



Dave Yost • Auditor of State

Allen County

**General Purpose External Financial Statements
For the Year Ended December 31, 2016**

Local Government Services

Allen County
General Purpose External Financial Statements
For the Year Ended December 31, 2016

Table of Contents

Table of Contents.....	1
Accountant's Compilation Report	3
General Purpose External Financial Statements	
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities.....	16
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	22
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund.....	26
Motor Vehicle and Gasoline Tax Fund.....	27
Job and Family Services Fund	28
Developmental Disabilities Fund.....	29
Children Services Fund.....	30
Statement of Fund Net Position - Enterprise Fund	31
Statement of Revenues, Expenses, and Change in Fund Net Position - Enterprise Fund	33

Allen County
General Purpose External Financial Statements
For the Year Ended December 31, 2016

Table of Contents
(continued)

Statement of Cash Flows - Enterprise Fund.....	34
Statement of Fiduciary Net Position - Fiduciary Funds.....	36
Statement of Change in Fiduciary Net Position - Investment Trust Fund	37
Notes to the Basic Financial Statements.....	38
Required Supplementary Information	
Schedule of the County's Proportionate Share of the Net Pension Liability -	
Ohio Public Employees Retirement System	95
State Teachers Retirement System.....	96
Schedule of the County's Contributions -	
Ohio Public Employees Retirement System	97
State Teachers Retirement System.....	98



Dave Yost • Auditor of State

County Commissioners
Allen County Courthouse
301 North Main Street
Lima, Ohio 45801

Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of Allen County as of and for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board and was prepared by management. We did not compile, review, or audit the information nor do we express an opinion, a conclusion, nor provide any assurance on the information.

The schedules of the County's proportionate share of the net pension liability and the schedules of the County's contributions are not part of the basic financial statements but the Governmental Accounting Standards Board requires their presentation to supplement the basic financial statements. We have compiled these schedules without audit or review and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this information.

DAVE YOST
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

May 30, 2017

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Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
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, 2016. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Highlights

In total, the County's net position decreased approximately 2 percent; 4 percent decrease for governmental activities and 4 percent increase for business-type activities.

Using this Annual Report

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

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

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

Reporting the County as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

Component Units - The County's financial statements include financial information for LODDI (Living Options for Developmentally Disabled Individuals). The component unit is more fully described in Note 1 to the basic financial statements.

Reporting the County's Most Significant Funds

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

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

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

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

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

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2016 and 2015.

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>						
Current and Other Assets	\$64,811,737	\$69,862,838	\$6,499,868	\$5,613,601	\$71,311,605	\$75,476,439
Capital Assets, Net	63,255,793	64,722,807	49,863,775	50,425,968	113,119,568	115,148,775
Total Assets	<u>128,067,530</u>	<u>134,585,645</u>	<u>56,363,643</u>	<u>56,039,569</u>	<u>184,431,173</u>	<u>190,625,214</u>
<u>Deferred Outflows of Resources</u>						
Pension	17,083,467	5,788,390	873,542	295,035	17,957,009	6,083,425
<u>Liabilities</u>						
Current and Other Liabilities	2,631,532	3,758,389	1,341,531	1,927,416	3,973,063	5,685,805
Long-Term Liabilities						
Pension	46,290,143	33,542,777	2,307,261	1,666,701	48,597,404	35,209,478
Other Amounts	16,467,001	20,435,788	21,527,036	22,081,202	37,994,037	42,516,990
Total Liabilities	<u>65,388,676</u>	<u>57,736,954</u>	<u>25,175,828</u>	<u>25,675,319</u>	<u>90,564,504</u>	<u>83,412,273</u>
<u>Deferred Inflows of Resources</u>						
Pension	1,684,891	803,600	84,242	29,281	1,769,133	832,881
Other Amounts	10,237,898	10,857,830	0	0	10,237,898	10,857,830
Total Deferred Inflows of Resources	<u>11,922,789</u>	<u>11,661,430</u>	<u>84,242</u>	<u>29,281</u>	<u>12,007,031</u>	<u>11,690,711</u>
<u>Net Position</u>						
Net Investment in Capital Assets	53,081,156	50,779,389	27,339,381	26,764,395	80,420,537	77,543,784
Restricted	33,159,761	37,446,832	0	0	33,159,761	37,446,832
Unrestricted (Deficit)	(18,401,385)	(17,250,570)	4,637,734	3,865,609	(13,763,651)	(13,384,961)
Total Net Position	<u>\$67,839,532</u>	<u>\$70,975,651</u>	<u>\$31,977,115</u>	<u>\$30,630,004</u>	<u>99,816,647</u>	<u>101,605,655</u>

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The net pension liability is the largest single liability reported by the County at December 31, 2016, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB Statement No. 68 requires the net pension liability to equal the County's proportionate share of the plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

Aside from the changes related to pension, there were several other changes of note for governmental activities. The decrease in current and other assets is largely due to a decrease in cash and cash equivalents. Several factors contributed to this decrease; ditch construction, no collection of real estate fees in 2016, increased placement expenses for children's services, various repairs and improvements, etc. The decrease in current and other liabilities is largely due to fewer outstanding payables for contracts and retainage. In the prior year, there were payables at year end related to roof replacement, replacement of the chiller system, and the Eagle Rail Chemtrade project. The decrease in other long-term liabilities was scheduled debt retirement.

For business-type activities, the only other significant change (aside from pension related changes) was the increase in current and other assets. This was primarily an increase in cash and cash equivalents as a result of the operating income for the year.

Table 2 reflects the change in net position for 2016 and 2015.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$12,629,184	\$11,747,319	\$8,023,362	\$7,938,125	\$20,652,546	\$19,685,444
Operating Grants, Contributions, and Interest	29,923,109	29,285,502	0	0	29,923,109	29,285,502
Capital Grants and Contributions	993,017	3,278,867	0	0	993,017	3,278,867
Total Program Revenues	43,545,310	44,311,688	8,023,362	7,938,125	51,568,672	52,249,813
General Revenues						
Property Taxes Levied for						
General Operations	2,827,013	2,721,132	0	0	2,827,013	2,721,132
Health-Developmental Disabilities	4,837,706	4,835,251	0	0	4,837,706	4,835,251
Human Services-Children Services	1,996,951	2,025,807	0	0	1,996,951	2,025,807
Debt Service	1,285,030	1,236,908	0	0	1,285,030	1,236,908
Marimor Permanent Improvement	420,665	420,460	0	0	420,665	420,460
Permissive Sales Taxes	17,443,985	16,974,925	0	0	17,443,985	16,974,925
Grants and Entitlements	2,990,658	3,147,667	0	0	2,990,658	3,147,667
Interest	543,550	519,234	42	5,528	543,592	524,762
Other	4,850,258	6,105,785	71,362	20,999	4,921,620	6,126,784
Total General Revenues	37,195,816	37,987,169	71,404	26,527	37,267,220	38,013,696
Total Revenues	80,741,126	82,298,857	8,094,766	7,964,652	88,835,892	90,263,509

(continued)

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Program Expenses</u>						
General Government						
Legislative and Executive	\$12,322,015	\$11,308,558	\$0	\$0	\$12,322,015	\$11,308,558
Judicial	8,923,866	8,644,402	0	0	8,923,866	8,644,402
Public Safety	12,774,812	11,121,406			12,774,812	11,121,406
Public Works	13,718,055	10,174,431	0	0	13,718,055	10,174,431
Health						
Developmental Disabilities	13,660,028	14,940,642	0	0	13,660,028	14,940,642
Other Health	721,694	761,837	0	0	721,694	761,837
Human Services						
Job and Family Services	9,128,489	9,402,209	0	0	9,128,489	9,402,209
Children Services	7,576,474	7,339,916	0	0	7,576,474	7,339,916
Other Human Services	2,604,964	2,389,248	0	0	2,604,964	2,389,248
Conservation and Recreation	1,895,556	1,736,028	0	0	1,895,556	1,736,028
Interest and Fiscal Charges	261,815	291,646	0	0	261,815	291,646
Sewer	0	0	7,037,132	9,478,128	7,037,132	9,478,128
Total Expenses	83,587,768	78,110,323	7,037,132	9,478,128	90,624,900	87,588,451
Increase (Decrease) in Net Position Before Transfers	(2,846,642)	4,188,534	1,057,634	(1,513,476)	(1,789,008)	2,675,058
Transfers	(289,477)	318,207	289,477	(318,207)	0	0
Increase (Decrease) in Net Position	(3,136,119)	4,506,741	1,347,111	(1,831,683)	(1,789,008)	2,675,058
Net Position Beginning of Year	70,975,651	66,468,910	30,630,004	32,461,687	101,605,655	98,930,597
Net Position End of Year	\$67,839,532	\$70,975,651	\$31,977,115	\$30,630,004	\$99,816,647	\$101,605,655

For governmental activities, there was little change in overall program revenues; however, there was an increase in charges for services revenue, largely in the public works program (county engineer) , and a decrease in capital grants and contributions because of grant resources received in the prior year for the Shawnee Road Roundabout project. The change in total general revenues was only 2 percent and not significant. Expenses increased 7. There was an increase in the public safety program related to costs associated with the community assistance program and in the public works program due to ditch improvements. The decrease in the health-developmental disabilities program was largely due to a decrease in transportation costs.

For the business-type activity, program revenues are almost 100 percent of total revenues (charges for sewer services). Revenues were very similar to the prior year. Expenses decreased due to significant noncapitalized acquisitions in the prior year.

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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	
	2016	2015	2016	2015
General Government:				
Legislative and Executive	\$12,322,015	\$11,308,558	\$9,153,961	\$6,873,390
Judicial	8,923,866	8,644,402	4,135,872	4,524,881
Public Safety	12,774,812	11,121,406	9,783,225	9,249,127
Public Works	13,718,055	10,174,431	3,058,002	(596,712)
Health				
Developmental Disabilities	13,660,028	14,940,642	7,371,663	6,504,572
Other Health	721,694	761,837	292,559	341,757
Human Services				
Job and Family Services	9,128,489	9,402,209	1,468,313	1,139,175
Children Services	7,576,474	7,339,916	2,914,391	3,835,821
Other Human Services	2,604,964	2,389,248	839,969	706,900
Conservation and Recreation	1,895,556	1,736,028	762,688	928,078
Interest and Fiscal Charges	261,815	291,646	261,815	291,646
Total Expenses	<u>\$83,587,768</u>	<u>\$78,110,323</u>	<u>\$40,042,458</u>	<u>\$33,798,635</u>

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) supported 48 percent of the services provided by the County (43 percent in 2015). A review of the table above reveals that a number of the County's programs have consistently received substantial support through program revenues. For instance, 25 percent of the legislative and executive program costs were provided for through various charges for services. The judicial program provides for 54 percent of its costs through various fines, court costs, and grants. The public works program receives program revenues from motor vehicle license and gas taxes as well as from charges to other governmental entities for which the County Engineer provides services. Grants provide for a significant portion of the costs of the health and human services programs (Developmental Disabilities, Job and Family Services, and Children Services programs).

Governmental Funds Financial Analysis

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

Fund balance in the General Fund increased 11 percent from the prior year. There was a 3 percent increase in revenues (primarily permissive sales taxes) as well as a 3 percent increase in expenditures. However, revenues continue to exceed expenditures.

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The Motor Vehicle and Gas Tax Fund had a 14 percent decrease in fund balance. There was a decrease in both revenues and expenditures. Revenues will fluctuate depending on grant resources available and expenditures will fluctuate dependent on road improvement projects undertaken.

The change in fund balance was not significant for either the Job and Family Services Fund or the Developmental Disabilities Fund.

There was a 33 percent decrease in fund balance in the Children Services Fund, although both revenues and expenditures were similar to the prior year. The demand for services exceeds the resources received to provide them.

The Ditch Construction Fund has a substantial decrease in fund balance due to resources being spent on improvements.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and change in fund net position, the Sewer Fund had an operating income for 2016 and increase in net position. Revenue was similar to the prior year; however, expenses decreased 29 percent. In 2015, there was a significant increase in contractual services for repairs and improvements.

Budgetary Highlights

The County prepares an annual budget of revenues and expenditures/expenses for all funds of the County for use by County officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of January. The County's most significant budgeted fund is the General Fund. For revenues, there was little change from the original budget to the final budget. The increase from the final budget to actual revenues was due to a sizable increase in charges for services revenue. For expenditures, changes from the original budget to the final budget were not significant. Actual expenditures were less than amounts budgeted in all programs due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets - The County's net investment in capital assets for governmental and business-type activities as of December 31, 2016, was \$53,081,156 and \$27,339,381, respectively (net of accumulated depreciation and related debt). The primary additions for governmental activities consisted of continuing construction, building improvements, and road and bridge improvements. Disposals were largely vehicle replacement and roads that were reconstructed. For the business-type activity, additions were primarily construction and infrastructure improvements. Disposals were minimal. For further information regarding the County's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2016, the County had \$2,982,632 in special assessment notes, \$2,730,919 in general obligation bonds, \$1,505,935 in special assessment bonds, \$2,026,786 in OPWC loans, and \$3,965,595 in OWDA loans payable from governmental activities. The business-type activity had \$1,108,928 in bond anticipation notes, \$5,042 in OPWC loans, and \$21,244,140 in OWDA loans outstanding at year end.

Allen County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

Current Issues

The unemployment rate for the County was 5 percent as of December 2016, which is an increase of .5 percent from one year ago.

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

The County has seen a shift in the reliance of revenue since 2007. Sales taxes were 49 percent of the General Fund's revenue in 2007 and 60 percent in 2016. Interest revenue was 11 percent in 2007 and down to 1.9 percent in 2016. Local government funds were 7 percent of revenue and are now 4 percent of total revenue. This shift in revenue has made the County even more dependent on sales tax revenue.

There was a 2.6 percent increase in sales tax revenue in 2016. The County also experienced a slight increase in casino revenue. The local government funding from the State decreased \$14,543 in 2016. The changes in local government funds have resulted in an overall cut of approximately \$1 million from the State based distribution in 2008.

Request for Information

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

Allen County, Ohio
Statement of Net Position
Primary Government and Discreteley Presented Component Unit
December 31, 2016

	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activity	Total	LODDI
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$33,648,305	\$3,228,468	\$36,876,773	\$0
Cash and Cash Equivalents in Segregated Accounts	845,675	0	845,675	135,076
Cash and Cash Equivalents with Escrow Agent	0	110,149	110,149	0
Investments in Segregated Accounts	0	0	0	20,102
Accounts Receivable	11,545	3,063,244	3,074,789	0
Accrued Interest Receivable	48,369	0	48,369	0
Permissive Sales Taxes Receivable	4,730,944	0	4,730,944	0
Permissive Motor Vehicle License Taxes Receivable	27,798	0	27,798	0
Due from Other Governments	7,572,776	0	7,572,776	0
Due from External Parties	80,319	0	80,319	0
Prepaid Items	511,865	17,478	529,343	13,166
Materials and Supplies Inventory	593,787	63,730	657,517	0
Internal Balances	(16,799)	16,799	0	0
Property Taxes Receivable	11,175,023	0	11,175,023	0
Notes Receivable	1,378,292	0	1,378,292	0
Special Assessments Receivable	4,203,838	0	4,203,838	0
Nondepreciable Capital Assets	4,476,803	16,213,640	20,690,443	135,704
Depreciable Capital Assets, Net	58,778,990	33,650,135	92,429,125	794,350
Total Assets	128,067,530	56,363,643	184,431,173	1,098,398
<u>Deferred Outflows of Resources</u>				
Pension	17,083,467	873,542	17,957,009	0
<u>Liabilities</u>				
Accrued Wages Payable	803,755	44,753	848,508	0
Accounts Payable	959,623	26,869	986,492	1,502
Contracts Payable	269,840	15,052	284,892	0
Due to Other Governments	529,422	25,483	554,905	0
Due to External Parties	4,744	0	4,744	0
Retainage Payable	43,221	110,149	153,370	0
Accrued Interest Payable	20,927	10,297	31,224	0
Notes Payable	0	1,108,928	1,108,928	0
Long-Term Liabilities:				
Due Within One Year	5,811,956	669,519	6,481,475	3,623
Due in More Than One Year	10,655,045	20,857,517	31,512,562	608
Net Pension Liability	46,290,143	2,307,261	48,597,404	0
Total Liabilities	65,388,676	25,175,828	90,564,504	5,733
<u>Deferred Inflows of Resources</u>				
Property Taxes	10,237,898	0	10,237,898	0
Pension	1,684,891	84,242	1,769,133	0
Total Deferred Inflows of Resources	11,922,789	84,242	12,007,031	0

See Accountant's Compilation Report

Allen County, Ohio
Statement of Net Position
Primary Government and Discretely Presented Component Unit
December 31, 2016
(continued)

	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activity	Total	LODDI
Net Position				
Net Investment in Capital Assets	\$53,081,156	\$27,339,381	\$80,420,537	\$925,823
Restricted for:				
Debt Service	3,060,808	0	3,060,808	0
Capital Projects	2,381,381	0	2,381,381	0
Public Works	3,286,186	0	3,286,186	0
Developmental Disabilities	9,764,043	0	9,764,043	0
Job and Family Services	1,352,910	0	1,352,910	0
Children Services	2,150,404	0	2,150,404	0
Real Estate Assessment	2,075,469	0	2,075,469	0
Revolving Loan	2,028,441	0	2,028,441	0
Ditch Maintenance	2,177,447	0	2,177,447	0
Other Purposes	4,882,672	0	4,882,672	0
Unrestricted (Deficit)	(18,401,385)	4,637,734	(13,763,651)	166,842
Total Net Position	\$67,839,532	\$31,977,115	\$99,816,647	\$1,092,665

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County, Ohio
Statement of Activities
Primary Government and Discretely Presented Component Unit
For the Year Ended December 31, 2016

	Program Revenues		
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Expenses			
Governmental Activities:			
General Government:			
Legislative and Executive	\$12,322,015	\$3,018,972	\$149,082
Judicial	8,923,866	1,883,454	2,904,540
Public Safety	12,774,812	839,888	2,151,699
Public Works	13,718,055	4,402,405	5,264,631
Health			993,017
Developmental Disabilities	13,660,028	414,495	5,873,870
Other Health	721,694	429,135	0
Human Services			0
Job and Family Services	9,128,489	78	7,660,098
Children Services	7,576,474	188,515	4,473,568
Other Human Services	2,604,964	419,374	1,345,621
Conservation and Recreation	1,895,556	1,032,868	100,000
Interest and Fiscal Charges	261,815	0	0
Total Governmental Activities	83,587,768	12,629,184	29,923,109
			993,017
Business-Type Activity			
Sewer	7,037,132	8,023,362	0
			0
Total Primary Government	\$90,624,900	\$20,652,546	\$29,923,109
			\$993,017
Component Unit			
LODDI	\$165,081	\$125,415	\$0
			\$0

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Net (Expense) Revenue and Change in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activity	Total	LODDI
(\$9,153,961)	\$0	(\$9,153,961)	\$0
(4,135,872)	0	(4,135,872)	0
(9,783,225)	0	(9,783,225)	0
(3,058,002)	0	(3,058,002)	0
(7,371,663)	0	(7,371,663)	0
(292,559)	0	(292,559)	0
(1,468,313)	0	(1,468,313)	0
(2,914,391)	0	(2,914,391)	0
(839,969)	0	(839,969)	0
(762,688)	0	(762,688)	0
(261,815)	0	(261,815)	0
(40,042,458)	0	(40,042,458)	0
0	986,230	986,230	0
(40,042,458)	986,230	(39,056,228)	0
0	0	0	(39,666)
2,827,013	0	2,827,013	0
4,837,706	0	4,837,706	0
1,996,951	0	1,996,951	0
1,285,030	0	1,285,030	0
420,665	0	420,665	0
17,443,985	0	17,443,985	0
2,990,658	0	2,990,658	0
543,550	42	543,592	1,401
4,850,258	71,362	4,921,620	13,038
37,195,816	71,404	37,267,220	14,439
(289,477)	289,477	0	0
36,906,339	360,881	37,267,220	14,439
(3,136,119)	1,347,111	(1,789,008)	(25,227)
70,975,651	30,630,004	101,605,655	1,117,892
\$67,839,532	\$31,977,115	\$99,816,647	\$1,092,665

See Accountant's Compilation Report

Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,295,035	\$771,118	\$2,042,557	\$8,695,872
Cash and Cash Equivalents in Segregated Accounts	971	0	0	0
Accounts Receivable	0	500	0	6,088
Accrued Interest Receivable	48,369	0	0	0
Permissive Sales Taxes Receivable	4,537,837	0	0	0
Permissive Motor Vehicle License Taxes Receivable	0	27,798	0	0
Due from Other Governments	752,674	2,527,754	56,084	1,258,444
Due from External Parties	0	0	702	79,617
Prepaid Items	318,920	24,852	42,328	53,801
Materials and Supplies Inventory	49,693	437,421	28,408	75,463
Interfund Receivable	3,767,239	1,483	0	466
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	157,731	0	0	0
Property Taxes Receivable	2,951,196	0	0	5,360,461
Notes Receivable	0	0	0	0
Special Assessments Receivable	0	0	0	0
Total Assets	\$17,879,665	\$3,790,926	\$2,170,079	\$15,530,212
<u>Liabilities</u>				
Accrued Wages Payable	\$343,426	\$64,939	\$103,103	\$120,732
Accounts Payable	194,842	121,926	182,503	54,521
Contracts Payable	0	0	0	0
Due to Other Governments	231,060	36,257	81,133	76,850
Due to External Parties	1,132	0	0	0
Interfund Payable	823	24,852	92,604	53,801
Retainage Payable	0	0	0	0
Total Liabilities	771,283	247,974	459,343	305,904
<u>Deferred Inflows of Resources</u>				
Property Taxes Receivable	2,742,243	0	0	4,923,558
Unavailable Revenue	4,153,001	2,126,280	56,786	1,460,456
Total Deferred Inflows of Resources	6,895,244	2,126,280	56,786	6,384,014
<u>Fund Balance</u>				
Nonspendable	965,366	462,273	70,736	129,264
Restricted	0	954,399	1,583,214	8,711,030
Assigned	4,801,341	0	0	0
Unassigned (Deficit)	4,446,431	0	0	0
Total Fund Balance	10,213,138	1,416,672	1,653,950	8,840,294
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$17,879,665	\$3,790,926	\$2,170,079	\$15,530,212

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Children Services	Ditch Construction	Other Governmental	Total
\$1,688,586	\$2,655,868	\$12,341,538	\$33,490,574
16,246	0	828,458	845,675
0	0	4,957	11,545
0	0	0	48,369
0	0	193,107	4,730,944
0	0	0	27,798
928,962	0	2,048,858	7,572,776
0	0	0	80,319
28,903	0	43,061	511,865
2,802	0	0	593,787
150	0	250,126	4,019,464
0	0	0	157,731
2,235,329	0	628,037	11,175,023
0	0	1,378,292	1,378,292
0	848,182	3,355,656	4,203,838
<u>\$4,900,978</u>	<u>\$3,504,050</u>	<u>\$21,072,090</u>	<u>\$68,848,000</u>
\$66,957	\$0	\$104,598	\$803,755
227,928	17,280	160,623	959,623
0	101,203	168,637	269,840
39,285	0	64,837	529,422
0	0	3,612	4,744
29,369	2,405,908	1,428,906	4,036,263
0	10,863	32,358	43,221
<u>363,539</u>	<u>2,535,254</u>	<u>1,963,571</u>	<u>6,646,868</u>
2,077,031	0	495,066	10,237,898
890,212	848,182	5,337,325	14,872,242
<u>2,967,243</u>	<u>848,182</u>	<u>5,832,391</u>	<u>25,110,140</u>
31,705	0	43,061	1,702,405
1,538,491	120,614	13,546,265	26,454,013
0	0	4,813	4,806,154
0	0	(318,011)	4,128,420
<u>1,570,196</u>	<u>120,614</u>	<u>13,276,128</u>	<u>37,090,992</u>
<u>\$4,900,978</u>	<u>\$3,504,050</u>	<u>\$21,072,090</u>	<u>\$68,848,000</u>

See Accountant's Compilation Report

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Allen County, Ohio
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balance	\$37,090,992
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	63,255,793
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	1,448	
Accrued Interest Receivable	37,665	
Permissive Sales Taxes Receivable	3,359,362	
Due from Other Governments	6,224,759	
Due from External Parties	24,524	
Interfund Receivable	83,521	
Delinquent Property Taxes Receivable	937,125	
Special Assessments Receivable	<u>4,203,838</u>	
		14,872,242

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

Special Assessment Notes Payable	(2,982,632)	
General Obligation Bonds Payable	(2,730,919)	
Special Assessment Bonds Payable	(1,505,935)	
OPWC Loans Payable	(2,026,786)	
OWDA Loans Payable	(3,965,595)	
Capital Leases Payable	(69,093)	
Compensated Absences Payable	<u>(3,186,041)</u>	
		(16,467,001)

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

(20,927)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.

Deferred Outflows - Pension	17,083,467	
Deferred Inflows - Pension	(1,684,891)	
Net Pension Liability	<u>(46,290,143)</u>	
		<u>(30,891,567)</u>

Net Position of Governmental Activities	<u><u>\$67,839,532</u></u>
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See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
Revenues				
Property Taxes	\$2,838,313	\$0	\$0	\$4,861,330
Permissive Sales Taxes	16,508,685	0	0	0
Permissive Motor Vehicle License Taxes	0	345,122	0	0
Other Local Taxes	0	0	0	0
Charges for Services	4,760,448	719,943	78	410,142
Licenses and Permits	6,441	10,755	0	0
Fines and Forfeitures	83,669	161,420	0	0
Intergovernmental	1,829,099	5,253,551	7,673,694	6,405,727
Special Assessments	0	0	0	0
Interest	536,487	648	0	89
Other	1,074,208	51,127	768,883	1,435,126
Total Revenues	27,637,350	6,542,566	8,442,655	13,112,414
Expenditures				
Current:				
General Government:				
Legislative and Executive	9,275,307	0	0	0
Judicial	6,296,622	0	0	0
Public Safety	9,165,259	0	0	0
Public Works	296,858	6,791,170	0	0
Health	190,558	0	0	13,285,132
Human Services	463,207	0	8,879,116	0
Conservation and Recreation	285,551	0	0	0
Other	54,148	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	48,583	169,190	0	0
Interest and Fiscal Charges	6,780	2,980	0	0
Total Expenditures	26,082,873	6,963,340	8,879,116	13,285,132
Excess of Revenues Over (Under) Expenditures	1,554,477	(420,774)	(436,461)	(172,718)
Other Financing Sources (Uses)				
OPWC Loans Issued	0	367,340	0	0
Transfers In	94,000	0	363,393	0
Transfers Out	(606,717)	(175,000)	0	0
Total Other Financing Sources (Uses)	(512,717)	192,340	363,393	0
Changes in Fund Balance	1,041,760	(228,434)	(73,068)	(172,718)
Fund Balance Beginning of Year	9,171,378	1,645,106	1,727,018	9,013,012
Fund Balance End of Year	\$10,213,138	\$1,416,672	\$1,653,950	\$8,840,294

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Children Services	Ditch Costruction	Other Governmental	Total
\$2,005,511	\$0	\$1,712,885	\$11,418,039
0	0	772,426	17,281,111
0	0	0	345,122
0	0	699,076	699,076
188,515	0	2,487,748	8,566,874
0	0	528,822	546,018
0	0	44,165	289,254
4,260,486	0	8,672,695	34,095,252
0	476,534	1,417,318	1,893,852
0	0	1,193	538,417
222,439	7,458	1,456,559	5,015,800
<u>6,676,951</u>	<u>483,992</u>	<u>17,792,887</u>	<u>80,688,815</u>
0	0	1,763,806	11,039,113
0	0	2,203,850	8,500,472
0	0	2,865,152	12,030,411
0	0	1,229,476	8,317,504
0	0	329,848	13,805,538
7,434,452	0	1,945,793	18,722,568
0	0	1,178,256	1,463,807
0	0	0	54,148
0	1,827,468	4,557,157	6,384,625
0	594,979	3,177,229	3,989,981
0	59,163	236,551	305,474
<u>7,434,452</u>	<u>2,481,610</u>	<u>19,487,118</u>	<u>84,613,641</u>
<u>(757,501)</u>	<u>(1,997,618)</u>	<u>(1,694,231)</u>	<u>(3,924,826)</u>
0	0	0	367,340
0	420	584,192	1,042,005
0	0	(94,000)	(875,717)
<u>0</u>	<u>420</u>	<u>490,192</u>	<u>533,628</u>
<u>(757,501)</u>	<u>(1,997,198)</u>	<u>(1,204,039)</u>	<u>(3,391,198)</u>
<u>2,327,697</u>	<u>2,117,812</u>	<u>14,480,167</u>	<u>40,482,190</u>
<u>\$1,570,196</u>	<u>\$120,614</u>	<u>\$13,276,128</u>	<u>\$37,090,992</u>

See Accountant's Compilation Report

Allen County, Ohio
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2016

Changes in Fund Balance - Total Governmental Funds (\$3,391,198)

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 outlay in the current year.

Capital Outlay - Nondepreciable Capital Assets	2,800,223	
Capital Outlay - Depreciable Capital Assets	614,611	
Depreciation	<u>(3,641,936)</u>	(227,102)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (1,239,912)

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

Delinquent Property Taxes	(50,674)	
Permissive Sales Taxes	162,874	
Charges for Services	(40,265)	
Licenses and Permits	300	
Intergovernmental	(190,398)	
Special Assessments	328,953	
Interest	7,063	
Other	<u>(165,542)</u>	52,311

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

Special Assessment Notes Payable	694,979	
General Obligation Bonds Payable	2,394,583	
Special Assessment Bonds Payable	447,083	
OPWC Loans Payable	136,148	
OWDA Loans Payable	284,146	
Capital Leases Payable	<u>33,042</u>	3,999,065

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

OPWC Loans	(367,340)
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Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	34,575
Amortization of Premium	9,084

(continued)

Allen County, Ohio
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2016
(continued)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. \$337,062

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (6,107,886)

Contractually required pension contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows or a reduction in the net pension liability. 3,774,306

Change in Net Position of Governmental Activities (\$3,136,119)

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

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, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,607,000	\$2,791,948	\$2,851,220	\$59,272
Permissive Sales Taxes	15,400,000	16,100,000	16,486,283	386,283
Charges for Services	3,769,666	3,840,803	4,906,392	1,065,589
Licenses and Permits	5,030	5,030	6,441	1,411
Fines and Forfeitures	90,000	90,000	81,174	(8,826)
Intergovernmental	1,552,198	1,552,198	1,797,046	244,848
Interest	485,010	485,010	479,532	(5,478)
Other	809,903	934,903	734,189	(200,714)
Total Revenues	24,718,807	25,799,892	27,342,277	1,542,385
Expenditures				
Current:				
General Government:				
Legislative and Executive	9,585,087	10,119,231	9,557,295	561,936
Judicial	6,947,072	6,618,404	6,334,159	284,245
Public Safety	8,739,024	8,986,688	9,114,840	(128,152)
Public Works	296,276	296,276	293,748	2,528
Health	192,459	192,479	191,226	1,253
Human Services	650,863	650,863	460,401	190,462
Conservation and Recreation	284,054	286,032	284,619	1,413
Other	0	174,300	54,148	120,152
Debt Service:				
Principal Retirement	48,583	48,583	48,583	0
Interest and Fiscal Charges	3,500	6,790	6,780	10
Total Expenditures	26,746,918	27,379,646	26,345,799	1,033,847
Excess of Revenues Over (Under) Expenditures	(2,028,111)	(1,579,754)	996,478	2,576,232
Other Financing Sources (Uses)				
Other Financing Sources	126,060	126,060	129,072	3,012
Advances In	0	0	359,206	359,206
Advances Out	(20,000)	(526,814)	(2,385,380)	(1,858,566)
Transfers In	348,000	254,000	94,000	(160,000)
Transfers Out	(638,034)	(613,034)	(606,717)	6,317
Total Other Financing Sources (Uses)	(183,974)	(759,788)	(2,409,819)	(1,650,031)
Changes in Fund Balance	(2,212,085)	(2,339,542)	(1,413,341)	926,201
Fund Balance Beginning of Year	6,840,594	6,840,594	6,840,594	0
Prior Year Encumbrances Appropriated	96,360	96,360	96,360	0
Fund Balance End of Year	\$4,724,869	\$4,597,412	\$5,523,613	\$926,201

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Permissive Motor Vehicle License Taxes	\$340,000	\$340,000	\$345,414	\$5,414
Charges for Services	690,000	690,000	702,992	12,992
Licenses and Permits	10,000	10,000	10,605	605
Fines and Forfeitures	200,000	200,000	161,420	(38,580)
Intergovernmental	5,018,740	5,018,740	5,334,495	315,755
Interest	1,000	1,000	625	(375)
Total Revenues	<u>6,259,740</u>	<u>6,259,740</u>	<u>6,555,551</u>	<u>295,811</u>
<u>Expenditures</u>				
Current:				
Public Works	6,209,372	6,701,302	6,963,237	(261,935)
Debt Service:				
Principal Retirement	<u>126,183</u>	<u>137,483</u>	<u>136,148</u>	<u>1,335</u>
Total Expenditures	<u>6,335,555</u>	<u>6,838,785</u>	<u>7,099,385</u>	<u>(260,600)</u>
Excess of Revenues Under Expenditures	<u>(75,815)</u>	<u>(579,045)</u>	<u>(543,834)</u>	<u>35,211</u>
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	6,260	6,260	51,507	45,247
OPWC Loans Issued	65,000	65,000	367,340	302,340
Transfers Out	<u>0</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>71,260</u>	<u>(103,740)</u>	<u>243,847</u>	<u>347,587</u>
Changes in Fund Balance	(4,555)	(682,785)	(299,987)	382,798
Fund Balance Beginning of Year	730,974	730,974	730,974	0
Prior Year Encumbrances Appropriated	<u>140,401</u>	<u>140,401</u>	<u>140,401</u>	<u>0</u>
Fund Balance End of Year	<u>\$866,820</u>	<u>\$188,590</u>	<u>\$571,388</u>	<u>\$382,798</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

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, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<u>Revenues</u>				
Charges for Services	\$500	\$78	\$78	\$0
Intergovernmental	9,100,000	7,920,000	7,750,786	(169,214)
Total Revenues	9,100,500	7,920,078	7,750,864	(169,214)
<u>Expenditures</u>				
Current:				
Human Services	10,228,100	10,019,654	10,162,110	(142,456)
Excess of Revenues Under Expenditures	(1,127,600)	(2,099,576)	(2,411,246)	(311,670)
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	952,600	856,100	893,698	37,598
Transfers In	363,393	363,393	363,393	0
Transfers Out	(161,303)	(161,303)	0	161,303
Total Other Financing Sources (Uses)	1,154,690	1,058,190	1,257,091	198,901
Changes in Fund Balance	27,090	(1,041,386)	(1,154,155)	(112,769)
Fund Balance Beginning of Year	1,786,721	1,786,721	1,786,721	0
Prior Year Encumbrances Appropriated	115,174	115,174	115,174	0
Fund Balance End of Year	<u>\$1,928,985</u>	<u>\$860,509</u>	<u>\$747,740</u>	<u>(\$112,769)</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Property Taxes	\$5,298,628	\$5,298,628	\$4,888,315	(\$410,313)
Charges for Services	452,240	452,240	397,790	(54,450)
Intergovernmental	6,138,999	6,217,526	6,443,618	226,092
Interest	160	160	81	(79)
Other	479,424	479,424	608,706	129,282
Total Revenues	12,369,451	12,447,978	12,338,510	(109,468)
<u>Expenditures</u>				
Current:				
Health	18,272,810	25,097,766	13,521,492	11,576,274
Excess of Revenues Under Expenditures	(5,903,359)	(12,649,788)	(1,182,982)	11,466,806
<u>Other Financing Sources</u>				
Other Financing Sources	708,386	708,386	864,425	156,039
Changes in Fund Balance	(5,194,973)	(11,941,402)	(318,557)	11,622,845
Fund Balance Beginning of Year	8,729,692	8,729,692	8,729,692	0
Fund Balance End of Year	<u>\$3,534,719</u>	<u>(\$3,211,710)</u>	<u>\$8,411,135</u>	<u>\$11,622,845</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

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, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<u>Revenues</u>				
Property Taxes	\$2,369,000	\$2,369,000	\$2,015,288	(\$353,712)
Charges for Services	129,750	129,750	188,325	58,575
Intergovernmental	4,074,020	4,074,020	4,168,214	94,194
Total Revenues	6,572,770	6,572,770	6,371,827	(200,943)
<u>Expenditures</u>				
Current:				
Human Services	6,863,536	7,863,536	7,666,806	196,730
Excess of Revenues Under Expenditures	(290,766)	(1,290,766)	(1,294,979)	(4,213)
<u>Other Financing Sources</u>				
Other Financing Sources	195,000	195,000	235,789	40,789
Changes in Fund Balance	(95,766)	(1,095,766)	(1,059,190)	36,576
Fund Balance Beginning of Year	2,670,863	2,670,863	2,670,863	0
Fund Balance End of Year	<u>\$2,575,097</u>	<u>\$1,575,097</u>	<u>\$1,611,673</u>	<u>\$36,576</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2016

	<u>Sewer</u>
<u>Assets</u>	
<u>Current Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,228,468
Accounts Receivable	3,063,244
Prepaid Items	17,478
Materials and Supplies Inventory	63,730
Interfund Receivable	<u>752,277</u>
Total Current Assets	<u>7,125,197</u>
<u>Non-Current Assets</u>	
Restricted Assets:	
Cash and Cash Equivalents with Escrow Agent	110,149
Nondepreciable Capital Assets	16,213,640
Depreciable Capital Assets, Net	<u>33,650,135</u>
Total Non-Current Assets	<u>49,973,924</u>
Total Assets	<u>57,099,121</u>
<u>Deferred Outflows of Resources</u>	
Pension	<u>873,542</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accrued Wages Payable	44,753
Accounts Payable	26,869
Contracts Payable	15,052
Due to Other Governments	25,483
Interfund Payable	735,478
Retainage Payable	110,149
Accrued Interest Payable	10,297
Notes Payable	1,108,928
OPWC Loans Payable	5,042
OWDA Loans Payable	506,199
Capital Leases Payable	56,135
Compensated Absences Payable	<u>102,143</u>
Total Current Liabilities	<u>2,746,528</u>
<u>Non-Current Liabilities</u>	
OWDA Loans Payable	20,737,941
Net Pension Liability	2,307,261
Compensated Absences Payable	<u>119,576</u>
Total Non-Current Liabilities	<u>23,164,778</u>
Total Liabilities	<u>25,911,306</u>
<u>Deferred Inflows of Resources</u>	
Pension	<u>84,242</u>

(continued)

Allen County, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2016
(continued)

	<u>Sewer</u>
<u>Net Position</u>	
Net Investment in Capital Assets	\$27,339,381
Unrestricted	<u>4,637,734</u>
Total Net Position	<u><u>\$31,977,115</u></u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County, Ohio
Statement of Revenues, Expenses,
and Change in Fund Net Position
Enterprise Fund
For the Year Ended December 31, 2016

	<u>Sewer</u>
<u>Operating Revenues</u>	
Charges for Services	\$8,020,762
Licenses, Permits, and Inspections	2,600
Other	<u>71,362</u>
Total Operating Revenues	<u>8,094,724</u>
<u>Operating Expenses</u>	
Personal Services	2,359,278
Materials and Supplies	209,373
Contractual Services	1,770,344
Other	22,242
Depreciation	<u>1,881,596</u>
Total Operating Expenses	<u>6,242,833</u>
Operating Income	<u>1,851,891</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	42
Interest Expense	<u>(794,299)</u>
Total Non-Operating Revenues (Expenses)	<u>(794,257)</u>
Income Before Capital Contributions and Transfers	1,057,634
Capital Contributions	455,765
Transfers Out	<u>(166,288)</u>
Change in Net Position	1,347,111
Net Position Beginning of Year	<u>30,630,004</u>
Net Position End of Year	<u><u>\$31,977,115</u></u>
See Accompanying Notes to the Basic Financial Statements	
See Accountant's Compilation Report	

Allen County, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2016

	<u>Sewer</u>
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$8,102,530
Cash Payments for Personal Services	(2,227,038)
Cash Payments to Suppliers	(341,355)
Cash Payments for Contractual Services	(1,725,564)
Cash Received from Other Revenues	71,362
Cash Payments for Other Expenses	(22,242)
Net Cash Provided by Operating Activities	<u>3,857,693</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash Payments for Advances Out	(390,106)
Cash Payments for Transfers Out	(54,400)
Net Cash Used for Noncapital Financing Activities	<u>(444,506)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(956,052)
Principal Paid on Bond Anticipation Notes	(398,214)
Interest Paid on Bond Anticipation Notes	(46,071)
OWDA Loans Issued	801,201
Principal Paid on OPWC Loans	(10,084)
Principal Paid on OWDA Loans	(1,307,367)
Interest Paid on OWDA Loans	(747,087)
Lease Principal	(125,107)
Lease Interest	(5,513)
Net Cash Used for Capital and Related Financing Activities	<u>(2,794,294)</u>
<u>Cash Flows from Investing Activities</u>	
Interest	<u>42</u>
Net Increase in Cash and Cash Equivalents	618,935
Cash and Cash Equivalents Beginning of Year	<u>2,719,682</u>
Cash and Cash Equivalents End of Year	<u>\$3,338,617</u>

(continued)

Allen County, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2016
(continued)

	<u>Sewer</u>
Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities</u>	
Operating Income	<u>\$1,851,891</u>
Adjustments to Reconcile Operating Income to <u>Net Cash Provided by Operating Activities</u>	
Depreciation	1,881,596
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	75,377
Increase in Prepaid Items	(17,478)
Decrease in Materials and Supplies Inventory	4,106
Increase in Interfund Receivable	(3,791)
Increase in Accrued Wages Payable	6,726
Decrease in Accounts Payable	(37,233)
Increase in Contracts Payable	15,052
Decrease in Due to Other Governments	(67,848)
Increase in Interfund Payable	17,478
Increase in Compensated Absences Payable	14,803
Decrease in Net Pension Liability	(42,067)
Decrease in Deferred Outflows - Pension	185,659
Decrease in Deferred Inflows - Pension	<u>(26,578)</u>
Total Adjustments	<u>2,005,802</u>
Net Cash Provided by Operating Activities	<u><u>\$3,857,693</u></u>

Non-Cash Capital Transactions

During 2016, governmental activities purchased capital assets, in the amount of \$455,765, and subsequently transferred those assets to the Sewer enterprise fund.

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Investment Trust	Martha Mark Private Purpose Trust	Agency
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$5,404,051	\$12,596	\$13,019,548
Cash and Cash Equivalents in Segregated Accounts	0	0	1,171,949
Accounts Receivable	0	0	525,491
Due from Other Governments	0	0	4,103,312
Due from External Parties	0	0	4,744
Property Taxes Receivable	0	0	89,497,723
Special Assessments Receivable	0	0	15,503,469
Total Assets	<u>5,404,051</u>	<u>12,596</u>	<u>\$123,826,236</u>
<u>Liabilities</u>			
Due to Other Governments	0	0	\$114,313,411
Due to External Parties	0	0	80,319
Undistributed Assets	0	0	9,432,435
Deposits Held and Due to Others	0	0	71
Total Liabilities	<u>0</u>	<u>0</u>	<u>\$123,826,236</u>
<u>Net Position</u>			
Held in Trust for External Pool Participants	<u>\$5,404,051</u>	<u>\$12,596</u>	

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County, Ohio
Statement of Change in Fiduciary Net Position
Investment Trust Fund
For the Year Ended December 31, 2016

<u>Additions</u>	
Interest	\$11,990
Capital Transactions	<u>923,905</u>
Total Additions	935,895
<u>Deductions</u>	
Operating Expenses	<u>0</u>
Net Increase Resulting from Operations	935,895
Distributions to Participants	<u>(1,547)</u>
Change in Net Position	934,348
Net Position Beginning of Year	<u>4,469,703</u>
Net Position End of Year	<u><u>\$5,404,051</u></u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

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

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

A. Primary Government

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

B. Component Units

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

Discretely Presented Component Unit

The component unit column on the government-wide financial statements identifies the financial data of the County's component unit, LODDI. It is reported separately to emphasize that it is legally separate from the County. Information about the component unit is presented in Note 27 to the basic financial statements.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity (continued)

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

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

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

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

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

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

Proprietary Funds

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Sewer - This fund accounts for user charges for sewer service provided to residents of Allen County.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources are reported on the government-wide and enterprise fund statements of net position for pension and explained in Note 15 to the basic financial statements.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the County, deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes accrued interest, permissive sales taxes, intergovernmental revenue including grants, amounts due from external parties, interfund, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 21. Deferred inflows of resources related to pension are reported on the government-wide and enterprise fund statements of net position and explained in Note 15 to the basic financial statements.

Expenses/Expenditures

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

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the County prior to year end.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

F. Cash and Investments

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

Cash and cash equivalents that are held separately within departments of the County or by an escrow agent are recorded as "Cash and Cash Equivalents in Segregated Accounts", and "Cash and Cash Equivalents with Escrow Agent", respectively.

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

During 2016, the County invested in nonnegotiable and negotiable certificates of deposit, federal agency securities, mutual funds, commercial paper, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The County measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant are combined for this purpose.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2016 was \$536,487, which includes \$487,075 assigned from other County funds.

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that have a legal restriction on their use are reported as restricted. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

J. Capital Assets

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

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

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. The County reports all infrastructure, including that acquired prior to 1980.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Buildings and Improvements	35 years	35 years
Machinery and Equipment	12 years	12-40 years
Vehicles	6 years	6 years
Furniture, Fixtures, and Equipment	5-10 years	10 years
Roads	15-20 years	n/a
Bridges	50 years	n/a
Infrastructure	n/a	35 years

K. Interfund Receivables/Payables

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

L. Compensated Absences

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

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

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, net pension liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, special assessment bonds, long-term notes and loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

N. Unamortized Bond Premium

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

O. Net Position

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

P. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivables.

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners. Fund balance policy of the County Commissioners authorizes department managers to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners have also assigned fund balance to cover a gap between estimated resources and appropriations in the 2017 budget. Certain resources have also been assigned for auto titling, for the clerk of courts, and for other miscellaneous purposes.

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

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are user charges for sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

R. Capital Contributions

Capital contributions arise from other funds from the County.

S. Interfund Transactions

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

T. Estimates

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

U. Pension

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

Note 3 - Change in Accounting Principles and Change in Reporting Entity

For 2016, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 79, "Certain External Investment Pools and Pool Participants", and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the County's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 3 - Change in Accounting Principles and Change in Reporting Entity

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statement No. 67, "Financial Reporting for Pension Plans", and GASB Statement No. 68. The implementation of this statement did not result in any changes to the County's financial statements.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the County's financial statements.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change to the County's financial statements as the County does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure, for financial reporting purposes, all of their investments at amortized cost. The statement provides accounting and financial reporting guidance that also establishes additional note disclosure requirements for governments that participate in these pools. The County participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The County incorporated the corresponding GASB Statement No. 79 guidance into the 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the County's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

For the year ended December 31, 2015, Marimor Industries was reflected as a discretely presented component unit on the County's financial statements. Based upon changes established by the Centers for Medicare and Medicaid Services, the relationship between Marimor Industries and the County has changed and Marimor Industries is no longer receiving in-kind contributions from the County and no longer providing services solely to the Allen County Board of Developmental Disabilities. Pursuant to the criteria set forth in GASB Statement No. 61, Marimor Industries will no longer be presented as a discretely presented component unit. The December 31, 2015, net position for Marimor Industries was \$1,117,892.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 - Accountability and Compliance

A. Accountability

At December 31, 2016, the Department of Defense Community Assistance special revenue fund, Special Assessment Bond Retirement debt service fund, and Sewer Projects capital projects fund had a deficit fund balance, in the amount of \$20,778, \$184,162, and \$112,571, respectfully, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

At December 31, 2016, the Drug Law Enforcement, DRETAC, Developmental Disabilities, Department of Defense Community Assistance, CEBCO Wellness Grant, Felony Care and Subsidy, Adult Probation Grant, Emergency Management Agency, Smart Ohio Grant, Doc Payroll Grant, and Veterans Memorial Civic Center special revenue funds and the Issue I Paving and Shawnee Road Roundabout capital projects funds had final appropriations in excess of estimated resources plus available balances, in the amount of \$152,198, \$164,908, \$3,211,710, \$1,698,053, \$6,933, \$11,364, \$9,289, \$120,322, \$250,250, \$5,546, \$231,462, \$177,605, and \$159,120, respectively. The County will review appropriations to ensure they are within available resources.

For the year ended December 31, 2016, the following funds had expenditures plus encumbrances in excess of appropriations at the legal level of control:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Sheriff's Rotary			
Public Safety-Personal Services	\$8,986,688	\$9,114,840	\$128,152
Motor Vehicle Gas Tax	6,922,884	7,138,237	215,353
Debt Service			
General Obligation Bond	2,283,642	2,294,445	10,803
Easttown Road Debt	190,400	191,846	1,446
Capital Projects			
Issue I Paving	177,605	886,646	709,041

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

Note 5 - Budgetary Basis of Accounting

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 5 - Budgetary Basis of Accounting (continued)

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

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

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

Changes in Fund Balance

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities	Children Services
GAAP Basis	\$1,041,760	(\$228,434)	(\$73,068)	(\$172,718)	(\$757,501)
<u>Increase (Decrease) Due To</u>					
Revenue Accruals					
Accrued 2015, Received in Cash 2016	1,400,923	495,770	202,092	457,056	104,926
Accrued 2016, Not Yet Received in Cash	(1,637,677)	(431,255)	0	(321,062)	(197,198)
Expenditure Accruals					
Accrued 2015, Paid in Cash 2016	(787,845)	(229,267)	(406,427)	(497,034)	(568,615)
Accrued 2016, Not Yet Paid in Cash	771,283	247,974	459,343	305,904	363,539
Cash Adjustments					
Unrecorded Activity 2015	227,246	30	0	239,264	116,096
Unrecorded Activity 2016	(155,765)	(53)	(185)	(284,737)	(93,159)
Prepaid Items	(146,461)	(24,852)	(42,328)	(53,801)	(28,903)
Materials and Supplies Inventory	(4,933)	69,777	1,050	8,571	1,625
Advances In	359,206	0	0	0	0
Advances Out	(2,385,380)	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(95,698)	(199,677)	(1,294,632)	0	0
Budget Basis	<u>(\$1,413,341)</u>	<u>(\$299,987)</u>	<u>(\$1,154,155)</u>	<u>(\$318,557)</u>	<u>(\$1,059,190)</u>

Note 6 - Deposits and Investments

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Deposits and Investments (continued)

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Deposits and Investments (continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$7,782,805 of the County's bank balance of \$17,391,298 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Deposits and Investments (continued)

Investments

As of December 31, 2016, the County had the following investments:

Measurement/Investment	Measurement	Investment Maturities (in Years)	
	Amount	Less Than 1	1-5
Fair Value (Level 2 Inputs)			
Federal Home Loan Mortgage Corporation Notes	\$4,788,239	\$500,300	\$4,287,939
Federal Farm Credit Bank Notes	998,560	998,560	0
Federal Agriculture Mortgage Corporation Notes	1,349,889	0	1,349,889
Federal Home Loan Bank Notes	2,982,580	0	2,982,580
Federal National Mortgage Association Notes	4,964,230	250,220	4,714,010
Mutual Funds	873,387	873,387	0
Fair Value (Level 3 Inputs)			
Negotiable Certificates of Deposit	13,234,877	4,010,669	9,224,208
Net Asset Value Per Share			
STAR Ohio	13,753,672	13,753,672	0
Total Investments	\$42,945,434	\$20,386,808	\$22,558,626

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2016. The County's investments measured at fair value are valued using significant observable inputs (Level 2 inputs) or unobservable inputs (Level 3 Inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County.

The negotiable certificates of deposit are generally covered by FDIC insurance. The Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and mutual funds carry a rating of Aaa by Moody's. The Federal Agriculture Mortgage Corporation Notes are not rated. STAR Ohio carries a rating of AAA by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio must maintain the highest rating by at least one nationally recognized standard rating service.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Deposits and Investments (continued)

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

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$13,234,877	30.82%
Federal Home Loan Mortgage Corporation	4,788,239	11.15
Federal Farm Credit Bank	998,560	2.33
Federal Agriculture Mortgage Corporation Note	1,349,889	3.14
Federal Home Loan Bank	2,982,580	6.95
Federal National Mortgage Association	4,964,230	11.56

Note 7 - Investment Pool

The County serves as fiscal agent for the North Central Ohio Solid Waste Management District and the Johnny Appleseed Metropolitan Park District, legally separate entities. The County pools the monies of these entities with the County's for investment purposes. Participation in the pool is voluntary. The County cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of interest that it earns.

Condensed financial information for the investment pool is as follows:

Statement of Net Position
December 31, 2016

Assets

Equity in Pooled Cash and Cash Equivalents	\$55,312,968
Accrued Interest Receivable	48,369
Total Assets	<u>\$55,361,337</u>

Net Position Held in Trust for Pool Participants

Internal Portion	\$49,957,286
External Portion	5,404,051
Total Net Position Held in Trust for Pool Participants	<u>\$55,361,337</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 - Investment Pool (continued)

Statement of Changes in Net Position
December 31, 2016

<u>Revenues</u>	
Interest	\$550,449
<u>Expenses</u>	
Operating Expenses	0
Net Increase Resulting from Operations	550,449
Distributions to Participants	(482,989)
Capital Transactions	(3,736,675)
Total Decrease in Net Position	(3,669,215)
Net Position Beginning of Year	59,030,552
Net Position End of Year	<u>\$55,361,337</u>

Investments

As of December 31, 2016, the County's investment pool had the following investments:

Measurement/Investment	Measurement	Investment Maturities (in Years)	
	Amount	Less Than 1	1-5
Fair Value (Level 2 Inputs)			
Federal Home Loan Mortgage Corporation Notes	\$4,788,239	\$500,300	\$4,287,939
Federal Farm Credit Bank Notes	998,560	998,560	0
Federal Agriculture Mortgage Corporation Notes	1,349,889	0	1,349,889
Federal Home Loan Bank Notes	2,982,580	0	2,982,580
Federal National Mortgage Association Notes	4,964,230	250,220	4,714,010
Mutual Funds	873,387	873,387	0
Fair Value (Level 3 Inputs)			
Negotiable Certificates of Deposit	13,234,877	4,010,669	9,224,208
Net Asset Value Per Share			
STAR Ohio	13,753,672	13,753,672	0
Total Investments	\$42,945,434	\$20,386,808	\$22,558,626

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 - Investment Pool (continued)

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2016. The County's investments measured at fair value are valued using significant observable inputs (Level 2 inputs) or unobservable inputs (Level 3 Inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County.

The negotiable certificates of deposit are generally covered by FDIC insurance. The Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and mutual funds carry a rating of Aaa by Moody's. The Federal Agriculture Mortgage Corporation Notes are not rated. STAR Ohio carries a rating of AAA by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio must maintain the highest rating by at least one nationally recognized standard rating service.

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

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$13,234,877	30.82%
Federal Home Loan Mortgage Corporation	4,788,239	11.15
Federal Farm Credit Bank	998,560	2.33
Federal Agriculture Mortgage Corporation Note	1,349,889	3.14
Federal Home Loan Bank	2,982,580	6.95
Federal National Mortgage Association	4,964,230	11.56

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 - Receivables

Receivables at December 31, 2016, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales and motor vehicle license taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; amounts due from the external parties; interfund; property taxes; notes; and special assessments. All receivables are considered fully collectible within one year, except for interfund, property taxes, notes, and special assessments. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Notes receivable, in the amount of \$1,247,750, will not be received within one year. Special assessments receivable, in the amount of \$2,412,906 will not be received within one year. At December 31, 2016, the amount of delinquent special assessments was \$367,717.

Notes receivable represent low interest loans for development projects granted to eligible County residents and businesses under the Housing Assistance Program and the Federal Community Development Block Grant program. The notes have interest rates ranging from zero to 6.5 percent and are to be repaid over periods ranging from five to thirty years.

Notes receivable also include zero interest loans for college tuition granted to recipients of the Craft Educational Trust Scholarship. Beginning three years after the recipient graduates from college, 60 percent of the awarded scholarship is to be repaid over the next five years. The remaining 40 percent is not required to be repaid and is not recorded as part of notes receivable.

A summary of the changes in notes receivable during 2016 follows:

	Balance January 1, 2016	New Loans	Repayments	Balance December 31, 2016
Special Revenue Funds				
Revolving Loan Fund				
Housing Assistance Program	\$269,734	\$18,160	\$4,382	\$283,512
Community Development Block Grant	1,229,372	0	125,054	1,104,318
Total Revolving Loan Fund	1,499,106	18,160	129,436	1,387,830
Craft Educational Trust Fund				
Scholarships	16,074	2,700	2,706	16,068
	1,515,180	\$20,860	\$132,142	1,403,898
Less Allowance for Uncollectible Accounts				25,606
				<u>\$1,378,292</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	\$450,710
Sheriff's Contracts	22,921
Estate Tax	113
Election Costs	27,916
Homestead and Rollback	183,943
Indigent Defense	67,071
Total General Fund	752,674
Motor Vehicle and Gasoline Tax	
Gasoline Tax	1,173,833
Motor Vehicle License Fees	1,316,893
Charges for Services	37,028
Total Motor Vehicle and Gasoline Tax	2,527,754
Job and Family Services	
Department of Job and Family Services	56,084
Developmental Disabilities	
Department of Education	526,700
Charges for Services	16,705
Medicaid	155,187
Hardin County	127
Homestead and Rollback	286,918
Personal Property Phase Out	272,807
Total Developmental Disabilities	1,258,444
Children Services	
Department of Education	705,134
Homestead and Rollback	125,696
Personal Property Phase Out	98,132
Total Children Services	928,962
Total Major Funds	5,523,918
Nonmajor Funds	
Drug Law Enforcement	
Department of Public Safety	14,051
Sheriff's Grants	52,942
Total Drug Law Enforcement	66,993
Child Support Enforcement Agency	
Child Support Enforcement Agency	128,646
Department of Defense Community Assistance	
Department of Defense	322,272
	(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 - Receivables (continued)

	<u>Amount</u>
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Felony Care and Subsidy	
Ohio Department of Youth Services	\$307,250
Adult Probation Grant	
Ohio Department of Rehabilitation and Correction	334,552
Emergency Management Agency	
Emergency Management Agency Grants	19,201
General Obligation Bond Debt	
Homestead and Rollback	83,609
Personal Property Phase Out	127,844
Total General Obligation Bond Debt	211,453
Sewer Projects	
City of Lima	10,501
Marimor Permanent Improvement	
Homestead and Rollback	24,949
Personal Property Phase Out	23,722
Total Marimor Permanent Improvement	48,671
Building and Expansion	
Casino Tax	599,319
Total Nonmajor Funds	2,048,858
Total Governmental Activities	<u>\$7,572,776</u>
Agency Funds	
Local Government	\$1,380,641
Library Local Government	1,731,537
Gasoline Tax	582,816
Motor Vehicle License Fees	408,318
Total Agency Funds	<u>\$4,103,312</u>

Note 9 - Permissive Sales and Use Tax

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax revenues received in 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of 2015 taxes. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2014, were levied after October 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Accrued property taxes receivable represents real, public utility, and outstanding delinquent property taxes which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue; on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

The full tax rate for all County operations for the year ended December 31, 2016, was \$11.40 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$3,929,515	\$0	\$0	\$3,929,515
Construction in Progress	8,023,754	2,800,223	(10,276,689)	547,288
Total Nondepreciable Capital Assets	11,953,269	2,800,223	(10,276,689)	4,476,803
Depreciable Capital Assets				
Buildings and Improvements	56,937,469	1,394,844	0	58,332,313
Machinery and Equipment	2,116,030	10,079	0	2,126,109
Vehicles	5,591,449	243,210	(1,180,273)	4,654,386
Furniture, Fixtures, and Equipment	5,030,303	148,576	(292,467)	4,886,412
Roads	26,219,324	6,164,818	(1,018,006)	31,366,136
Bridges	28,190,947	2,929,773	0	31,120,720
Total Depreciable Capital Assets	124,085,522	10,891,300	(2,490,746)	132,486,076
Less Accumulated Depreciation for				
Buildings and Improvements	(36,822,476)	(1,167,589)	0	(37,990,065)
Machinery and Equipment	(1,739,241)	(69,731)	0	(1,808,972)
Vehicles	(4,771,893)	(223,037)	958,367	(4,036,563)
Furniture, Fixtures, and Equipment	(4,380,581)	(178,287)	292,467	(4,266,401)
Roads	(13,952,109)	(1,384,558)	0	(15,336,667)
Bridges	(9,649,684)	(618,734)	0	(10,268,418)
Total Accumulated Depreciation	(71,315,984)	(3,641,936)	1,250,834	(73,707,086)
Total Depreciable Capital Assets, Net	52,769,538	7,249,364	(1,239,912)	58,778,990
Governmental Activities Capital Assets, Net	\$64,722,807	\$10,049,587	(\$11,516,601)	\$63,255,793
	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
Business-Type Activity				
Nondepreciable Capital Assets				
Land	\$51,219	\$0	\$0	\$51,219
Construction in Progress	15,434,758	727,663	0	16,162,421
Total Nondepreciable Capital Assets	15,485,977	727,663	0	16,213,640
Depreciable Capital Assets				
Buildings and Improvements	3,551,806	0	0	3,551,806
Machinery, Equipment, and Vehicles	2,668,619	135,975	(195,092)	2,609,502
Infrastructure	61,506,601	455,765	0	61,962,366
Total Depreciable Capital Assets	67,727,026	591,740	(195,092)	68,123,674
Less Accumulated Depreciation for				
Buildings and Improvements	(1,013,342)	(101,480)	0	(1,114,822)
Machinery, Equipment, and Vehicles	(1,642,753)	(233,329)	195,092	(1,680,990)
Infrastructure	(30,130,940)	(1,546,787)	0	(31,677,727)
Total Accumulated Depreciation	(32,787,035)	(1,881,596)	195,092	(34,473,539)
Total Depreciable Capital Assets, Net	34,939,991	(1,289,856)	0	33,650,135
Business-Type Activity Capital Assets, Net	\$50,425,968	(\$562,193)	\$0	\$49,863,775

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 - Capital Assets (continued)

Business-type activities accepted a contribution of capital assets from governmental activities, in the amount of \$455,765.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$410,389
Judicial	95,033
Public Safety	206,674
Public Works	2,206,386
Health	198,222
Human Services	112,451
Conservation and Recreation	412,781
Total Depreciation Expense - Governmental Activities	<u>\$3,641,936</u>

Note 12 - Interfund Receivables/Payables

Interfund balances at December 31, 2016, consisted of the following receivables and payables:

Due to General Fund from:	
Motor Vehicle and Gasoline Tax	\$24,852
Job and Family Services	42,328
Developmental Disabilities	53,801
Children Services	28,903
Ditch Maintenance	2,405,908
Other Governmental Funds	475,969
Sewer Fund	735,478
Total Due to General Fund	<u>\$3,767,239</u>

Due to Motor Vehicle Gas Tax Fund from:	
General Fund	\$823
Other Governmental Funds	660
Total Due to Motor Vehicle Gas Tax Fund	<u>\$1,483</u>

Due to Developmental Disabilities Fund from:	
Children Services	<u>\$466</u>

Due to Children Services Fund from:	
Job and Family Services	<u>\$150</u>

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 - Interfund Receivables/Payables (continued)

Due to Other Governmental Funds from:	
Job and Family Services	\$50,126
Other Governmental Funds	200,000
Total Due to Other Governmental Funds	<u>\$250,126</u>
 Due to Sewer Fund from:	
Other Governmental Funds	<u>\$752,277</u>

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

Interfund receivables not expected to be repaid within one year include \$439,022 to the General Fund, \$200,000 to the other governmental funds, and \$549,923 to the Sewer enterprise fund.

Note 13 - Risk Management

A. Workers' Compensation

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

B. Other Insurance Coverage

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the County contracted with the County Risk Sharing Authority, Inc. (CORSAs) for insurance coverage. The CORSAs program has a \$5,000 to \$25,000 deductible. Coverage provided by CORSAs is as follows:

General Liability	\$1,000,000
Excess Liability	9,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Errors and Omissions Liability	1,000,000
Cyber Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Building and Contents	303,505,538
	(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 13 - Risk Management (continued)

Other Property Insurance	
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	\$100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime Insurance	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000

There has been no significant reduction in insurance coverage from 2015 and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

Note 14 - Construction and Other Significant Commitments

The County had various outstanding contracts at December 31, 2016. The following amounts remain on these contracts.

Vendor	Outstanding Balance
Allen County Child Support	\$200,000
Allen County Children's Board	201,721
Allen County Common Pleas Court	129,096
Allen County Juvenile Court	371,129
City of Lima	100,000
Coleman Professional Services	233,160
Degen Excavating Company	149,263
Goodwill Easter Seals Miami	319,237
Kohli and Kaliher Association LTD, Inc.	160,190
Miller Pipeline Corporation	159,600
Muhlenkamp Building Corporation	180,000
NR Lee Restoration, Ltd.	497,520
NW Ohio Security Systems, Inc.	106,593
Peterson Construction	159,829
R.G. Zachrich Construction	155,685
Sand Ridge Excavating, Inc.	261,419
Transportation Services Corporation	210,930
Underground Utilities, Inc.	410,663

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 14 - Construction and Other Significant Commitments (continued)

At year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in 2017 are as follows:

General Fund	\$95,698
Motor Vehicle and Gasoline Tax Fund	199,677
Job and Family Services Fund	1,294,632
Ditch Construction	344,498
Other Governmental Funds	2,256,792
	<u>\$4,191,297</u>

Note 15 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other groups and members hired on or after January 7, 2013
<p style="text-align: center;">State and Local</p> <p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years</p>	<p style="text-align: center;">State and Local</p> <p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years</p>	<p style="text-align: center;">State and Local</p> <p>Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit</p> <p>Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years</p>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

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

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

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer			
Pension	12.0 %	16.1 %	16.1 %
Postemployment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$3,907,021 for 2016. Of this amount, \$409,807 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 11.5 percent of the 13 percent member rate goes to the DCP and 1.5 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty or later.

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

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2016, the employer rate was 14 percent and the member rate was 13 percent of covered payroll. The statutory employer rate for fiscal year 2017 and subsequent years is 14 percent. The statutory member contribution rate increased to 14 percent on July 1, 2016. The 2016 contribution rates were equal to the statutory maximum rates.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

The County's contractually required contribution to STRS was \$73,323 for 2016. Of this amount, \$3,560 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the net pension liability for STRS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plans relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Current Measurement Date	0.26640800%	0.00732584%	
Prior Measurement Date	0.27637600%	0.00678598%	
Change in Proportionate Share	<u>0.00996800%</u>	<u>0.00053986%</u>	
Proportionate Share of the Net			
Pension Liability	\$46,145,222	\$2,452,182	\$48,597,404
Pension Expense	\$6,247,307	\$183,631	\$6,430,938

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$13,563,813	\$302,676	\$13,866,489
Changes in Proportion and Differences Between County Contributions and the Proportionate Share of Contributions	0	120,863	120,863
County Contributions Subsequent to the Measurement Date	<u>3,907,021</u>	<u>62,636</u>	<u>3,969,657</u>
Total Deferred Outflows of Resources	<u>\$17,470,834</u>	<u>\$486,175</u>	<u>\$17,957,009</u>
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	\$891,616	\$0	\$891,616
Changes in Proportion and Differences Between County Contributions and the Proportionate Share of Contributions	<u>793,227</u>	<u>84,290</u>	<u>877,517</u>
Total Deferred Inflows of Resources	<u>\$1,684,843</u>	<u>\$84,290</u>	<u>\$1,769,133</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

\$3,969,657 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Year Ending December 31,	OPERS	STRS	Total
2017	\$2,600,540	\$50,041	\$2,650,581
2018	2,817,424	50,041	2,867,465
2019	3,391,514	128,169	3,519,683
2020	3,069,492	110,998	3,180,490
2021	0	0	0
Thereafter	0	0	0
Total	<u>\$11,878,970</u>	<u>\$339,249</u>	<u>\$12,218,219</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation are presented below.

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefits portfolio includes the investment assets of the traditional pension plan, the defined benefit component of the combined plan, the annuitized accounts of the member-directed plan, and the VEBA Trust. Within the Defined Benefits portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expenses, for the Defined Benefits portfolio was .4 percent for 2015.

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

The table below displays the board approved asset allocation policy for 2015 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$73,520,616	\$46,145,222	\$23,054,948

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study effective July 1, 2012.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Defined Benefit Pension Plans (continued)

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

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

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's Proportionate Share of the Net Pension Liability	\$3,258,749	\$2,452,182	\$1,771,793

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

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

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 - Postemployment Benefits (continued)

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the traditional pension and combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both the traditional and combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a retiree medical account for member-directed plan members. The employer contribution as a percentage of covered payroll deposited into the retiree medical accounts for 2016 was 4 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Health Care Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statement of Changes in Fiduciary Net Position for the year ended December 31, 2016, reflects a partial year of activity in the 401(h) Health Care Trust and the VEBA Trust prior to the termination of these trusts as of the end of the business day June 30, 2016, and the assets and liabilities or net position of these trusts being consolidated into the 115 Health Care Trust on July 1, 2016.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$628,677, \$664,512, and \$655,812, respectively. For 2016, 90 percent has been contributed. The full amount has been contributed for 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan participants, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2016 and 2015, STRS did not allocate any employer contributions to postemployment health care. For 2014, 1 percent of covered payroll was allocated to postemployment health care. The County's contribution for health care for the years ended December 31, 2016, 2015, and 2014 were \$0, \$0, and \$5,655, respectively. The full amount has been contributed for all three years.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 17 - Compensated Absences

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

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

Note 18 - Notes Payable

A summary of the note transactions for the year ended December 31, 2016 is as follows:

	Interest Rate	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
<u>Business-Type Activity</u>					
<u>Bond Anticipation Notes</u>					
Sewer Improvements	2.12%	\$257,142	\$0	\$85,714	\$171,428
Improvements to Overflow	3.33	1,250,000	0	312,500	937,500
Total Bond Anticipation Notes		<u>\$1,507,142</u>	<u>\$0</u>	<u>\$398,214</u>	<u>\$1,108,928</u>

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

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

Year	Sewer Improvements		Improvements to Overflow	
	Principal	Interest	Principal	Interest
2017	\$85,714	\$3,634	\$312,500	\$31,219
2018	85,714	1,817	312,500	20,813
2019	0	0	312,500	10,406
	<u>\$171,428</u>	<u>\$5,451</u>	<u>\$937,500</u>	<u>\$62,438</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 19 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2016, was as follows:

	Interest Rate	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental Activities						
Special Assessment Notes						
Various Purpose	1.60%	\$571,216	\$0	\$121,100	\$450,116	\$450,116
Ditch Improvement	2.275	316,041	0	102,400	213,641	0
Ditch Improvement	2.05	338,262	0	100,000	238,262	238,262
Ditch Improvement	1.394	2,452,092	0	371,479	2,080,613	2,080,613
Total Special Assessment Notes		3,677,611	0	694,979	2,982,632	2,768,991
General Obligation Bonds						
2008 Road Improvement Refunding (Original Amount \$1,760,000)	3.195	528,000	0	176,000	352,000	176,000
2011 Energy Efficiency (Original Amount \$2,320,000)	3.5	1,160,000	0	580,000	580,000	0
2012 Civic Center Refunding (Original Amount \$2,363,000)	2.34	1,686,000	0	490,000	1,196,000	562,000
2012 Downtown Parking Refunding (Original Amount \$735,000)	2.34	520,000	0	160,000	360,000	175,000
2013 Court of Appeals Refunding (Original Amount \$744,258)	1.93	248,086	0	248,086	0	0
2013 Justice Center Refunding (Original Amount \$2,075,742)	1.93	691,914	0	691,914	0	0
2013 Airport Improvement (Original Amount \$388,668)	2.29	291,502	0	48,583	242,919	48,583
Total General Obligation Bonds		5,125,502	0	2,394,583	2,730,919	961,583
Special Assessment Bonds with Government Commitment						
2005 Delmar/Glenn Sewer (Original Amount \$342,600)	3.0 - 5.0	201,000	0	23,500	177,500	17,400
2006 Trebor Drive Waterline (Original Amount \$11,000)	3.0 - 5.0	6,000	0	500	5,500	600
2006 Southwood Waterline (Original Amount \$71,000)	3.0 - 5.0	34,000	0	4,000	30,000	4,000
2006 Berryman Waterline (Original Amount \$133,000)	3.0 - 5.0	69,000	0	7,000	62,000	8,000
2006 Oakview Project (Original Amount \$805,000)	3.0 - 5.0	445,000	0	40,000	405,000	45,000
2012 Allentown Road Project (Original Amount \$485,000)	2.34	242,501	0	80,833	161,668	80,833
2012 Allentown Road Project (Original Amount \$1,165,000)	2.23	873,750	0	291,250	582,500	0
2006 Bond Premium		90,851	0	9,084	81,767	0
Total Special Assessment Bonds		1,962,102	0	456,167	1,505,935	155,833

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 19 - Long-Term Obligations (continued)

	Interest Rate	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental Activities (continued)						
OPWC Loans						
Phillips						
(Original Amount \$147,340)	0.00%	\$25,784	\$0	\$7,367	\$18,417	\$3,684
Second						
(Original Amount \$188,611)	0.00	80,159	0	9,430	70,729	4,715
Eastown 1						
(Original Amount \$995,670)	0.00	497,835	0	49,782	448,053	24,892
Eastown 2						
(Original Amount \$135,232)	0.00	74,378	0	6,762	67,616	3,381
Eastown 4						
(Original Amount \$684,638)	0.00	496,362	0	34,231	462,131	17,116
Road Resurfacing						
(Original Amount \$345,518)	0.00	233,224	0	17,276	215,948	8,638
Shawnee Road						
(Original Amount \$500,000)	0.00	387,852	112,148	10,000	490,000	10,000
Hume Road						
(Original Amount \$65,000)	0.00	0	65,000	1,300	63,700	1,300
Zurnehly Road Bridge						
(Original Amount \$190,192)	0.00	0	190,192	0	190,192	0
Total OPWC Loans		1,795,594	367,340	136,148	2,026,786	73,726
OWDA Loans						
Lutz/Early						
(Original Amount \$718,512)	1.00	377,159	0	36,045	341,114	36,407
4 th /Bowman						
(Original Amount \$437,856)	0.00	218,929	0	21,892	197,037	21,892
Perry Schools Sewer						
(Original Amount \$481,680)	3.42	362,487	0	22,568	339,919	23,347
Findlay Rd						
(Original Amount \$427,886)	3.42	313,927	0	21,561	292,366	22,305
Westminister						
(Original Amount \$3,451,817)	0.00	2,614,568	0	168,682	2,445,886	0
Indian Village Mobile Home Park						
(Original Amount \$375,581)	3.74	362,671	0	13,398	349,273	13,903
Total OWDA Loans		4,249,741	0	284,146	3,965,595	117,854

(continued)

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 19 - Long-Term Obligations (continued)

	Interest Rate	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental Activities (continued)						
Net Pension Liability						
Ohio Public Employees Retirement System		\$31,667,333	\$12,170,628	\$0	\$43,837,961	\$0
State Teachers Retirement System		1,875,444	576,738	0	2,452,182	0
Total Net Pension Liability		33,542,777	12,747,366	0	46,290,143	0
Capital Leases Payable		102,135	0	33,042	69,093	34,035
Compensated Absences Payable		3,523,103	133,138	470,200	3,186,041	1,699,934
Total Governmental Activities		\$53,978,565	\$13,247,844	\$4,469,265	\$62,757,144	\$5,811,956
Business-Type Activity						
OPWC Loans						
Sanitary Sewer Relining Phase I (Original Amount \$201,676)	0.00%	\$15,126	\$0	\$10,084	5,042	\$5,042
OWDA Loans						
American II (Original Amount \$9,311,017)	1.00	6,261,194	0	453,334	5,807,860	457,879
Bath SSO (Original Amount \$633,337)	1.00	458,709	0	30,683	428,026	30,991
Woodbriar (Original Amount \$169,091)	1.00	69,667	0	17,157	52,510	17,329
Ottawa River Sewer Inceptor (Original Amount \$3,889,294)	0.00	3,146,135	58,314	139,930	3,064,519	0
Shawnee II WWTP, Pump Station (Original Amount \$15,589,221)	0.00	11,742,213	703,387	554,375	11,891,225	0
Total OWDA Loans		21,677,918	761,701	1,195,479	21,244,140	506,199
Net Pension Liability						
Ohio Public Employees Retirement System		1,666,701	640,560	0	2,307,261	0
Capital Leases Payable		181,242	0	125,107	56,135	56,135
Compensated Absences Payable		206,916	42,791	27,988	221,719	102,143
Total Business-Type Activities		\$23,747,903	\$1,445,052	\$1,358,658	\$23,834,297	\$669,519

Special Assessment Notes

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 19 - Long-Term Obligations (continued)

General Obligation Bonds

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

Special Assessment Bonds

Special assessment bonds will be paid from the proceeds of the special assessments levied against those property owners who primarily benefited from the project. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet annual principal and interest payments. Special assessment debt is supported by the full faith and credit of Allen County.

OPWC Loans

The OPWC loans consist of monies owed to the Ohio Public Works Commission for various street, bridge, sewer, and water projects. The loans are interest free. OPWC loans will be repaid from the Motor Vehicle and Gasoline Tax special revenue fund and the Sewer enterprise fund. As of December 31, 2016, the Zurmehly Road Bridge project funded by OPWC loans has not been completed. An amortization schedule for the repayment of the loan will not be available until the project is complete and, therefore, is not included in the schedule of future principal and interest requirements.

OWDA Loans

The OWDA loans consist of monies owed to the Ohio Water Development Authority for various projects. OWDA loans will be repaid from the Water and Sewer Projects capital projects funds and the Sewer enterprise fund. As of December 31, 2016, the Westminster, Ottawa River Sewer Inceptor, and Shawnee II WWTP Pump Station, projects funded by OWDA loans have not been completed. Amortization schedules for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the schedule of future principal and interest requirements.

For OPWC and OWDA loans payable from governmental funds, for which amortization schedules are currently available, the principal remaining to be paid on the OPWC loans is \$1,836,594, principal and interest remaining to be paid on the OWDA loans is \$1,519,709 and \$288,491, respectively. The OPWC loans are payable through 2041 and the OWDA loans are payable through 2035.

OPWC and OWDA loans payable from the Sewer enterprise fund are payable solely from the gross revenues of the fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. For OPWC and OWDA loans, for which amortization schedules are currently available, the principal remaining to be paid on the OPWC loans is \$5,042 and principal and interest remaining to be paid on the OWDA loans is \$6,288,396 and \$400,345, respectively. Principal and interest paid in the Sewer enterprise fund for the current year were \$1,317,451 and \$747,087, respectively. Total net revenues for the Sewer enterprise fund were \$3,733,487. The OPWC loans are payable through 2017 and the OWDA loans are payable through 2029.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 19 - Long-Term Obligations (continued)

There is no repayment schedule for the net pension liability; however, employer pension contributions are paid from the General Fund, Motor Vehicle and Gasoline Tax, Auditor/Recorder/Clerk Fees, Dog and Kennel, Child Support Enforcement Agency, Real Estate Assessment, DRETAC, Developmental Disabilities, Children Services, Law Library, Department of Defense Community Assistance, CEBCO Wellness Grant, Adult Probation Grant, Emergency Management Agency, Ditch Maintenance, Mental/Drug/Reeny Payroll Subsidy special revenue funds, and the Sewer enterprise fund. For additional information related to the net pension liability, see Note 15 to the basic financial statements.

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

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

The County's legal debt margin was \$46,925,626 and an unvoted debt margin of \$18,559,060.

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

Year	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$961,583	\$60,636	\$155,833	\$42,390	\$73,726	\$117,854	\$37,492
2018	1,333,583	41,714	306,460	40,808	147,451	120,319	35,027
2019	338,583	8,459	225,625	31,669	147,451	122,861	32,485
2020	48,583	2,256	230,625	23,421	140,084	125,484	29,862
2021	48,587	1,128	235,625	16,924	140,084	128,190	27,156
2022-2026	0	0	270,000	22,525	656,665	622,934	92,176
2027-2031	0	0	0	0	305,133	206,573	29,276
2032-2036	0	0	0	0	113,000	75,494	5,017
2037-2041	0	0	0	0	113,000	0	0
	<u>\$2,730,919</u>	<u>\$114,193</u>	<u>\$1,424,168</u>	<u>\$177,737</u>	<u>\$1,836,594</u>	<u>\$1,519,709</u>	<u>\$288,491</u>

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 19 - Long-Term Obligations (continued)

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

Year	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2017	\$5,042	\$506,199	\$61,622
2018	0	511,273	56,547
2019	0	516,399	51,422
2020	0	503,720	46,289
2021	0	508,770	41,239
2022-2026	0	2,621,388	128,660
2027-2029	0	1,120,647	14,566
	<u>\$5,042</u>	<u>\$6,288,396</u>	<u>\$400,345</u>

Conduit Debt

In 1998, the County issued economic development revenue bonds and health care facilities revenue bonds, in the amount of \$10,400,000 and \$4,520,000, respectively. As of December 31, 2016, \$10,400,000 and \$4,520,000, respectively, was still outstanding.

In 2007, the County issued health care facilities revenue bonds, in the amount \$2,870,000. These bonds were issued to provide financial assistance to Lima Convalescent Home Foundation, Inc. with the acquisition, construction, and equipping of a 59-unit congregate care facility for the elderly. As of December 31, 2016, \$505,000 was still outstanding.

In 2008, the County issued health care facilities revenue bonds, in the amount of \$300,000,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2016, \$300,000,000 was still outstanding.

In, 2010, the County issued health care facilities revenue bonds, in the amount of \$152,315,000, \$334,015,000, \$100,000,000, and \$95,000,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2016, \$152,315,000, \$210,970,000, \$95,500,000, and \$90,500,000, respectively, was still outstanding.

In, 2011, the County issued health care facilities revenue bonds, in the amount of \$87,470,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2016, \$25,605,000 was still outstanding.

In, 2012, the County issued health care facilities revenue bonds, in the amount of \$100,000,000 and \$273,620,000. These bonds were issued to provide financial assistance to Catholic Healthcare Partners with construction and refunding of debt. As of December 31, 2016, \$100,000,000 and \$273,620,000, respectively, was still outstanding.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 19 - Long-Term Obligations (continued)

In 2015, the County issued health care facilities revenue bonds, in the amount of \$159,205,000 and \$100,000,000. These bonds were issued to provide financial assistance to Mercy Health with construction and refunding of debt. As of December 31, 2016, \$159,205,000 and \$100,000,000, respectively, was still outstanding.

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

Note 20 - Capital Leases

The County has entered into capitalized leases for machinery and equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds and as a reduction of the liability in the enterprise fund. Principal payments in 2016 were \$33,042 for governmental funds and \$125,107 for the enterprise fund.

	Governmental Activities	Business-Type Activity
Equipment	\$195,391	\$614,221
Less Accumulated Depreciation	(42,148)	(233,149)
Carrying Value, December 31, 2016	\$153,243	\$381,072

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016.

Year	Governmental Activities		Business Type Activity	
	Principal	Interest	Principal	Interest
2017	\$34,035	\$1,987	\$56,135	\$1,544
2018	35,058	965	0	0
	\$69,093	\$2,952	\$56,135	\$1,544

Note 21 - Interfund Transfers

During 2016, the General Fund made transfers to the Job and Family Services special revenue fund, the Ditch Construction capital projects fund, and to other governmental funds, in the amount of \$363,393, \$420, and \$242,904, to subsidize operations in those funds. The Motor Vehicle and Gas Tax special revenue fund made transfers to other governmental funds, in the amount of \$175,000, for construction activities. Other governmental funds made transfers to the General Fund, in the amount of \$94,000, to reimburse costs paid by the General Fund. The Sewer enterprise fund made transfers to the other governmental funds, in the amount of \$166,288; \$54,400 for construction activities and \$111,888 to make debt payments when due.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 22 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balance	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
Nonspendable for:				
Interfund Loans	\$439,022	\$0	\$0	\$0
Prepaid Items	318,920	24,852	42,328	53,801
Materials and Supplies				
Inventory	49,693	437,421	28,408	75,463
Unclaimed Monies	157,731	0	0	0
Total Nonspendable	965,366	462,273	70,736	129,264
Restricted for:				
Developmental Disabilities				
Operations	0	0	0	8,711,030
Job and Family Services				
Operations	0	0	1,583,214	0
Road and Bridge Repair/ Improvement	0	954,399	0	0
Total Restricted	0	954,399	1,583,214	8,711,030
Assigned for:				
Airport	1,068	0	0	0
Clerk of Courts	363,184	0	0	0
Economic Development	54,193	0	0	0
Probate Court	963	0	0	0
Projected Budget Shortage	2,802,343	0	0	0
Recorder Equipment	22,531	0	0	0
Title Administration	1,461,361	0	0	0
Unpaid Obligations	95,698	0	0	0
Total Assigned	4,801,341	0	0	0
Unassigned	4,446,431	0	0	0
Total Fund Balance	\$10,213,138	\$1,416,672	\$1,653,950	\$8,840,294

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 22 - Fund Balance (continued)

Fund Balance	Children Services	Ditch Construction	Other Governmental Funds
Nonspendable for:			
Prepaid Items	\$28,903	\$0	\$43,061
Materials and Supplies Inventory	2,802	0	0
Total Nonspendable	31,705	0	43,061
Restricted for:			
Board of Elections	0	0	134
Child Support Enforcement	0	0	365,115
Children Services	1,538,491	0	0
Civic Center	0	0	1,025,080
Court Operations	0	0	1,122,058
Debt Retirement	0	0	1,378,935
Delinquent Tax Collections	0	0	121,867
Ditch Maintenance	0	0	947,240
Dog and Kennel Operations	0	0	356,740
Economic Development and Rehabilitation	0	0	2,085,510
Emergency Management Agency	0	0	4,161
Family Counseling	0	0	8,936
Foreign Trade Zone	0	0	3,258
Law Library Operations	0	0	221,143
Permanent Improvements	0	120,614	3,081,041
Real Estate Assessments	0	0	2,096,758
Scholarships	0	0	51,349
Sheriff Operations	0	0	657,072
Tax Abatement	0	0	16,769
Wellness	0	0	3,099
Total Restricted	1,538,491	120,614	13,546,265
Assigned for:			
Permanent Improvements	0	0	4,813
Unassigned (Deficit)	0	0	(318,011)
Total Fund Balance	\$1,570,196	\$120,614	\$13,276,128

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 23 - Joint Ventures

A. Lima-Allen County Downtown Construction

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

The operation and maintenance costs associated with the skywalk and the parking garage are the joint responsibility of the County and the City. The County and the City share equally the net revenue/(loss) derived from the garage. The joint venture has not accumulated significant financial resources nor is the joint venture experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future. Financial information may be obtained from the Allen County Commissioners, Allen County, Ohio.

The City of Lima has agreed to enter into a long-term lease agreement with the County offering the County a one-half ownership interest in the parking garage, which will be operated and maintained by the Lima-Allen County Joint Parking Commission, in accordance with the rules and regulations established for the Joint Parking Commission (see Note 24). As of December 31, 2016, this lease has not been executed.

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

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

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 24 - Jointly Governed Organizations

A. Lima-Allen County Regional Planning Commission

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

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

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

In 2016, the County did not pay any membership fees. Financial information may be obtained from the Lima-Allen County Regional Planning Commission, 130 West North Street, Lima, Ohio 45801.

B. North Central Ohio Solid Waste Management District

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

Allen County, the largest of the six counties, initially contributed 33 percent of the total funds contributed. In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties. The County does not contribute to the Joint Solid Waste Management District nor does it anticipate doing so in the future. Allen County serves as fiscal agent. Financial information may be obtained from the Joint Solid Waste Management District, 815 Shawnee Road, Suite D, Lima, Ohio 45805.

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

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 24 - Jointly Governed Organizations (continued)

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

D. Lima-Allen County Joint Parking Commission

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

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

Note 25 - Insurance Pools

A. County Risk Sharing Authority, Inc.

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

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

B. County Employee Benefits Consortium of Ohio, Inc.

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

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 25 - Insurance Pools (continued)

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

Note 26 - Related Organization

The Port Authority of Allen County was created pursuant to Sections 4582.202 through 4582.58 of the Ohio Revised Code to promote manufacturing, commerce, distribution, and research and development interests of Allen County, including rendering financial and other assistance to such enterprises situated in Allen County and to induce the location in Allen County of other manufacturing, commerce, distribution, and research and development enterprises; to purchase, subdivide, sell, and lease real property in Allen County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Allen County. The Port Authority Board of Directors consists of seven members who are appointed by the Allen County Commissioners. The Port Authority serves as custodian of its own funds and maintains all records and accounts independent of Allen County. Financial information can be obtained from the Port Authority of Allen County, 144 South Main Street, Suite 200, Lima, Ohio 45801.

Note 27 - LODDI

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

B. Deposits and Investments

At December 31, 2016, the carrying amount of deposits was \$135,076. These amounts are classified as "Cash and Cash Equivalents in Segregated Accounts" on the statement of net position. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

Allen County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 27 - LODDI (continued)

C. Capital Assets

LODDI had capital assets of land and buildings, in the amount of \$135,704 and \$1,258,628, respectively, as of December 31, 2016. Accumulated depreciation was \$464,278, with a net capital asset amount of \$930,054. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

	Interest Rate	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Mortgage Notes Payable	3.575-7.5%	\$10,077	\$0	\$5,846	\$4,231	\$3,623

Note 28 - Contingent Liabilities

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2016, to December 31, 2016, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

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

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

(1) Information prior to 2014 is not available.

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

See Accountant's Compilation Report

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

	2016	2015	2014	2013
County's Proportion of the Net Pension Liability	0.00732584%	0.00678598%	0.00727737%	0.00727737%
County's Proportionate Share of the Net Pension Liability	\$2,452,182	\$1,875,444	\$1,770,107	\$2,108,541
County's Covered Payroll	\$770,821	\$708,007	\$800,746	\$780,192
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.13%	264.89%	221.06%	270.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

See Accountant's Compilation Report

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$3,907,021	\$4,122,098	\$4,073,325	\$5,063,631
Contributions in Relation to the Contractually Required Contribution	<u>(3,907,021)</u>	<u>(4,122,098)</u>	<u>(4,073,325)</u>	<u>(5,063,631)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$31,433,836	\$33,225,588	\$32,790,592	\$37,870,469
Contributions as a Percentage of Covered Payroll	12.43%	12.41%	12.42%	13.37%

(1) Information prior to 2013 is not available.

See Accountant's Compilation Report

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$73,323	\$77,672	\$73,514	\$99,683
Contributions in Relation to the Contractually Required Contribution	<u>(73,323)</u>	<u>(77,672)</u>	<u>(73,514)</u>	<u>(99,683)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$523,736	\$554,800	\$565,490	\$766,792
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%
See Accountant's Compilation Report				

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$103,166	\$111,869	\$129,462	\$130,787	\$127,878	\$123,862
<u>(103,166)</u>	<u>(111,869)</u>	<u>(129,462)</u>	<u>(130,787)</u>	<u>(127,878)</u>	<u>(123,862)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$793,585	\$860,531	\$995,862	\$1,006,054	\$983,677	\$952,785
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Auditor of State
Dave Yost
Office of the Auditor of State of Ohio
88 E. Broad Street
Columbus, Ohio 43215
(800) 282-0370

www.ohioauditor.gov · www.skinnyohio.org