs | 16,802 |
| Adult Probation | |
| Diversion | 160,425 |
| Pretrial Release | 68,634 |
| Sewer Projects | |
| Other | 8,397 |
| Total Nonmajor Funds | 307,507 |
| Total Governmental Activities | 5,585,517 |
| Agency Funds | |
| Local Government and Local Government Revenue Assistance | 2,291,801 |
| Library Local Government | 1,668,807 |
| Gasoline Tax | 564,095 |
| Motor Vehicle License Tax | 424,979 |
| Total Agency Funds | 4,949,682 |
| Total Intergovernmental Receivables | \$10,535,199 |

Note 9 - Permissive Sales and Use Tax

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 10 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2011 (other than public utility property) represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied or collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2011, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2011 operations. On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2011, was \$8.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

| | |
|----------------------------|------------------------|
| Real Property | \$1,765,355,940 |
| Public Utility Property | 90,070,640 |
| Tangible Personal Property | 2,400,746 |
| Total Assessed Value | <u>\$1,857,827,326</u> |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

| | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 |
|---|-------------------------------|--------------------|--------------------|---------------------------------|
| Governmental Activities: | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$5,537,015 | \$0 | (\$1,607,500) | \$3,929,515 |
| Construction in Progress | 94,479 | 0 | (94,479) | 0 |
| Total Nondepreciable Capital Assets | <u>5,631,494</u> | <u>0</u> | <u>(1,701,979)</u> | <u>3,929,515</u> |
| Depreciable Capital Assets | | | | |
| Buildings | 53,660,918 | 54,455 | (143,572) | 53,571,801 |
| Machinery and Equipment | 2,609,736 | 0 | (353,040) | 2,256,696 |
| Licensed Vehicles | 5,185,174 | 517,974 | (572,377) | 5,130,771 |
| Office Furniture and Equipment | 5,642,580 | 108,229 | (127,231) | 5,623,578 |
| Roads | 23,664,136 | 520,773 | (7,939) | 24,176,970 |
| Bridges | 22,134,847 | 2,583,697 | 0 | 24,718,544 |
| Total Depreciable Capital Assets | <u>112,897,391</u> | <u>3,785,128</u> | <u>(1,204,159)</u> | <u>115,478,360</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings | (31,847,170) | (953,005) | 57,429 | (32,742,746) |
| Machinery and Equipment | (2,135,854) | (90,043) | 277,002 | (1,948,895) |
| Licensed Vehicles | (4,309,454) | (346,792) | 533,319 | (4,122,927) |
| Office Furniture and Equipment | (4,111,610) | (373,625) | 127,231 | (4,358,004) |
| Roads | (8,136,742) | (1,157,194) | 7,939 | (9,285,997) |
| Bridges | (7,014,832) | (500,750) | 0 | (7,515,582) |
| Total Accumulated Depreciation | <u>(57,555,662)</u> | <u>(3,421,409)</u> | <u>1,002,920</u> | <u>(59,974,151)</u> |
| Total Depreciable Capital Assets, Net | <u>55,341,729</u> | <u>363,719</u> | <u>(201,239)</u> | <u>55,504,209</u> |
| Governmental Activities Capital Assets, Net | <u>\$60,973,223</u> | <u>363,719</u> | <u>(1,903,218)</u> | <u>59,433,724</u> |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 11 - Capital Assets (Continued)

| | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 |
|--|-------------------------------|--------------------|------------------|---------------------------------|
| Business-Type Activities: | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$51,219 | \$0 | \$0 | \$51,219 |
| | <u>51,219</u> | <u>0</u> | <u>0</u> | <u>51,219</u> |
| Depreciable Capital Assets | | | | |
| Machinery, Equipment, and Vehicles | 1,688,827 | 278,064 | (128,948) | 1,837,943 |
| Building and Building Improvements | 3,551,806 | 0 | 0 | 3,551,806 |
| Infrastructure | 58,736,373 | 1,223,790 | 0 | 59,960,163 |
| Total Depreciable Capital Assets | <u>63,977,006</u> | <u>1,501,854</u> | <u>(128,948)</u> | <u>65,349,912</u> |
| Less Accumulated Depreciation for | | | | |
| Machinery, Equipment, and Vehicles | (1,264,000) | (127,143) | 124,048 | (1,267,095) |
| Building and Building Improvements | (505,942) | (101,480) | 0 | (607,422) |
| Infrastructure | (22,963,938) | (939,735) | 0 | (23,903,673) |
| Total Accumulated Depreciation | <u>(24,733,880)</u> | <u>(1,168,358)</u> | <u>124,048</u> | <u>(25,778,190)</u> |
| Total Depreciable Capital Assets, Net | <u>39,243,126</u> | <u>333,496</u> | <u>(4,900)</u> | <u>39,571,722</u> |
| Business-Type Activities Capital Assets, Net | <u>\$39,294,345</u> | <u>333,496</u> | <u>(4,900)</u> | <u>39,622,941</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|---------------------|
| Governmental Activities | |
| General Government: | |
| Legislative and Executive | \$460,690 |
| Judicial | 78,764 |
| Public Safety | 279,130 |
| Public Works | 1,867,661 |
| Health | 216,174 |
| Human Services | 111,712 |
| Conservation and Recreation | 407,278 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 3,421,409</u> |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 12 - Interfund Receivables/Payables

Interfund balances at December 31, 2011, consisted of the following individual fund receivables and payables:

Due to General Fund from:

| | |
|-------------------------------------|----------------|
| Special Assessments Debt Retirement | |
| Children Services | 43,007 |
| Other Governmental | 83,016 |
| Total General Fund | <u>126,023</u> |

Due to Motor Vehicle and Gasoline Tax from:

| | |
|--------------------------|--------------|
| General Fund | 548 |
| Other Governmental Funds | 3,796 |
| | <u>4,344</u> |

Due to Other Governmental from:

| | |
|--------------------------------|----------------|
| General Fund | 510,509 |
| Developmental Disabilities | 750 |
| Other Governmental | 200,000 |
| Total Other Governmental Funds | <u>711,259</u> |

Due to Sewer from:

| | |
|-------------------------------------|----------------|
| Special Assessments Debt Retirement | |
| Other Governmental | 560,417 |
| Total Sewer Fund | <u>560,417</u> |

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

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

Note 13 - Risk Management

A. Other Insurance Coverage

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the County contracted for commercial insurances. There has been no significant reduction in insurance coverage from the prior year. Settled claims have not exceeded coverage in aggregate for the past three years.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 13 - Risk Management (Continued)

B. Workers' Compensation

For 2011, the County elected to take advantage of a workers' compensation plan being offered by the State of Ohio. The plan, called retrospective rating, allowed the County to pay a fraction of the premium it would pay as an experience-rated risk, instead charging the County for actual claims incurred subject to the plan's individual claims cost limitation and the County's premium limitation.

C. County Employee Benefits Consortium of Ohio, Inc.

In 2011, the County participated in a risk-sharing pool, the County Employee Benefits Consortium of Ohio, Inc. (CEBCO). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into the Health Insurance internal service fund by the participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of \$75,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

Note 14 - Construction and Other Significant Commitments

The County had various outstanding contracts at December 31, 2011. The following amounts remain on these contracts.

| <u>Company</u> | <u>Project</u> | <u>Outstanding Balance</u> |
|-------------------------------|------------------------|--------------------------------|
| SMS Pro Tech | Computer Equipment | \$130,402 |
| Allen County Juvenile Court | Title IV-D | 304,311 |
| Shinn Bros Ins. | Airport Sewer | 129,636 |
| Kohli & Kaliher Associates | Indian Village Sewer | 100,762 |
| Miller Contracting Group Inc. | Allentown Pump Station | 445,740 |
| DLZ Ohio, Inc. | Shawnee Road | 101,520 |
| URS Corpertaion Ohio | Shawnee Trunk | 375,505 |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 15 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- C. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. The member contribution rates for members other than law enforcement personnel were 10.0%, 10.0%, and 10.0% for 2011, 2010, and 2009, respectively, for the County. The rate for members of law enforcement was 11.6% for 2011, 11.1% for 2010, and 10.1 for 2009.

The employer contribution rates for members other than law enforcement personnel were 14.0% of covered payroll for 2011, 2010 and 2009 respectively, for the County. The employer contribution rates for law enforcement personnel were 18.1%, 17.84%, and 17.63%, of covered payroll for 2011, 2010, and 2009, respectively, for the County.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$3,330,808, \$3,332,001, and \$2,198,376, respectively; 93 percent has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009. Contributions to the member directed plan for 2011 were \$101,406 made by the County and \$72,433 made by plan-members.

Note 15 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

Teachers for the Board of Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 15 - Defined Benefit Pension Plans (Continued)

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2011, 2010, and 2009 was \$111,869, \$129,462, and \$130,787, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 15 - Defined Benefit Pension Plans (Continued)

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Note 16 - Postemployment Benefits

A. Ohio Public Employees Retirement System

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – 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 post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 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 Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2011, the County contributed at 14.0% of covered payroll of members other than law enforcement personnel. The County contributed at 17.4% of covered payroll of members of law enforcement. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% and 18.1% of covered payroll of members other than law enforcement personnel and members of law enforcement, respectively. Active members do not make contributions to the OPEB Plan.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 16 – Postemployment Benefits (Continued)

OPERS' post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. For 2010, the portion of employer contributions allocated to health care was 5.5% from January through February and 5.0% from March through December. For 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 was \$1,893,432, \$1,645,004, and \$3,071,499, respectively; 85 percent has been contributed for 2011 and 100 percent for 2010 and 2009.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rates increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The County's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$8,605, \$9,247, and \$9,342, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 17 - Compensated Absences

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

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

Note 18 – Notes Payable

A summary of the note transactions for the year ended December 31, 2011 is as follows:

| | Interest Rate | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 |
|---------------------------------|------------------|-------------------------------|-----------|------------|---------------------------------|
| <u>Governmental Activities</u> | | | | | |
| Bond Anticipation Notes | | | | | |
| Road Improvement (Eastown) | | \$153,000 | 0 | 153,000 | 0 |
| Ditch Equipment | | 25,000 | 0 | 25,000 | 0 |
| HB 300 Energy Project | | 2,620,000 | 0 | 2,620,000 | 0 |
| Total Bond Anticipation Notes | | 2,798,000 | 0 | 2,798,000 | \$0 |
| <u>Special Assessment Notes</u> | | | | | |
| Pike Run #1150 | 1.88% | 209,200 | 146,300 | 209,200 | 146,300 |
| Diane Baughman #1198 | 1.88 | 10,000 | 10,000 | 10,000 | 10,000 |
| Airport #1217 | 1.88 | 26,400 | 14,900 | 26,400 | 14,900 |
| Flat Fork #1224 | 1.88 | 102,000 | 80,700 | 102,000 | 80,700 |
| Earl Gaskill #1229 | 1.88 | 30,700 | 19,200 | 30,700 | 19,200 |
| James Dutton #1231 | 2.31 | 7,900 | 66,000 | 51,400 | 22,500 |
| Moening #1231 | | 4,600 | 0 | 4,600 | 0 |
| Lammers #1235 | 1.88 | 9,550 | 6,250 | 9,550 | 6,250 |
| Warrington #1236 | | 12,100 | 0 | 12,100 | 0 |
| Colucci #1243 | 2.31 | 254,400 | 83,700 | 257,400 | 80,700 |
| Crites #1244 | 1.88 | 21,000 | 13,300 | 21,000 | 13,300 |
| Merle #1246 | 1.88 | 134,800 | 115,500 | 134,800 | 115,500 |
| Lost Creek #1251 | 2.31 | 789,800 | 789,800 | 789,800 | 789,800 |

(continued)

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 18 – Notes Payable (Continued)

| | Interest Rate | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 |
|----------------------------------|------------------|-------------------------------|------------------|------------------|---------------------------------|
| Berryman #1252 | 1.88% | \$299,000 | \$248,500 | \$443,000 | \$104,500 |
| Steinke #1253 | 2.31 | 34,500 | 29,900 | 34,500 | 29,900 |
| Billymack #1256 | 2.31 | 30,500 | 29,900 | 31,250 | 29,150 |
| Little Ottawa River #1260 | 2.31 | 10,000 | 8,000 | 10,000 | 8,000 |
| Speedco #1262 | 2.31 | 8,300 | 6,800 | 8,300 | 6,800 |
| Fairwood & Masters #1264 | 2.31 | 8,100 | 6,900 | 8,100 | 6,900 |
| Moser Jt Cty #1266 | 2.31 | 220,800 | 220,800 | 270,800 | 170,800 |
| Boughan #1271 | 2.31 | 1,900 | 900 | 2,650 | 150 |
| Springhill & Oakwoods #1272 | 2.31 | 71,000 | 35,500 | 71,000 | 35,500 |
| Fairwood #1274 | 1.88 | 5,000 | 5,000 | 5,000 | 5,000 |
| Lapoint #1275 | 1.88 | 7,750 | 7,750 | 7,750 | 7,750 |
| Shaw & Goddard #1276 | 2.31 | 16,000 | 132,600 | 32,000 | 116,600 |
| Burkholder #1278 | 2.31 | 39,500 | 34,400 | 39,500 | 34,400 |
| Welty Impro #1281 | 2.31 | 158,800 | 158,800 | 233,300 | 84,300 |
| Wm Smith Jt Cty #1284 | 2.31 | 93,600 | 93,600 | 93,600 | 93,600 |
| American Village #1301 | 2.31 | 8,000 | 8,000 | 8,000 | 8,000 |
| Elmview Dr #1302 | 2.31 | 15,000 | 15,000 | 15,000 | 15,000 |
| Arthurs 1 st Sewer | | 135,000 | 0 | 135,000 | 0 |
| Ciminillos 1 st Sewer | | 18,000 | 0 | 18,000 | 0 |
| Total Special Assessment Notes | | <u>2,793,200</u> | <u>2,388,000</u> | <u>3,125,700</u> | <u>2,055,500</u> |
| <u>Enterprise Activities</u> | | | | | |
| Improvements for Overflow | 1.88 | <u>2,500,000</u> | <u>2,500,000</u> | <u>2,500,000</u> | <u>2,500,000</u> |
| Total Bond Anticipation Notes | | <u>\$8,091,200</u> | <u>4,888,000</u> | <u>8,423,700</u> | <u>4,555,500</u> |

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 19 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2011, was as follows:

| | Interest Rate | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 | Due within a Year |
|--|------------------|-------------------------------|------------------|------------------|---------------------------------|----------------------|
| General Obligation Bonds | | | | | | |
| 2002 Court of Appeals (Original Amount \$2,744,85) | 1.5-5.25% | \$1,191,603 | \$0 | \$220,374 | \$971,229 | \$226,972 |
| 2002 County Justice Center (Original Amount \$7,655,435) | 1.5 - 5.25 | 3,323,396 | 0 | 614,626 | 2,708,770 | 633,028 |
| 2001 Downtown Parking (Original Amount \$1,310,000) | 3.3 – 5.0 | 860,000 | 0 | 60,000 | 800,000 | 65,000 |
| 2001 Civic Center (Original Amount \$4,230,000) | 3.3 – 5.0 | 2,770,000 | 0 | 201,000 | 2,569,000 | 206,000 |
| 2008 Road Improvement (Original Amount \$1,760,000) | 3.195 | 1,408,000 | 0 | 176,000 | 1,232,000 | 176,000 |
| 2011 Energy Efficiency (Original Amount \$2,320,000) | 3.5 | 0 | 2,320,000 | 0 | 2,320,000 | 290,000 |
| Total General Obligation Bonds | | 9,552,999 | 2,320,000 | 1,272,000 | 10,600,999 | 1,597,000 |
| Special Assessment Bonds | | | | | | |
| 2002 Waterline Improvement (Original Amount \$450,000) | 1.5 – 5.25 | 60,000 | 0 | 60,000 | 0 | 0 |
| 2002 Hixenbaugh/Copus/ Indianbrook (Original Amount \$310,000) | 1.5 – 5.25 | 55,000 | 0 | 30,000 | 25,000 | 25,000 |
| 2006 Ft. Shawnee Waterline Refund (Original Amount \$1,892,400) | 3.0 - 5.0 | 855,000 | 0 | 195,000 | 660,000 | 210,000 |
| 2002 Findlay/Ada/Stewart Road (Original Amount \$2,110,000) | 1.5 – 5.25 | 1,380,000 | 0 | 105,000 | 1,275,000 | 110,000 |
| 2001 Allentown Road Sewer (Original Amount \$865,000) | 3.3 – 5.0 | 570,000 | 0 | 40,000 | 530,000 | 45,000 |
| 2001 East Road Waterline (Original Amount \$50,000) | 3.3 – 5.0 | 26,000 | 0 | 3,000 | 23,000 | 3,000 |
| 2001 Ottawa River Bend Waterline (Original Amount \$95,000) | 3.3 – 5.0 | 49,000 | 0 | 6,000 | 43,000 | 6,000 |
| 2006 Delmar/Glenn (Original Amount \$342,600) | 3.0 – 5.0 | 279,600 | 0 | 15,600 | 264,000 | 15,500 |
| 2006 Trebor Drive Waterline (Original Amount \$11,000) | 3.0 -5.0 | 8,400 | 0 | 400 | 8,000 | 500 |
| 2006 Southwood Waterline (Original Amount \$71,000) | 3.0 – 5.0 | 52,000 | 0 | 3,000 | 49,000 | 3,000 |
| 2006 Berryman Waterline (Original Amount \$133,000) | 3.0 – 5.0 | 100,000 | 0 | 6,000 | 94,000 | 6,000 |
| 2006 Oakview Project (Original Amount \$805,000) | 3.0 – 5.0 | 620,000 | 0 | 30,000 | 590,000 | 35,000 |
| 2006 Bond Premium | | 136,271 | 0 | 9,084 | 127,187 | 9,084 |
| Total Special Assessment Bonds | | \$4,191,271 | \$0 | \$503,084 | \$3,688,187 | \$468,084 |

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

| | Interest Rate | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 | Due within a Year |
|---|---------------|-------------------------------|--------------------|--------------------|---------------------------------|----------------------|
| Other Long-Term Obligations | | | | | | |
| Compensated Absences Payable | | \$3,197,938 | 193,310 | 264,766 | 3,126,482 | 1,632,876 |
| Airport Improvement Note | | 494,667 | 0 | 35,333 | 459,334 | 35,333 |
| Issue II Loan Payable-Phillips | | 66,303 | 0 | 7,368 | 58,935 | 3,684 |
| Issue II Loan Payable-Second | | 127,310 | 0 | 9,429 | 117,881 | 4,715 |
| Issue II Loan Payable-Eastown 1 | | 746,751 | 0 | 49,783 | 696,968 | 24,892 |
| Issue II Loan Payable-Eastown 2 | | 108,185 | 0 | 6,762 | 101,423 | 3,381 |
| Issue II Loan Payable-Eastown 4 | | 667,522 | 0 | 34,233 | 633,289 | 17,116 |
| Issue II Loan Payable – Road Resurfacing | | 319,604 | 0 | 17,276 | 302,328 | 8,638 |
| OWDA Loan Payable - Lutz/Early | | 552,922 | 0 | 34,292 | 518,630 | 17,275 |
| OWDA Loan Payable-4 th /Bowman | | 328,392 | 0 | 21,893 | 306,499 | 10,946 |
| OWDA Loan Payable – Perry Schools Sewer | | 464,529 | 0 | 19,048 | 445,481 | 9,769 |
| OWDA Loan Payable-Findlay Rd | | 411,418 | 0 | 18,198 | 393,220 | 9,333 |
| OWDA Loan Payable – Westminister | | 1,359,061 | 2,167,238 | 86,301 | 3,439,998 | 0 |
| Total Other Long-Term Obligations | | 8,844,602 | 2,360,548 | 604,682 | 10,600,468 | 1,777,958 |
| Total Governmental Activities | | \$22,588,872 | \$4,680,548 | \$2,379,766 | \$24,889,654 | \$3,843,042 |
| | | | | | | |
| | Interest Rate | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 | Due within a Year |
| Business-Type Activities | | | | | | |
| Revenue Bonds | | | | | | |
| 2002 Sewer System | 1.5-5.25 | | | | | |
| (Original Amount \$7,171,583) | | \$4,065,000 | \$0 | \$440,000 | \$3,625,000 | \$455,000 |
| Bond Premium | | 10,791 | 0 | 1,349 | 9,442 | 1,349 |
| Total Revenue Bonds | | 4,075,791 | 0 | 441,349 | 3,634,442 | 456,349 |
| Other Long-Term Obligations | | | | | | |
| Compensated Absences Payable | | 173,213 | 1,197 | 486 | 173,924 | 114,139 |
| OWDA Loan Payable-American II | 1.00 | 8,461,259 | 0 | 431,279 | 8,029,980 | 217,258 |
| OWDA Loan Payable-Bath SSO | 1.00 | 607,617 | 0 | 29,193 | 578,424 | 14,705 |
| OWDA Loan Payable – Woodbriar | 1.00 | 152,931 | 0 | 16,322 | 136,609 | 8,222 |
| Issue II Loan-Shaw WWTP/Sewer | 0.00 | 117,880 | 0 | 20,551 | 97,329 | 10,276 |
| Total Other Long-Term Obligations | | 9,512,900 | 1,197 | 497,831 | 9,016,266 | 364,600 |
| Total Business-Type Activities | | \$13,588,691 | \$1,197 | \$939,180 | \$12,650,708 | \$820,949 |

All general obligation bonds are supported by the full faith and credit of the County. General obligation bonds will be paid from unvoted property taxes. Special assessment debt is backed by the full faith and credit of the County and will be paid from the proceeds of special assessments levied against benefited property owners. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet annual principal and interest payments.

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 19 - Long-Term Obligations (Continued)

On January 12, 2011 the County issued \$2,320,000 energy efficiency bonds. The bonds have an interest rate of 3.5 percent.

During 2010, the County received OWDA loan funds for construction of sewer projects with payments beginning in 2011 for one of the loans. The OWDA loans reflected in the business-type activities fund will be paid from operating revenues of the sewer enterprise fund.

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

On November 1, 2002, the County issued \$7,150,000 sewer system revenue bonds for a current refunding of \$6,995,000 in sewer system revenue bonds. The callable bonds required a premium payment of \$139,100 on the call date. The refunding bonds were issued at 99.22 percent for sixteen years with interest rates ranging from 1.5 percent to 5.25 percent to repay the original debt issued for the district, and are to be paid from the enterprise fund. The reacquisition price exceeded the net carrying amount of the old debt \$302,221 and is being amortized over the life of the new debt.

In conjunction with the issuance of the sewer system revenue bonds, the County entered into a trust agreement with Fifth Third Bank. This trust agreement requires that the County establish various accounts for the repayment of debt. Certain restricted assets in the sewer fund are held by the trustees in accordance with the trust agreement.

Restricted assets relating to the sewer revenue bonds consisted of the following at December 31, 2011:

| | |
|--|-----------|
| Restricted assets held by the trustee for debt service | \$634,451 |
| Restricted assets held by the County for operations | 903,573 |
| Restricted assets held by the County for replacement and improvement | 61,027 |

Compensated absences liabilities will be paid from the fund from which the employees' salaries are paid with the General Fund, Job & Family Services Fund, Development Disabilities Fund, Children Services Fund, and the Motor Vehicle Gasoline Tax Fund being the most significant funds. Capital lease obligations will be paid from the fund that maintains custody of the related assets.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of the certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2011 are an overall debt margin of \$35,894,642 and an unvoted debt margin of \$9,509,088.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 19 - Long-Term Obligations (Continued)

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

| Year | Issue II Loans | OWDA Loans | | General Obligation Bonds | | Special Assessment Bonds | |
|-----------|--------------------|--------------------|------------------|--------------------------|--------------------|-----------------------------|------------------|
| | Principal | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$62,425 | \$47,323 | \$16,931 | \$1,597,000 | \$464,322 | \$459,000 | \$170,586 |
| 2013 | 124,850 | 95,892 | 32,616 | 1,639,999 | 414,006 | 451,000 | 149,526 |
| 2014 | 124,850 | 97,593 | 30,915 | 1,705,000 | 348,144 | 466,000 | 126,829 |
| 2015 | 124,850 | 99,344 | 29,164 | 1,765,000 | 278,993 | 256,000 | 103,368 |
| 2016 | 124,850 | 101,146 | 27,363 | 789,000 | 206,718 | 267,000 | 90,409 |
| 2017-2021 | 613,202 | 534,705 | 107,835 | 3,105,000 | 551,024 | 1,392,000 | 251,983 |
| 2022-2026 | 543,664 | 557,776 | 53,958 | 0 | 0 | 270,000 | 22,525 |
| 2027-2030 | 192,133 | 129,220 | 5,888 | 0 | 0 | 0 | 0 |
| | <u>\$1,910,824</u> | <u>\$1,662,999</u> | <u>\$304,670</u> | <u>\$10,600,999</u> | <u>\$2,263,207</u> | <u>\$3,561,000</u> | <u>\$915,226</u> |

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

| Year | Issue II Loans | OWDA Loan | | General Obligation Bonds | |
|-----------|-------------------|--------------------|------------------|--------------------------|------------------|
| | Principal | Principal | Interest | Principal | Interest |
| 2012 | \$10,275 | \$240,185 | \$43,725 | \$455,000 | \$161,048 |
| 2013 | 20,551 | 483,979 | 83,841 | 475,000 | 144,213 |
| 2014 | 20,551 | 488,831 | 78,989 | 490,000 | 125,213 |
| 2015 | 20,551 | 493,731 | 74,089 | 510,000 | 105,613 |
| 2016 | 15,317 | 498,681 | 69,139 | 535,000 | 78,838 |
| 2017-2021 | 10,084 | 2,542,555 | 269,831 | 1,160,000 | 76,781 |
| 2022-2026 | 0 | 3,145,809 | 154,248 | 0 | 0 |
| 2027-2030 | 0 | 851,242 | 8,963 | 0 | 0 |
| | <u>\$97,329</u> | <u>\$8,745,013</u> | <u>\$782,825</u> | <u>\$3,625,000</u> | <u>\$692,706</u> |

The OWDA Loan - Westminster in the Governmental Activities has not been fully drawn as of December 31, 2011. As such, final amortization schedules are not available for these loans.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 19 - Long-Term Obligations (Continued)

Conduit Debt

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

In 2001, the County issued development revenue bonds in the amount of \$1,600,000. These bonds were issued to provide financial assistance to private-sector entities for the acquisition, construction, renovating, and equipping of facilities deemed to be in the public interest.

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

In 2008, the County issued health care facilities revenue bonds in the amount of \$3,000,000. These bonds were issued to provide financial assistance to Lima Convalescent Home Foundation, Inc. with the acquisition, construction and equipping of a 59-unit congregate care facility for the elderly.

In, 2010, the County issued health care facilities revenue bonds in the amount of \$195,000,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt.

In, 2011, the County issued health care facilities revenue bonds in the amount of \$87,426,265. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt.

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

The County is not obligated in any way to pay the debt and related charges on revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011 the aggregate principal amount payable on these bonds is \$304,496,265.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 20 - Interfund Transfers

During 2011 the following transfers were made:

| | | Transfers Out | | | Total |
|--------------|-------------------------------|---------------|-----------------------|-----------------------------|-----------|
| | | General | Other Governmental | Business-Type Activities | |
| Transfers In | Governmental Activities | | | | |
| | Other Governmental | \$634,596 | \$0 | \$220,948 | \$855,544 |
| | Total Governmental Activities | \$634,596 | \$0 | \$220,948 | \$855,544 |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 21 – Joint Venture

A. Lima-Allen County Downtown Construction

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

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

The City of Lima has agreed to enter into a long-term lease agreement with the County offering the County a one-half ownership interest in the parking garage, which will be operated and maintained by the Lima-Allen County Joint Parking Commission, in accordance with the rules and regulations established for the JPC (see Note 22). As of December 31, 2011 this lease has not been entered into.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 21 – Joint Venture (continued)

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

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

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

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

Note 22 – Jointly Governed Organizations

A. Lima-Allen County Regional Planning Commission

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 22 – Jointly Governed Organizations (Continued)

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 2011, the County did not pay membership fees. Complete financial statements can be obtained from the Lima-Allen County Regional Planning Commission, Allen County, Ohio.

B. North Central Ohio Solid Waste Management District

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

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

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 22 – Jointly Governed Organizations (Continued)

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

D. Lima-Allen County Joint Parking Commission

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

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

Note 23 – Insurance Pool

County Employee Benefits Consortium of Ohio, Inc.

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

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 24 - Marimor Industries

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

B. Deposits and Investments

At year end, the carrying amount of deposits was \$420,480. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" as of December 31, 2011, \$0 of the organization's bank balance of \$424,074 was exposed to custodial risk as discussed above, as \$245,100 was covered by Federal Deposit Insurance Corporation and \$178,974 was covered by National Credit Union Association.

C. Capital Assets

The Industries had capital assets equipment, in the amount of \$605,405, as of December 31, 2011. Accumulated depreciation was \$466,028, with a net capital asset amount of \$139,377. Depreciation is computed using the straight-line method over a useful life of three to seven years.

Note 25 – LODDI

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 25 – LODDI (Continued)

B. Deposits and Investments

At year end, the carrying amount of LODDI deposits was \$89,808. These amounts are classified as “Cash and Cash Equivalents and Investments in Segregated Accounts” on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

C. Capital Assets

LODDI had capital assets of land and buildings, in the amounts of \$139,404 and \$1,269,970, respectively, as of December 31, 2011. Accumulated depreciation was \$322,798, with a net capital asset amount of \$1,086,576. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

| | Interest Rate | Balance January 1, 2011 | Additions | Reductions | Balance December 31, 2011 | Due Within One Year |
|------------------------|------------------|-------------------------------|-----------|------------|---------------------------------|------------------------|
| Mortgage Notes Payable | 4.67–9.2% | \$70,698 | \$14,714 | \$19,816 | \$65,596 | \$18,774 |

Note 26 – Related Party Transactions

Marimor Industries, a discretely presented component unit of Allen County, has entered into a contract with the Allen County Board of Developmental Disabilities (DD), whereby the DD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are not reflected in the financial statements of the component unit. In 2011, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker’s compensation, repairs, supplies, equipment, medicare, and other expenses was \$3,499,568.

Note 27 - Contingent Liabilities

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

Several claims and lawsuits are pending against the County. In the opinion of the Prosecuting Attorney, any potential claims or liabilities from these lawsuits would not have a material adverse effect on the financial statements.

Note 28 - Subsequent Events

On May 3, 2012 the County authorized the issuance of \$1,190,100 of various purpose bond anticipation notes.

On May 3, 2012 the County authorized the issuance of \$622,697 of various purpose bond anticipation notes.

Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 29 – Change in Accounting Principle and Fund Balances

For fiscal year 2011, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the fund types are presented below for December 31, 2011:

| Fund Balances | General Fund | Job and Family Services | Developmental Disabilities | Children Services | Motor Vehicle and Gasoline Tax | Other Governmental Funds | Total |
|-----------------------------|----------------------------|-------------------------------|-------------------------------|----------------------------|--------------------------------------|--------------------------------|-----------------------------|
| Nonspendable | \$ 737,598 | \$ 92,685 | \$ 95,912 | \$ 47,911 | \$ 357,111 | \$ 2,210,566 | \$ 3,541,783 |
| Restricted for | | | | | | | |
| Human Services | - | 1,126,998 | - | 2,533,971 | - | 641,277 | 4,302,246 |
| Health | - | - | 11,869,980 | - | - | 779,824 | 12,649,804 |
| Public Safety | - | - | - | - | - | 949,464 | 949,464 |
| Public Works | - | - | - | - | 1,201,719 | - | 1,201,719 |
| Capital Outlay | - | - | - | - | - | 3,429,073 | 3,429,073 |
| Other Purposes | 301,850 | - | - | - | - | 6,509,741 | 6,811,591 |
| Total Restricted | <u>301,850</u> | <u>1,126,998</u> | <u>11,869,980</u> | <u>2,533,971</u> | <u>1,201,719</u> | <u>12,309,379</u> | <u>29,343,897</u> |
| Assigned | 1,237,802 | - | - | - | - | 1,300,776 | 2,538,578 |
| Committed | 1,266,980 | - | - | - | - | 509,131 | 1,776,111 |
| Unassigned (Deficit) | <u>3,219,014</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(45,267)</u> | <u>3,173,747</u> |
| Total Fund Balances | <u><u>\$ 6,763,244</u></u> | <u><u>\$ 1,219,683</u></u> | <u><u>\$ 11,965,892</u></u> | <u><u>\$ 2,581,882</u></u> | <u><u>\$ 1,558,830</u></u> | <u><u>\$ 16,284,585</u></u> | <u><u>\$ 40,374,116</u></u> |

Allen County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|---|-------------------------------|------------------------|------------------|---------------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| <i>Passed through the Ohio Department of Job and Family Services:</i> | | | | |
| Supplemental Nutrition Assistance Program Cluster: | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | G-1213-11-0003 | 10.561 | \$ 781,749 | \$ - |
| Total Supplemental Nutrition Assistance Program Cluster | | | 781,749 | - |
| <i>Passed through the Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | | | | |
| Marimor School | 065821-05-PU | 10.553 | 15,311 | - |
| Detention Center | 069971-05-PU | 10.553 | 17,359 | - |
| Total School Breakfast Program | | | 32,670 | - |
| National School Lunch Program | | | | |
| Marimor School | 065821-LL-P4 | 10.555 | 26,492 | 10,809 |
| Detention Center | 069971-LL-P4 | 10.555 | 26,562 | 7,470 |
| Total National School Lunch Program | | | 53,054 | 18,279 |
| Total Child Nutrition Cluster | | | 85,724 | 18,279 |
| Total U.S. Department of Agriculture | | | 867,473 | 18,279 |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| <i>Passed through the Ohio Department of Development:</i> | | | | |
| Community Development Block Grants - State Administered CDBG Cluster: | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | | | | |
| Formula Allocation Program | B-F-09-002-1 | 14.228 | 6,439 | - |
| Formula Allocation Program | B-F-10-1AB-1 | 14.228 | 213,186 | - |
| Total Formula Allocation Program | | | 219,625 | - |
| CDBG CHIP | B-C-09-1AB-1 | 14.228 | 45,708 | - |
| Water and Sewer Grant | B-W-09-1AB-1 | 14.228 | 291,830 | - |
| CDBG Revolving Loans | N/A | 14.228 | 462,317 | - |
| Total Community Development Block Grants - State Administered CDBG Cluster | | | 1,019,480 | - |
| Home Investment Partnership Program | B-C-09-1AB-1 | 14.239 | 186,502 | - |
| Total Home Investment Partnership Program | | | 186,502 | - |
| Total U.S. Department of Housing and Urban Development | | | 1,205,982 | - |
| <u>U.S. Department of Labor</u> | | | | |
| <i>Passed through the Workforce Investment Act, Area 7:</i> | | | | |
| Employment Service Cluster: | | | | |
| WIA Disabled Veterans' Outreach Program (DVOP) | N/A | 17.801 | 24,877 | - |
| Workforce Investment Act Cluster: | | | | |
| WIA Adult Program | N/A | 17.258 | 476,349 | - |
| WIA Adult - Admin Program | N/A | 17.258 | 37,800 | - |
| WIA Youth Activities | N/A | 17.259 | 331,566 | - |
| WIA Youth Activities - Admin | N/A | 17.259 | 8,385 | - |
| WIA Dislocated Workers | N/A | 17.260 | 318,711 | - |
| WIA Dislocated Workers - Admin | N/A | 17.260 | 29,816 | - |
| WIA Dislocated Workers - ARRA | N/A | 17.260 | 40,000 | - |
| Total Workforce Investment Act Cluster | | | 1,242,627 | - |
| Total U.S. Department of Labor | | | 1,267,504 | - |
| <u>U.S. Department of Transportation</u> | | | | |
| <i>Federal Highway Administration</i> | | | | |
| <i>Passed through the Ohio Department of Transportation:</i> | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction | N/A | 20.205 | 2,650,366 | - |
| Highway Safety Cluster: | | | | |
| State and Community Highway Safety Grant | HVEO-2011-2-00-00-00 | 20.600 | 65,710 | - |
| Alcohol Impaired Driving Countermeasures Incentive Grant | N/A | 20.601 | 7,261 | - |
| Total Highway Safety Cluster | | | 72,971 | - |
| Total U.S. Department of Transportation | | | 2,723,337 | - |

(continued)

Allen County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|--|-------------------------------|------------------------|----------------------|---------------------------|
| U.S. Department of Education | | | | |
| <i>Passed through the Ohio Department of Education:</i> | | | | |
| Special Education Cluster: | | | | |
| Special Education-Grants to States | 065821-6B-SF-10P | 84.027 | 83,937 | - |
| Total Special Education-Grants to States | | | 83,937 | - |
| Special Education-Preschool Grants | 065821-PGS1-10-P | 84.173 | 29,653 | - |
| Total Special Education-Preschool Grants | | | 29,653 | - |
| Total Special Education Cluster | | | 113,590 | - |
| <i>Passed through the Ohio Department of Health:</i> | | | | |
| Early Intervention Services (IDEA) Cluster: | | | | |
| Special Education - Grants for Infants and Families FY11 | N/A | 84,181 | 42,173 | - |
| Special Education - Grants for Infants and Families FY12 | N/A | 84,181 | 62,033 | - |
| Special Education - Grants for Infants and Families FY11 - ARRA | N/A | 84,393 | 39,889 | - |
| Total Early Intervention Services (IDEA) Cluster | | | 144,095 | - |
| Total U.S. Department of Education | | | 257,685 | - |
| U.S. Department of Health and Human Services | | | | |
| <i>Passed through the Ohio Department of Developmental Disabilities:</i> | | | | |
| Social Services Block Grant | N/A | 93.667 | 82,758 | - |
| <i>Passed through the Ohio Department of Job and Family Services:</i> | | | | |
| Social Services Block Grant | G-1213-11-0003 | 93.667 | 268,690 | - |
| Total Social Services Block Grant | | | 351,448 | - |
| <i>Passed through the Ohio Department of Job and Family Services:</i> | | | | |
| Promoting Safe and Stable Families | G-1213-11-0004 | 93.556 | 72,368 | - |
| Child Support Enforcement | G-1213-11-0004 | 93.563 | 1,507,964 | - |
| Child Support Access and Visitation | G-1213-11-0004 | 93.563 | 38,835 | - |
| Community Based Child Abuse Prevention Grants | G-1213-11-0004 | 93.590 | 1,535 | - |
| Child Welfare Services State Grants | G-1213-11-0004 | 93.645 | 81,414 | - |
| Foster Care Title IV-E | N/A | 93.658 | 510,479 | - |
| Adoption Assistance | N/A | 93.659 | 852,180 | - |
| Chafee Foster Care Independence Program | G-1213-11-0003 | 93.674 | 92,344 | - |
| State Children's Health Insurance Program | N/A | 93.767 | 303,127 | - |
| | | | 3,460,246 | - |
| Child Care Development Fund Cluster: | | | | |
| Child Care and Development Block Grant | G-1213-11-0003 | 93.575 | 62,515 | - |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | G-1213-11-0003 | 93.596 | 66,850 | - |
| Total Child Care Development Fund Cluster | | | 129,365 | - |
| TANF Cluster: | | | | |
| Temporay Assistance for Needy Families (TANF) State Programs | G-1213-11-0003 | 93.558 | 2,906,046 | - |
| Total TANF Cluster | | | 2,906,046 | - |
| Medicaid Cluster: | | | | |
| <i>Passed through the Ohio Department of Developmental Disabilities:</i> | | | | |
| Medical Assistance Program - ARRA | N/A | 93.778 | 133,646 | - |
| Medical Assistance Program | N/A | 93.778 | 500,250 | - |
| <i>Passed through the Ohio Department of Job and Family Services:</i> | | | | |
| Medical Assistance Program | G-1213-11-0003 | 93.778 | 505,532 | - |
| Total Medicaid Cluster | | | 1,139,428 | - |
| Total U.S. Department of Health and Human Services | | | 7,986,533 | - |
| U.S. Department of Criminal Justice | | | | |
| <i>Passed through the Ohio Department of Public Safety:</i> | | | | |
| JAG Program Cluster: | | | | |
| Edward Byrne Memorial Justice Assistance Grant | N/A | 16.738 | 2,718 | - |
| West Central Ohio Crime Task Force | 2010-JG-A01-6409 | 16.738 | 83,709 | - |
| Total U.S. Department of Criminal Justice | | | 86,427 | - |
| U.S. Department of Homeland Security | | | | |
| <i>Passed through the Ohio Emergency Management Agency:</i> | | | | |
| Homeland Security Cluster: | | | | |
| State Homeland Security Program | 2008-GE-T8-0025 | 97.067 | 38,791 | - |
| State Homeland Security Program | 2009-SS-T9-0089 | 97.067 | 10,957 | - |
| State Homeland Security Program | 2009-SS-T0-0012 | 97.067 | 48,554 | - |
| Total Homeland Security Cluster | | | 98,302 | - |
| Emergency Management Performance Grants: | | | | |
| Emergency Management Performance Grants | 2010-EP-00-0003 | 97.042 | 58,298 | - |
| Total Emergency Management Performance Grants | | | 58,298 | - |
| Total U.S. Department of Homeland Security | | | 156,600 | - |
| Total Federal Expenditures | | | \$ 14,551,541 | \$ 18,279 |

N/A - pass through entity number not available

See accompanying notes to the Schedule of Expenditures of Federal Awards.

ALLEN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial programs of Allen County, Ohio. The County reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the Schedule.

NOTE 2 – BASIS OF ACCOUNTING

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

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

The County has established revolving loan programs to provide low-interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. In addition, with the approval of ODOD, the County may use repaid monies for community improvement projects.

Activity in the CDBG economic development and housing revolving loan funds during 2011 is as follows:

| | |
|---|--------------------|
| Beginning loans receivable balance as of January 1, 2011* | \$2,026,002 |
| Loans made | 440,000 |
| Loan principal repaid on loans issued | <u>(506,933)</u> |
| Ending loans receivable balance as of December 31, 2011 | 1,959,069 |
| Cash balance on hand in the revolving loan fund as of December 31, 2011 | 572,286 |
| Administrative costs expenditures during 2011 | <u>22,317</u> |
| Total value of RLF portion of the CDBG 14.228 program | 2,553,672 |
| Other grants administered through the 14.228 program | <u>557,163</u> |
| Total CDBG CFDA #14.228 program | <u>\$3,110,835</u> |
| Delinquent amounts due as of December 31, 2011 | <u>\$126,800</u> |

* Amount restated to account for a loan not recorded in the year ended December 31, 2009.

ALLEN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Activity in the HOME housing revolving loan fund during 2011 is as follows:

| | |
|---|-----------|
| Beginning loans receivable balance as of January 1, 2011 | \$6,457 |
| Loans made | 0 |
| Loan principal repaid on loans issued | 0 |
| Ending loans receivable balance as of December 31, 2011 | 6,457 |
| Cash balance on hand in the revolving loan fund as of December 31, 2011 | 12,629 |
| Administrative costs expenditures during 2011 | 0 |
| Total value of RLF portion of the CDBG 14.239 program | 19,086 |
| Other grants administered through the 14.239 program | 186,502 |
| Total CDBG CFDA #14.239 program | \$205,588 |
| Delinquent amounts due as of December 31, 2011 | \$0 |

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

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

NOTE 5 – MATCHING REQUIREMENTS

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

NOTE 6 – WORKFORCE INVESTMENT ACT

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

NOTE 7 – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA#93.778) in the amount of \$753,056. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and discretely presented component units of Allen County, Ohio, (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 25, 2012, wherein we noted that the County Implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We also issued an adverse opinion on the aggregately presented component units since the County omitted their component unit presentation for the Port Authority of Allen County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Marimore Industries, as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. Other auditors audited the financial statements of LODDI, INC., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

Internal Control over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

Internal Control over Financial Reporting (Continued)

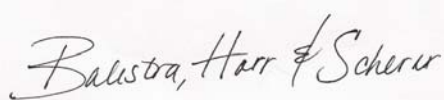
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2011-001.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
June 25, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

We have audited the compliance of Allen County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Allen County's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Allen County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

Board of Commissioners
Allen County
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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 compliance requirement. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Board of County Commissioners, others within the County, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 25, 2012

Allen County
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant deficiencies reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant deficiencies reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under section | No |
| (d)(1)(vii) | Major Programs (list): | <p>Workforce Investment Act Cluster: CFDA #17.258 WIA Adult Program; CFDA #17.259 WIA Youth Activities; CFDA #17.260 WIA Dislocated Workers; CFDA #17.260 (ARRA) WIA Dislocated Workers;</p> <p>Highway Planning and Construction Cluster: CFDA #20.205 Highway Planning and Construction</p> <p>Early Intervention Services (IDEA) Cluster: CFDA #84.181 Special Education Grants for Infants and Families; CFDA #84.393 (ARRA) Special Education Grants for Infants and Families</p> <p>TANF Cluster: CFDA #93.558 Temporary Assistance for Needy Families (TANF) State Programs</p> <p>Medicaid Cluster: CFDA #93.778 Medical Assistance Program; CFDA #93.778 (ARRA) Medical Assistance Program</p> |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$437,095 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

Allen County
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2011
(Continued)

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

Finding 2011-001

Noncompliance – Reduced Amended Certificate

Ohio Revised Code Section 5705.36(A)(4) requires the County to request a reduced amended certificate of available resources when it is known that the amount of actual resources will fall below the level of appropriations.

| <u>Fund</u> | <u>Actual Resources</u> | <u>Appropriations</u> | <u>Variance</u> |
|--|-----------------------------|-----------------------|-----------------|
| Job and Family Services Special Revenue Fund | \$10,338,288 | \$13,031,700 | \$(2,693,412) |

The County should monitor actual resources compared to budgetary estimates. When it is known that the level of actual resources will fall below the level of appropriations, a reduced amended certificate should be obtained. Further, appropriations should then be reduced to a level below the actual resources.

Client Response: The County has or is in the process of addressing this issue.

3. Findings and Questioned Costs for Federal Awards

None

Allen County
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2011

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|--|
| 2010-001 | Noncompliance – Reduced Amended Certificate | No | Reissued as item 2011-001 |



Dave Yost • Auditor of State

ALLEN COUNTY

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
AUGUST 21, 2012