

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2003

ALLEN COUNTY, INDIANA



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Indiana State Board of Accounts

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Ms. Lisbeth A. Blosser	01-01-03 to 12-31-06
Treasurer	Mr. Robert W. Lee	01-01-01 to 12-31-04
Clerk	Mrs. Therese M. Brown	01-01-03 to 12-31-06
Sheriff	Mr. James A. Herman	01-01-03 to 12-31-06
Recorder	Mrs. Patricia J. Crick	01-01-03 to 12-31-06
President of the Board of County Commissioners	Mrs. Marla J. Irving Mr. Edwin J. Rousseau	01-01-03 to 12-31-03 01-01-04 to 12-31-04
President of the County Council	Mr. Michael W. Cunegin, II Mr. Darren E. Vogt	01-01-03 to 12-31-03 01-01-04 to 12-31-04



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2765

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF ALLEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Allen County (County), as of and for the year ended December 31, 2003, which collectively comprise the County's primary government basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregated discretely presented component unit, each major fund and the aggregate remaining fund information of the County as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis, Schedules of Funding Progress, and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

November 29, 2004



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF ALLEN COUNTY, INDIANA

We have audited the financial statements of Allen County (County), as of and for the year ended December 31, 2003, and have issued our report thereon dated November 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 29, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Allen's (County's) annual financial report presents a discussion and analysis of the County's financial performance during the year ended December 31, 2003. Please read it in conjunction with the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of 2003 by \$365,678,332 (*net assets*). Of this amount, \$66,666,930 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$6,961,979 is restricted for specific purpose (*restricted net assets*), and \$292,049,423 is invested in capital assets, net of related debt.
- The County's total assets increased by \$55,678,726 from 2002. This increase is primarily the result of combining County component unit financial data with the County's financial data in order to reflect the most complete and accurate financial condition of the County.
- The County's debt increased by \$40,478,884 in comparison with prior year. This increase is primarily the result of combining County component unit financial data with the County's financial data in order to reflect the most complete and accurate financial condition of the County.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public protection, public ways and facilities, health and sanitation, public assistance, and recreation. The business-type activities of the County include the Allen County War Memorial Coliseum.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Examples are: the Allen County Juvenile Justice Center Building Corporation and the Allen County Jail Building Corporation which were established for the sole purpose of financing the new juvenile and jail facilities. The Building Corporations are part of the primary government because the nature of the relationship to the County is significant. The Fort Wayne-Allen County Airport Authority is reported as a discretely presented component unit because it has some financial accountability to the County's Council.

The government-wide financial statements can be found on pages 18-20 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. This information may be useful in evaluating a county's near-term financing requirements.

Because the focus of *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* in the government-wide financial statements. This comparison will make it easier to understand the long-term impact of the county's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 207 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Family & Children Fund (foster care and adoption assistance) and the County Economic Development Income Tax Fund. Information for the other governmental funds are combined into a single, aggregated presentation.

The governmental funds financial statements can be found on pages 21-23 of this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County used enterprise funds to account for the Allen County War Memorial Coliseum. *Internal Service funds* are an accounting device used to accumulate and allocate cost internally among the County's various functions. The County uses internal service funds to account for its costs associated with health and liability/vehicle expenses. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Allen County War Memorial Coliseum is considered to be a major fund of the County and is shown separately. The County's three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary funds financial statements can be found on pages 24-26 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County has two types of fiduciary funds: Pension Trust and Agency funds (which are clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong).

The fiduciary funds financial statements can be found on pages 27-28 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements.

The notes can be found on pages 29-56 of this report.

Required Supplementary Information is presented concerning the County's General Fund budgetary schedule and Public Employees Retirement Fund pension schedules. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The Public Employees Retirement Fund pension schedules have been provided to present Allen County's progress in funding its obligation to provide pension benefits to County employees.

Required supplementary information can be found on pages 57-59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may over time serve as a useful indicator of the County's financial position.

County assets exceeded liabilities by \$365,678,332 at December 31, 2003.

County's Net Assets

	Governmental		Business-type		Total		
	Activities		Activities		2003	2002	Variance %
	2003	2002	2003	2002	2003	2002	
Assets:							
Current and other assets	\$ 84,314,912	\$ 71,947,583	\$ 13,463,156	\$ 12,377,748	\$ 97,778,068	\$ 84,325,331	15.95%
Capital assets	346,761,825	305,116,206	56,040,901	55,460,531	402,802,726	360,576,737	11.71%
Total assets	431,076,737	377,063,789	69,504,057	67,838,279	500,580,794	444,902,068	12.51%
Liabilities:							
Current and other liabilities	26,092,698	20,757,188	7,103,820	6,131,961	33,196,518	26,889,149	23.46%
Long-term liabilities	58,987,914	18,250,973	42,718,030	44,764,614	101,705,944	63,015,587	61.40%
Total liabilities	85,080,612	39,008,161	49,821,850	50,896,575	134,902,462	89,904,736	50.05%
Net assets:							
Invested in capital assets, net of related debt	280,773,136	281,787,211	11,276,287	8,831,801	292,049,423	290,619,012	0.49%
Restricted	6,961,979	5,536,318	-	-	6,961,979	5,536,318	25.75%
Unrestricted	58,261,010	50,732,099	8,405,920	8,109,903	66,666,930	58,842,002	13.30%
Total net assets	\$ 345,996,125	\$ 338,055,628	\$ 19,682,207	\$ 16,941,704	365,678,332	354,997,332	3.01%

The changes in the County's net assets are summarized as follows:

- The County's total assets increased by \$55,678,726 (or 12.5%). For the first time, the County included construction in progress of \$47,672,807 for the new jail and juvenile facilities in the financial statements. In previous years these amounts were not reflected because the County did not incorporate its component units into the financial statements. Including component units with the County's financial report significantly increased the County's assets.
- The County's total liabilities increased by \$44,997,726 (or 50%). With the inclusion of the construction in progress for the new jail and juvenile facilities, \$46,545,000 of related debt was included in the County's liabilities.

The composition of the County's net assets can be summarized as follows:

- A portion of the County's net assets, 18%, is *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.
- Another 80% of the County's net assets reflect its investment in capital assets (e.g. land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The remaining portion of the County's net assets, 2%, represents resources that are subject to external restrictions on how they can be used.

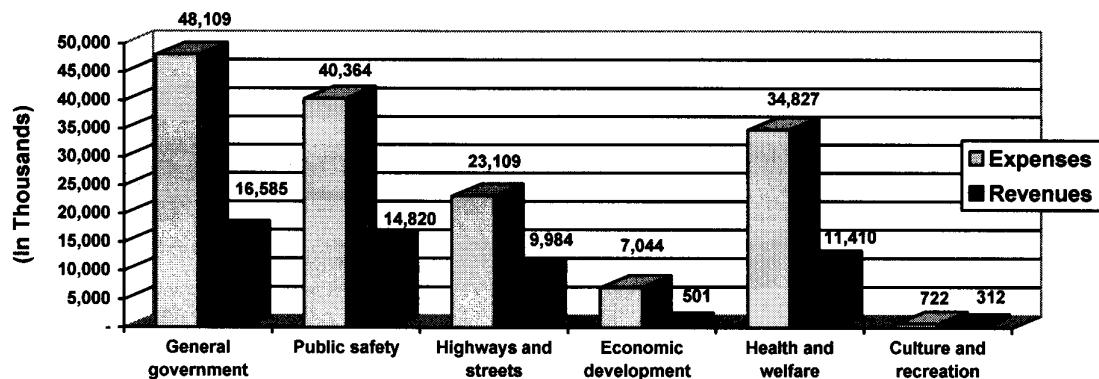
The County's increase in net assets of \$10,681,000 from 2002 is primarily due to the inclusion of component unit assets and liabilities. Component unit net assets of approximately \$4,500,000 were included in the County's net assets.

Government activities. Governmental activities account for 95% of the County's net assets as of December 31, 2003. Reclassifications were made to the 2002 revenues and expenditures to conform to the current year's presentation.

County's Change in Net Assets

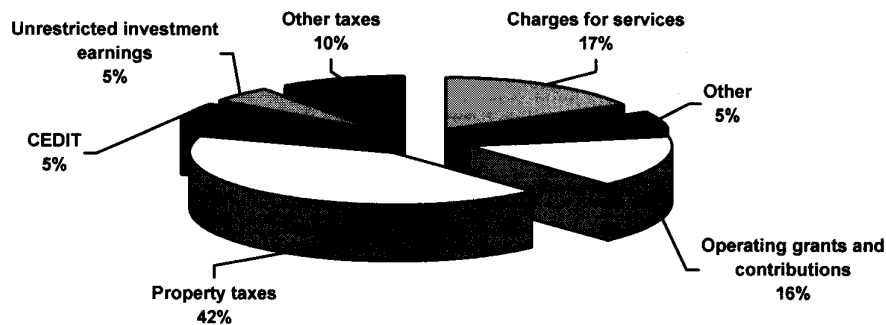
	Governmental Activities		Business-type Activities		Total		Variance %
	2003	2002	2003	2002	2003	2002	
Revenues:							
Program revenues:							
Charges for services	\$ 28,162,778	\$ 28,021,300	\$ 6,458,837	\$ 5,029,769	\$ 34,621,615	\$ 33,051,069	4.75%
Operating grants and contributions	25,447,775	25,759,983	-	-	25,447,775	25,759,983	-1.21%
General Revenue:							
Property taxes	67,756,563	67,568,828	-	-	67,756,563	67,568,828	0.28%
CEDIT	7,744,449	5,705,625	-	-	7,744,449	5,705,625	35.73%
Franchise taxes	624,616	657,021	-	-	624,616	657,021	-4.93%
Other taxes	16,396,584	15,755,501	-	-	16,396,584	15,755,501	4.07%
Food and beverage taxes	-	-	4,731,342	4,397,799	4,731,342	4,397,799	7.58%
Sports and convention taxes	-	-	918,907	640,905	918,907	640,905	43.38%
Unrestricted investment earnings	8,868,257	2,571,031	117,484	265,475	8,985,741	2,836,506	216.79%
Refunds and reimbursements	1,019,945	3,368,239	-	-	1,019,945	3,368,239	-69.72%
Other	6,480,902	3,166,088	-	-	6,480,902	3,166,088	104.70%
Total Revenues	162,501,869	152,573,616	12,226,570	10,333,948	174,728,439	162,907,564	7.26%
Expenses:							
General government	48,109,449	55,650,575	-	-	48,109,449	55,650,575	-13.55%
Public safety	40,364,403	35,641,263	-	-	40,364,403	35,641,263	13.25%
Highways and streets	23,108,505	9,179,922	-	-	23,108,505	9,179,922	151.73%
Sanitation	-	595,324	-	-	-	595,324	-100.00%
Economic Development	7,043,548	8,828,364	-	-	7,043,548	8,828,364	-20.22%
Health and welfare	34,827,457	35,652,606	-	-	34,827,457	35,652,606	-2.31%
Culture and recreation	721,786	837,281	-	-	721,786	837,281	-13.79%
Coliseum	-	-	9,679,407	9,339,550	9,679,407	9,339,550	3.64%
Total expenses	154,175,148	146,385,335	9,679,407	9,339,550	163,854,555	155,724,885	5.22%
Change in Capital Contributions	-	-	193,340	101,982	193,340	101,982	89.58%
Change in net pension obligation	(386,224)	(10,128)	-	-	(386,224)	(10,128)	3713.43%
Change in net assets	7,940,497	6,178,153	2,740,503	1,096,380	10,681,000	7,274,533	46.83%
Net assets - beginning, as restated	338,055,628	100,224,334	16,941,704	15,845,324	354,997,332	116,069,658	205.85%
Net assets - ending	\$ 345,996,125	\$ 106,402,487	\$ 19,682,207	\$ 16,941,704	365,678,332	123,344,191	196.47%

Expenses and Program Revenues – Governmental Activities

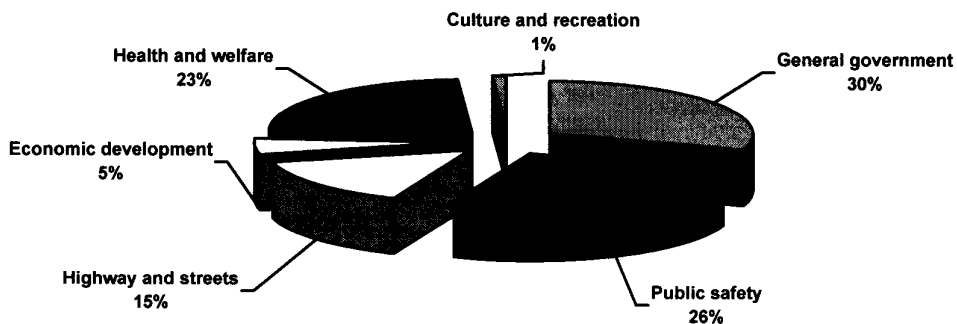


- The main reason revenue increased from 2002 is unrestricted investment earnings increased \$6,297,226 or 245% from 2002. This primary reason for this increase was including component unit (Building corporations for the new jail and juvenile facilities) investment earnings of \$7,234,185. After adjusting for the component unit investment earnings, unrestricted investment earnings decreased by approximately \$1,000,000. This decrease is primarily due to the delay in 2003 property tax collections. The County collected approximately \$9,300,000 of 2003 property tax in June 2004.
- General government expenses decreased by \$7,541,126 or 14% from 2002. The majority of this decrease was caused as a result of the 2003 revenue forecasts being significantly lower than 2002 revenue forecasts. The 2003 COIT (County Option Income Tax) was estimated to be approximately \$4,500,000 lower than the 2002 COIT. As a result, most County departments refrained from purchasing small capital items such as general office equipment, vehicles, and computer equipment.
- Public Safety expenses increased \$4,723,140 or 13% from 2002. The primary reason for this increase was the inclusion of the debt service payments of the component units that are financing the new jail and juvenile facilities.
- Highway and street expenses increased \$14,060,333 or 152% from 2002. This increase is primarily due to increased depreciation of infrastructure. In 2002, the County reported only infrastructure completed or started in 2002. For 2003, the County reported all of its infrastructure in the financial statements (as required by GASB Statement 34). As a result, \$282,506,654 of capital assets (net of depreciation) were depreciated during 2003 for the first time. The depreciation expense related to this infrastructure was approximately \$12,000,000.

Revenues by Source – Governmental Activities



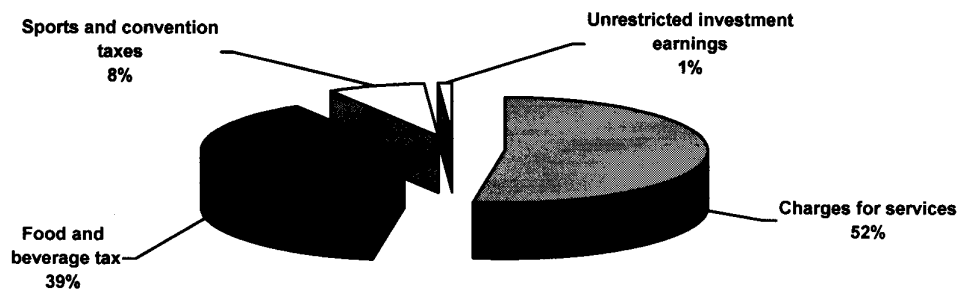
Expenses by Function/Program – Governmental Activities



Business-type activities. Business-type activities account for 5% of the County's net assets as of December 31, 2003. The Allen County War Memorial Coliseum is the only branch of County government included in business-type activities. The Allen County War Memorial Coliseum had revenues totaling \$12,226,570 and incurred \$9,679,407 of expenses. During 2003, the total revenues included \$6,458,837 of program revenue and \$5,767,733 from the Food & Beverage Taxes, Sports & Convention Taxes, and investment earnings. Key elements accounting for the increases in revenues are as follows:

- Food and Beverage tax revenue increased \$333,543 or 8% from 2002. Food and Beverage tax is 1% of all gross retail income received by merchants from the sale of food and beverage. This increase in tax revenue was due to the increase of more events and an increase in the amount of money that was spent at Allen County restaurants.
- Sports and Convention taxes increased \$278,002 or 43% from 2002. The County receives some of the State and Local Income tax on earnings of individuals that work within a designated Sports and Convention area. The County also receives the sales tax generated from the gross revenues of products sold within the designated Sports and Convention area. The number of employees and the sales generated in this area increased as a result of additional and larger events held at the Memorial Coliseum.

Revenues by Source – Business-type Activities



Governmental funds. The general government functions are contained in the General, special revenue, debt service, and capital project funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources (modified accrual). Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2003, the County's governmental funds reported combined ending fund balances of \$45,938,836, a decrease of \$7,540,436 in comparison to prior year. The decrease is primarily due to the delay in property tax collections due to a complete overhaul of Indiana Property Taxation laws. \$18,480,191 of 2003 property taxes were not distributed to the County until June of 2004. As a result of *governmental funds* reporting under the modified accrual basis of accounting, \$18,480,191 is recognized as deferred revenue in the *governmental fund* statements because those revenues were not available to the County to spend within 60 days of the end of the year. In order to continue the ongoing operations of the County, the governmental funds that receive property taxes temporarily borrowed over \$13,000,000 from other County funds. These loans were repaid in June of 2004 when the remaining 2003 property taxes were collected. In the Governmental Funds Statement of Revenues, Expenditures, and Other Changes in Fund Balances, these loans are reported as being borrowed and repaid within 2003. Specifically, as a result of the combination of the accounting treatments noted above, the General Fund and the Family and Children Fund reflect negative fund balances as of December 31, 2003.

Approximately 85% of the combined ending fund balance or \$39,185,027 constitutes *unreserved fund balance*, which is available to meet the County's current and future needs. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has been committed (1) to pay debt service of \$5,941,385, (2) to pay tax incremental financing bonds and loans of \$1,100,000, (3) to reflect noncurrent loan receivable of \$500,560, and (4) to reflect noncurrent intergovernmental loan payable of (\$788,136).

The General Fund is the chief operating fund of the County. At December 31, 2003, unreserved fund balance of the General Fund was (\$3,004,525). As discussed above, the negative fund balance is the result of delayed property tax payments. As of December 31, 2003, the General Fund financial statements report \$9,333,844 of 2003 property taxes collected in 2004 as a liability (deferred revenue) in the Governmental Funds Balance Sheet and the property taxes are not included in 2003 revenues on the Governmental Fund Statement of Revenues, Expenditures, and Other Changes in Fund Balances. The General Fund Balance would have been approximately \$6,300,000, if the property taxes had been received in 2003 or shortly (within 60 days) after.

The following provides an explanation of revenues by source that changed significantly from the prior year:

Revenues Classified by Source - General Fund

	2003		2002		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 39,749,249	66.86%	\$ 51,010,691	73.88%	\$ (11,261,442)	-22.08%
Licenses and permits	2,190,424	3.68%	1,933,755	2.80%	256,669	13.27%
Intergovernmental	4,306,445	7.24%	3,982,425	5.77%	324,020	8.14%
Charges for services	6,301,788	10.60%	5,909,344	8.56%	392,444	6.64%
Other	6,907,931	11.62%	6,211,379	9.00%	696,552	11.21%
Total	\$ 59,455,837	100%	\$ 69,047,594	100%	\$ (9,591,757)	17%

- The primary reason for the decrease in revenue from 2002 is taxes decreased by \$11,261,442 or 22%. This decrease was mainly due to \$9,333,844 of 2003 property tax revenue not being reflected in the general fund financials statements because the property taxes weren't collected until June of 2004. Another reason for the decrease is the County Option Income Tax decreased by approximately \$2,800,000 from 2002. The reduction in income tax is largely due to the downturn in the economy and the loss of some manufacturing jobs in the County.

The following provides an explanation of expenditures by function that changed significantly over the prior year:

Expenditures by Function - General Fund

	2003		2002		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government	\$ 33,732,801	51.54%	\$ 39,712,433	53.54%	\$ (5,979,632)	-15.06%
Public Safety	25,707,536	39.27%	28,377,963	38.26%	(2,670,427)	-9.41%
Health and Welfare	5,601,161	8.56%	5,665,875	7.64%	(64,714)	-1.14%
Culture and Recreation	414,314	0.63%	413,727	0.56%	587	0.14%
Total	\$ 65,455,812	100%	\$ 74,169,998	100%	\$ (8,714,186)	-25%

- General government expenses decreased \$5,979,632 or 15% from 2002. The majority of the decrease was due to health insurance costs paid into the Internal Service Fund from general government departments decreased approximately \$3,500,000 from 2002. Some of the costs were paid by other funds in 2003.
- Public safety expenses decreased \$2,670,427 or 9% from 2002. The primary reason for this decrease was the County incurred approximately \$1,000,000 less expense in 2002 for institutional care outside of the County for delinquent boys and girls.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financials statements, but in more detail.

Unrestricted net assets amounted to \$8,405,920 for the Allen County War Memorial Coliseum and \$1,745,043 for the County's Internal Service fund. Factors concerning the finances of the Allen County War Memorial Coliseum have already been addressed in the discussion of the County's business-type activities. The County's internal service fund is primarily a Health Self-Insurance fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget for 2003 exceeded its original budget by approximately \$2,100,000 or 3.34%. The key elements of the difference between the original budget and final budget are listed below:

- \$940,000 of unanticipated property tax refunds (which will be reimbursed through tax collections).
- \$484,000 of unanticipated federal and state grants applied at different times for Prosecutor programs including Crime Victim Assistance and Special Programs for the Aging – TVII Elder Abuse (\$216,000) and Sheriff programs including Community Policing, Local Law Enforcement and Community Highway Safety (\$268,000).
- \$175,000 additional appropriation for institutional expense related to housing juvenile delinquent boys and girls out of the County.

During the year General Fund revenues and expenditures were less than budgetary estimates. Actual revenues were \$14,186,405 lower than estimates. As stated above, this is primarily due to the delay in 2003 property tax collections. Actual expenditures were \$2,225,217 lower than the final budgetary appropriations. The bulk of these cost savings resulted from unspent appropriations of (a) \$1,721,812 in salaries and benefits due to unfilled new jail positions and high turnover rates county-wide, (b) \$151,179 in supplies, and (c) \$376,163 in services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2003 was 402,802,726 (net of accumulated depreciation). This investment in capital assets includes land and easements, infrastructure, construction in progress, buildings and improvements, equipment, and net investment in joint venture. The total increase in the County's investment in capital assets for the year was 11.7% (13.7% increase for governmental activities and 1.1% increase for business-type activities).

County's Capital Assets (net of depreciation)

	Governmental		Business-type		Total		% Variance
	Activities		Activities				
	2003	2002	2003	2002	2003	2002	
Land and easements	\$ 9,206,441	\$ 8,966,627	\$ 380,487	\$ 380,487	\$ 9,586,928	\$ 9,347,114	3%
Construction in progress	61,037,925	13,643,225	35,917,785	33,974,643	96,955,710	47,617,868	104%
Buildings and improvements	30,148,350	30,782,692	18,891,469	20,407,841	49,039,819	51,190,533	-4%
Machinery and equipment	9,616,490	10,849,825	851,190	697,560	10,467,680	11,547,385	-9%
Infrastructure	232,338,710	236,424,103	-	-	232,338,710	236,424,103	-2%
Net investment in joint venture	4,413,909	4,449,734	-	-	4,413,909	4,449,734	-1%
	<u>\$ 346,761,825</u>	<u>\$ 305,116,206</u>	<u>\$ 56,040,931</u>	<u>\$ 55,460,531</u>	<u>\$ 402,802,756</u>	<u>\$ 360,576,737</u>	<u>12%</u>

Major capital asset transaction/events during the current fiscal year included the following:

- Construction in progress increased by 104% as a result of including, \$47,672,807 of construction in progress for the construction of the new jail and juvenile facilities. These projects are expected be completed in 2004.
- Land and easements increased by 3% from prior year due to the acquisition of easements for infrastructure projects.
- The remaining capital assets above decreased primarily as a result of depreciation during 2003.

The County's infrastructure assets are recorded at historical costs in the government-wide financials as required by GASB Statement No. 34. The County has elected to use the depreciation method to report these assets as opposed to the modified approach.

Additional information on the County's capital assets can be found in Note III.B on pages 38-40 of this report.

Long-term debt. At December 31, 2003, the County had total debt outstanding of \$110,274,614. Of this amount, \$93,425,000 comprised of first mortgage bonds, \$14,415,000 of general obligation bonds, \$1,700,000 of revenue bonds and \$734,614 of loans payable.

County's Outstanding Debt
General Obligation Bonds, First Mortgage Bonds, Revenue Bonds, and Loans Payable
(including bond discounts)

	Governmental		Business-type		Total		Variance %
	Activities		Activities				
	2003	2002	2003	2002	2003	2002	
General Obligation Bonds	\$ 14,415,000	\$ 18,042,000	\$ -	\$ -	\$ 14,415,000	\$ 18,042,000	-20%
First Mortgage Bonds	49,395,000	3,425,000	44,030,000	45,730,000	93,425,000	49,155,000	90%
Revenue Bonds	1,700,000	1,700,000	-	-	1,700,000	1,700,000	0%
Loans Payable	-	-	734,614	898,730	734,614	898,730	-18%
	<u>\$ 65,510,000</u>	<u>\$ 23,167,000</u>	<u>\$ 44,764,614</u>	<u>\$ 46,628,730</u>	<u>\$ 110,274,614</u>	<u>\$ 69,795,730</u>	<u>58%</u>

During 2003, the County's total debt increased by \$40,478,884 or 58%. The increase was due to the addition of \$46,545,000 of first mortgage bonds payable to finance the new jail and juvenile facilities. The County maintains an Aa- from Moody's Investors Service for its first mortgage bonds. Indiana Code 36-1-15 limits certain County debt to 2% of a third of the County's Net Assessed Value for the current assessment year. For 2003 the borrowing limit is \$94,743,290. The amount of debt subject to the debt service limit is \$17,265,000.

Additional information on the County's long-term debt can be found in Note III. E on pages 42-46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The County is located in northeastern Indiana, approximately 125 miles northeast of Indianapolis. The County is the largest county in the State of Indiana in terms of area. The City of Fort Wayne is the second largest city in the state, 85th largest in the nation, and serves as the economic hub for the area. The west central part of the County is dominated by the City of Fort Wayne with about 2/3 of the County's population. The eastern half of the county is largely agricultural with several small towns.
- General Motors located a modern light truck assembly plant in the southwestern part of the County in the mid-1980s that generates significant economic advantages. As with many mid-west communities that have a traditional manufacturing base, there has been a steady movement towards more service and retail related jobs. Almost two-thirds of the areas jobs are evenly distributed between the manufacturing, service and retail sectors. The remaining one-third comes from the construction, finance and government sectors. Job growth has been primarily from expansion of existing businesses.
- During 2003, unemployment in the County averaged 5.5%, and at year end, it decreased to 5.3%. Similarly unemployment in the Fort Wayne Metropolitan statistical area (Adams, Allen, Dekalb, Huntington, Wells, and Whitley counties) also averaged 5.5%, after peaking at 6.5% in July. We anticipate a continuation of this rate fluctuation during the first part of 2004, then a gradual decrease during the last half of the year. According to the Indiana Business Review, the forecast for the Fort Wayne Metropolitan area in 2004 is an increase of between 2,500 and 5,000 jobs.
- The ten largest employers in Allen County make up only 13.2% of the total employment so the County is not entirely reliant on only a few major employers.
- On the same note, the top ten taxpayers in Allen County provide only 8.6% of the property tax revenue so the County is not entirely reliant on only a few property owners.
- The County Building Department issued 1,972 building permits in 2003, which is a slight decrease of 4.7% of the 2,070 permits issued in 2002.

- Assessed value increased by 42.5% compared to 2002. This increase was primarily due to real property reassessment which now is based upon market value instead of replacement value less depreciation. We anticipate assessed value to decrease slightly the next few years as new laws go into effect that eliminate some business personal property from taxation.
- The County anticipates increasing its General Fund operating budget by approximately \$7,000,000 to operate a new jail and juvenile justice center. The new jail was ordered by a federal district court and the new juvenile justice center was mandated by an Allen County Superior Court judge. The new facilities were needed to adequately house both adult and juvenile offenders according to the new American Correctional Association Jail Construction Standards and the standards adopted by the Indiana Department of Correction. As a result of this budget increase, we anticipate the County combined tax rate to increase approximately 11% next year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all of those with an interest in the County's finances (including the County's taxpayers, citizens, investors, creditors, and customers). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Allen County Auditor, 1 East Main Street, Room 102, Fort Wayne, Indiana 46802-1887.

ALLEN COUNTY
STATEMENT OF NET ASSETS
December 31, 2003

Assets	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$ 49,020,788	\$ 709,497	\$ 49,730,285	\$ 3,241,705
Investments	-	-	-	10,300,000
Receivables (net of allowances for uncollectibles):				
Interest	147,330	1,403	148,733	-
Taxes	31,943,458	-	31,943,458	1,235,161
Accounts	1,024,502	204,833	1,229,335	279,720
Special assessments	279,292	-	279,292	-
Intergovernmental	3,228,633	-	3,228,633	-
Suite	-	608,000	608,000	-
Loans	239,737	-	239,737	-
Unbilled revenue	-	-	-	308,936
Other	-	-	-	502,987
Internal balances	(2,750,000)	2,750,000	-	-
Inventories	789,161	-	789,161	-
Prepaid expense	247,510	178,124	425,634	168,356
Deferred debits	144,501	-	144,501	502,540
Restricted assets:				
Cash and cash equivalents	-	5,903,178	5,903,178	5,732,445
Cash with fiscal agent	-	426,656	426,656	-
Investments	-	-	-	1,100,000
Taxes receivable	-	875,948	875,948	278,023
Interest receivable	-	3,517	3,517	-
Suite receivable	-	1,802,000	1,802,000	-
Passenger facility charge receivable	-	-	-	101,434
Federal and state grants receivable	-	-	-	836,292
Loan receivable	-	-	-	1,307,304
Other receivables	-	-	-	3,173
Capital assets:				
Land, improvements and construction in progress	70,244,366	36,298,242	106,542,608	16,443,913
Other capital assets, net of depreciation	276,517,459	19,742,659	296,260,118	92,375,480
Total assets	431,076,737	69,504,057	500,580,794	134,717,469

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF NET ASSETS
December 31, 2003
(Continued)

<u>Liabilities</u>	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Current liabilities:				
Accounts payable	11,731,931	90,655	11,822,586	714,330
Accrued payroll and withholdings payable	3,089,000	118,041	3,207,041	-
Intergovernmental payable	1,198,111	-	1,198,111	-
Taxes payable	-	3,398	3,398	-
Accrued liabilities	-	-	-	354,616
Accrued interest payable	573,605	16,712	590,317	-
Incurred but not reported claims	924,972	-	924,972	-
Deferred revenue	-	3,042,262	3,042,262	40,000
Compensated absences payable	2,116,342	41,863	2,158,205	-
Loan payable	239,737	171,584	411,321	16,600
General obligation bonds - due within one year	3,329,000	-	3,329,000	-
First mortgage bonds - due within one year	2,830,000	-	2,830,000	-
Revenue bonds - due within one year	60,000	-	60,000	-
Current liabilities payable from restricted assets:				
Accounts payable	-	-	-	233,206
Ticket office customer deposits payable	-	1,322,934	1,322,934	-
Accrued bond interest	-	421,371	421,371	1,164,896
First mortgage bonds - due within one year	-	1,875,000	1,875,000	-
Revenue bonds - due within one year	-	-	-	3,175,000
Noncurrent liabilities:				
General obligation bonds payable (net of discounts or premiums)	11,028,272	-	11,028,272	-
First mortgage bonds payable	46,565,000	42,155,000	88,720,000	-
Compensated absences	-	-	-	753,648
Revenue bonds payable (net of discounts or premiums)	1,602,812	-	1,602,812	40,783,370
Notes and loans payable	-	563,030	563,030	83,000
Net pension obligation	(208,170)	-	(208,170)	-
Total liabilities	85,080,612	49,821,850	134,902,462	47,318,666
<u>Net assets</u>				
Invested in capital assets, net of related debt	280,773,136	11,276,287	292,049,423	64,761,424
Restricted for:				
Debt service	5,941,385	-	5,941,385	-
Other purposes	1,020,594	-	1,020,594	6,653,265
Unrestricted	58,261,010	8,405,920	66,666,930	15,984,114
Total net assets	\$ 345,996,125	\$ 19,682,207	\$ 365,678,332	\$ 87,398,803

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 48,109,449	\$ 15,891,213	\$ 693,539	\$ -	\$ (31,524,697)	\$ -	\$ (31,524,697)	\$ -
Public safety	40,364,403	9,949,538	4,870,363	-	(25,544,502)	-	(25,544,502)	-
Highways and streets	23,108,505	323,037	9,660,791	-	(13,124,677)	-	(13,124,677)	-
Economic development	7,043,548	-	500,814	-	(6,542,734)	-	(6,542,734)	-
Health and welfare	34,827,457	1,862,507	9,547,229	-	(23,417,721)	-	(23,417,721)	-
Culture and recreation	721,786	136,483	175,039	-	(410,264)	-	(410,264)	-
Total governmental activities	<u>154,175,148</u>	<u>28,162,778</u>	<u>25,447,775</u>	<u>-</u>	<u>(100,564,595)</u>	<u>-</u>	<u>(100,564,595)</u>	<u>-</u>
Business-type activities:								
Coliseum	9,679,407	6,458,837	-	-	-	(3,220,570)	(3,220,570)	-
Total primary government	<u>\$ 163,854,555</u>	<u>\$ 34,621,615</u>	<u>\$ 25,447,775</u>	<u>\$ -</u>	<u>(100,564,595)</u>	<u>(3,220,570)</u>	<u>(103,785,165)</u>	<u>-</u>
Component units:								
Fort Wayne - Allen County Airport Authority	<u>\$ 17,265,353</u>	<u>\$ 11,098,072</u>	<u>\$ 65,487</u>	<u>\$ 2,839,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,261,810)</u>
General revenues:								
Property taxes					67,756,563	-	67,756,563	3,768,107
CEDIT					7,744,449	-	7,744,449	-
Franchise taxes					624,616	-	624,616	-
Other taxes					16,396,584	-	16,396,584	-
Food and beverage taxes					-	4,731,342	4,731,342	-
Sports and convention taxes					-	918,907	918,907	-
Unrestricted investment earnings					8,868,257	117,484	8,985,741	401,133
Refunds and reimbursements					1,019,945	-	1,019,945	-
Change in net pension obligation					(386,224)	-	(386,224)	-
Other					6,480,902	-	6,480,902	-
Gain on sale of capital assets					-	-	-	1,257
Capital contributions					-	193,340	193,340	-
Total general revenues, special items, and transfers					<u>108,505,092</u>	<u>5,961,073</u>	<u>114,466,165</u>	<u>4,170,497</u>
Change in net assets					7,940,497	2,740,503	10,681,000	908,687
Net assets - beginning					<u>338,055,628</u>	<u>16,941,704</u>	<u>354,997,332</u>	<u>86,490,116</u>
Net assets - ending					<u>\$ 345,996,125</u>	<u>\$ 19,682,207</u>	<u>\$ 365,678,332</u>	<u>\$ 87,398,803</u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

<u>Assets</u>	<u>General</u>	<u>Family and Children</u>	<u>CEDIT</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 7,476,550	\$ -	\$ 2,997,687	\$ 35,700,886	\$ 46,175,123
Receivables (net of allowances for uncollectibles):					
Interest	127,618	-	-	18,651	146,269
Taxes	16,544,137	5,659,333	-	9,739,988	31,943,458
Accounts	562,620	-	-	458,507	1,021,127
Special assessments	-	-	-	279,292	279,292
Intergovernmental	1,168,564	299,061	-	1,761,008	3,228,633
Loans	-	-	-	239,737	239,737
Interfund receivable:					
Interfund loans	3,425,095	-	360,000	11,131,000	14,916,095
Interfund services provided and used	214,081	-	-	-	214,081
Total assets	<u>\$ 29,518,665</u>	<u>\$ 5,958,394</u>	<u>\$ 3,357,687</u>	<u>\$ 59,329,069</u>	<u>\$ 98,163,815</u>

Liabilities and fund balances

Liabilities:					
Accounts payable	\$ 8,919,277	\$ 1,623,196	\$ 192,634	\$ 816,738	\$ 11,551,845
Accrued payroll and withholdings payable	2,389,069	-	41,395	658,536	3,089,000
Interfund payable:					
Interfund loans	11,881,000	3,331,284	-	2,453,811	17,666,095
Intergovernmental payable	-	-	-	1,198,111	1,198,111
Deferred revenue	9,333,844	3,507,413	-	5,638,934	18,480,191
Loans payable	-	-	-	239,737	239,737
Total liabilities	<u>32,523,190</u>	<u>8,461,893</u>	<u>234,029</u>	<u>11,005,867</u>	<u>52,224,979</u>
Fund balances:					
Reserved for:					
Tax incremental financing bonds and loans	-	-	1,100,000	-	1,100,000
Debt service	-	-	-	5,941,385	5,941,385
Noncurrent loan receivable	-	-	-	500,560	500,560
Intergovernmental payable	-	-	-	(788,136)	(788,136)
Unreserved, reported in:					
General fund	(3,004,525)	-	-	-	(3,004,525)
Special revenue funds	-	(2,503,499)	-	26,698,377	24,194,878
Capital projects funds	-	-	2,023,658	15,971,016	17,994,674
Total fund balances	<u>(3,004,525)</u>	<u>(2,503,499)</u>	<u>3,123,658</u>	<u>48,323,202</u>	<u>45,938,836</u>
Total liabilities and fund balances	<u>\$ 29,518,665</u>	<u>\$ 5,958,394</u>	<u>\$ 3,357,687</u>	<u>\$ 59,329,069</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	346,761,825
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	19,447,282
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,745,043
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(68,105,031)
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the funds.	<u>208,170</u>
Net assets of governmental activities	<u>\$ 345,996,125</u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2003

	General	Family and Children	CEDIT	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 39,749,249	\$ 10,056,817	\$ 8,444,474	\$ 18,381,879	\$ 76,632,419
Special assessments	-	-	-	581,844	581,844
Licenses and permits	2,190,424	-	-	1,179,920	3,370,344
Intergovernmental	4,306,445	7,320,771	-	13,929,480	25,556,696
Charges for services	6,301,788	-	-	9,098,239	15,400,027
Other	6,907,931	-	-	9,265,381	16,173,312
Total revenues	59,455,837	17,377,588	8,444,474	52,436,743	137,714,642
Expenditures:					
Current:					
General government	33,732,801	-	-	2,973,640	36,706,441
Public safety	25,707,536	-	-	8,696,962	34,404,498
Highways and streets	-	-	-	10,910,320	10,910,320
Health and welfare	5,601,161	22,093,086	-	6,900,057	34,594,304
Culture and recreation	414,314	-	-	283,437	697,751
Debt service:					
Principal	-	-	-	7,597,000	7,597,000
Interest	-	-	-	7,308,121	7,308,121
Capital outlay	-	-	8,368,606	54,608,037	62,976,643
Total expenditures	65,455,812	22,093,086	8,368,606	99,277,574	195,195,078
Excess (deficiency) of revenues over (under) expenditures	(5,999,975)	(4,715,498)	75,868	(46,840,831)	(57,480,436)
Other financing sources (uses):					
Transfers in	23,030	-	238,560	6,199,413	6,461,003
Transfers out	-	-	(134,600)	(6,326,403)	(6,461,003)
Temporary loan proceeds	11,881,000	-	-	13,131,000	25,012,000
Temporary loan repayments	(11,881,000)	-	-	(13,131,000)	(25,012,000)
Bond proceeds	-	-	-	49,940,000	49,940,000
Total other financing sources and uses	23,030	-	103,960	49,813,010	49,940,000
Net change in fund balances	(5,976,945)	(4,715,498)	179,828	2,972,179	(7,540,436)
Fund balances - beginning	2,972,420	2,211,999	2,943,830	45,351,023	53,479,272
Fund balances - ending	\$ (3,004,525)	\$ (2,503,499)	\$ 3,123,658	\$ 48,323,202	\$ 45,938,836

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2003

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

Net change in fund balances - total governmental funds (statement of revenues, expenditures and changes in fund balances).	\$ (7,540,436)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	41,645,619
Governmental funds report the net effect of bond issue costs, discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(67,042)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	15,307,949
Some expenses were deferred as assets in the statement of net assets and therefore were not reported in the statement of activities, but were reported as expenditures in the governmental funds.	171,376
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(42,343,000)
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.	(386,224)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(371,248)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>1,523,503</u>
Change in net assets of governmental activities (statement of activities).	<u>\$ 7,940,497</u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2003

<u>Assets</u>	Business-type Activities - <u>Enterprise Fund</u> War Memorial Coliseum	Governmental Activities - Internal Service Fund
Current assets:		
Cash and cash equivalents	\$ 709,497	\$ 2,845,665
Interest receivable	1,403	1,061
Accounts receivable (net of allowance)	204,833	3,375
Interfund receivables:		
Interfund loans	2,750,000	-
Suite receivable	608,000	-
Prepaid items	178,124	-
	<u>4,451,857</u>	<u>2,850,101</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:	5,903,178	-
Restricted cash with fiscal agent	426,656	-
Restricted taxes receivable	875,948	-
Restricted interest receivable	3,517	-
Suite receivable	1,802,000	-
	<u>9,011,299</u>	<u>-</u>
Capital assets:		
Land, improvements to land and construction in progress	36,298,242	-
Other capital assets (net of accumulated depreciation)	19,742,659	-
	<u>56,040,901</u>	<u>-</u>
Total noncurrent assets	<u>65,052,200</u>	<u>-</u>
Total assets	<u>69,504,057</u>	<u>2,850,101</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	90,655	180,086
Accrued wages payable	118,041	-
Taxes payable	3,398	-
Interest payable	16,712	-
Incurred but not reported claims	-	924,972
Deferred revenue	3,042,262	-
Compensated absences payable	41,863	-
Loans payable	171,584	-
Current liabilities payable from restricted assets:		
Ticket office customer deposits payable	1,322,934	-
First mortgage bonds payable	1,875,000	-
Accrued interest payable	421,371	-
	<u>7,103,820</u>	<u>1,105,058</u>
Noncurrent liabilities:		
First mortgage bonds payable (net of unamortized discounts)	42,155,000	-
Loans payable	563,030	-
	<u>42,718,030</u>	<u>-</u>
Total liabilities	<u>49,821,850</u>	<u>1,105,058</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	11,276,287	-
Unrestricted	8,405,920	1,745,043
Total net assets	<u>\$ 19,682,207</u>	<u>\$ 1,745,043</u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2003

	Business-type Activities - <u>Enterprise Fund</u> War Memorial Coliseum	Governmental Activities - Internal Service Funds
Operating revenues:		
Rent	\$ 1,353,694	\$ -
Concessions	1,767,502	-
Parking	1,320,867	-
Ticket office	163,344	-
Miscellaneous	341,829	43,018
Advertising	327,323	-
Arena maintenance fee	418,790	-
Suite/Club seats	765,488	-
Employee/employer contributions	-	9,421,148
	<u>6,458,837</u>	<u>9,464,166</u>
Total operating revenues		
Operating expenses:		
Salaries and wages	2,148,540	-
Fringe benefits	538,851	-
Materials and supplies	166,260	-
Purchased services	1,610,096	-
Utilities	718,814	-
Miscellaneous	116,420	-
Maintenance and repair	392,895	-
Insurance claims and expenses	-	7,955,775
Bad debt expense	6,289	-
Depreciation	1,676,064	-
	<u>7,374,229</u>	<u>7,955,775</u>
Total operating expenses		
Operating income (loss)	<u>(915,392)</u>	<u>1,508,391</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	117,484	15,112
Food and beverage taxes	4,731,342	-
Sports and convention taxes	918,907	-
Interest expense	(2,305,178)	-
	<u>3,462,555</u>	<u>15,112</u>
Total nonoperating revenue		
Income before contributions and transfers	2,547,163	1,523,503
Capital contributions	<u>193,340</u>	<u>-</u>
Change in net assets	2,740,503	1,523,503
Total net assets - beginning	<u>16,941,704</u>	<u>221,540</u>
Total net assets - ending	<u>\$ 19,682,207</u>	<u>\$ 1,745,043</u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2003

	Business-type Activities - <u>Enterprise Funds</u> War Memorial Coliseum	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,531,668	\$ 9,419,273
Payments to suppliers	(3,158,810)	(8,650,759)
Payments to employees	(2,681,410)	-
Other receipts	<u>1,064,518</u>	<u>46,497</u>
Net cash provided by operating activities	<u>1,755,966</u>	<u>815,011</u>
Cash flows from noncapital financing activities:		
Temporary loan to other funds	(2,750,000)	-
Cash flows from capital and related financing activities:		
Purchase of capital assets	(119,982)	-
Acquisition and construction of capital assets	(1,943,112)	-
Principal paid on capital debt	(1,864,116)	-
Interest paid on capital debt	(2,318,168)	-
Food and beverage taxes	4,641,990	-
Sports and convention taxes	<u>895,206</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(708,182)</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,512,506	-
Interest received	<u>120,570</u>	<u>14,834</u>
Net cash provided by investing activities	<u>1,633,076</u>	<u>14,834</u>
Net increase in cash and cash equivalents	(69,140)	829,845
Cash and cash equivalents, January 1	<u>6,681,815</u>	<u>2,015,820</u>
Cash and cash equivalents, December 31	<u>\$ 6,612,675</u>	<u>\$ 2,845,665</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (915,392)	\$ 1,508,391
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,676,064	-
Bad debt expense	6,289	-
(Increase) decrease in assets:		
Accounts receivable	356,831	1,604
Prepaid items	(170,207)	-
Increase (decrease) in liabilities:		
Customer deposits	990,160	-
Accounts payable	15,882	22,072
Taxes payable	(1,126)	-
Accrued wages	7,147	-
Compensated absence payable	(1,166)	-
Incurred but not reported claims	-	(717,056)
Deferred revenue	<u>(208,516)</u>	<u>-</u>
Total adjustments	<u>2,671,358</u>	<u>(693,380)</u>
Net cash provided by operating activities	<u>\$ 1,755,966</u>	<u>\$ 815,011</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets	\$ 193,340	\$ -

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2003

<u>Assets</u>	Pension Trust Funds	Agency Funds
Cash and cash equivalents	\$ -	\$ 87,853,116
Receivables:		
Taxes	-	146,530,682
Interest and dividends	109,178	-
Accounts	-	101,931
Contributions	8,784	-
Intergovernmental	-	25,408
Loan	-	5,964
	117,962	146,663,985
Total receivables		
Investments at fair value:		
U.S. Government securities	1,943,150	-
Shares of unit investment trusts	22,820,336	-
	24,763,486	-
Total investments		
Total assets	24,881,448	\$ 234,517,101
 <u>Liabilities</u>		
Payroll withholdings payable	-	\$ 898,783
Interfund payable	-	214,081
Interest payable	-	1,129
Trust payable	-	232,779,014
Intergovernmental payable	-	624,094
	-	234,517,101
Total liabilities		
 <u>Net assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	24,881,448	
Total net assets	\$ 24,881,448	

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2003

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
Employer	\$ 700,000
Plan members	<u>113,608</u>
Total contributions	<u>813,608</u>
Investment income:	
Net increase in fair value of investments	2,096,387
Interest	<u>995,798</u>
Net investment income	<u>3,092,185</u>
Total additions	<u>3,905,793</u>
 <u>Deductions</u>	
Benefits	581,644
Administrative expense	<u>103,721</u>
Total deductions	<u>685,365</u>
Changes in net assets	3,220,428
Net assets - beginning	<u>21,661,020</u>
Net assets - ending	<u>\$ 24,881,448</u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

Allen County (primary government) was established under the laws of the State of Indiana. The primary government operates under a council-commissioner form of government and provides the following services: public safety (police and fire), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the activities of the primary government and its significant component units. The component units discussed below are included in the primary government's reporting entity because of the significance of their operational or financial relationships with the primary government. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government. Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Units

The Allen County Jail Building Corporation is a significant blended component unit of the primary government. The primary government appoints a voting majority of the Jail Building Corporation's board and a financial benefit/burden relationship exists between the primary government and the Jail Building Corporation. Although it is legally separate from the primary government, the Allen County Jail Building Corporation is reported as if it were a part of the primary government because it provides services entirely or almost entirely to the primary government.

The Allen County Juvenile Justice Center Building Corporation is a significant blended component unit of the primary government. The primary government appoints a voting majority of the Juvenile Justice Center Building Corporation's board and a financial benefit/burden relationship exists between the primary government and the Juvenile Justice Center Building Corporation. Although it is legally separate from the primary government, the Allen County Juvenile Justice Center Building Corporation is reported as if it were a part of the primary government because it provides services entirely or almost entirely to the primary government.

The Allen County War Memorial Coliseum Building Corporation is a significant blended component unit of the primary government. The primary government appoints a voting majority of the War Memorial Coliseum Building Corporation's board and a financial benefit/burden relationship exists between the primary government and the War Memorial Coliseum Building Corporation. Although it is legally separate from the primary government, the Allen County War Memorial Coliseum Building Corporation is reported as if it were a part of the primary government because it provides services entirely or almost entirely to the primary government.

Discretely Presented Component Units

The Fort Wayne – Allen County Airport Authority is a significant discretely presented component unit of the primary government. It would be misleading to exclude the Fort Wayne – Allen County Airport Authority from the primary government's financial statements because of its relationship with the primary government.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The financial statements of the individual component units may be obtained from their respective offices as follows:

Allen County Jail Building Corporation
c/o National City Bank of Indiana Corporate Trust Department
101 W. Washington St., Suite 665 S.
Indianapolis, IN 46255

Allen County Juvenile Justice Center Building Corporation
c/o Wells Fargo Bank Corporate Trust Department
111 E. Wayne Street
Fort Wayne, IN 46801

Allen County War Memorial Coliseum Building Corporation
c/o Wells Fargo Bank Corporate Trust Department
111 E. Wayne Street
Fort Wayne, IN 46801

Fort Wayne – Allen County Airport Authority
Lt. Paul Baer Terminal
Suite 209
Fort Wayne, IN 46809

Joint Venture

The primary government is a participant in a joint venture agreement with the City of Fort Wayne (City) for the operation of the City-County Building's Plaza Parking Garage (Garage). The County and City each appoint three members of the Garage's Condominium Association (Association). The County and City jointly appoint the seventh member. The Association is a not-for-profit corporation and is responsible for the operation of the garage.

The County and City each have a 50% equity interest in the venture, with each entity having invested approximately \$4.7 million in the project. The County's share of construction cost was financed primarily from the proceeds of a 1995 Parking Garage Capital Lease and a \$1.7 million 2001 Parking Garage Revenue Bond issue. The County's equity interest was recorded in the County's Capital Assets. The Net Investment In Joint Venture will be increased (decreased) by 50% of the Association's net income (loss) each year. The County's equity interest increased by \$94,629 for its share of 2003 net income. Complete financial statements for the Association may be obtained from the Controller, City of Fort Wayne, Room 930, One Main Street, Fort Wayne, IN 46802.

Related Organizations

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments. The primary government appoints the board members of numerous organizations.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Family and Children fund (special revenue) accounts for the financial resources and expenses related to services for children adjudicated to be in need of services or delinquent children.

The CEDIT fund (capital projects) accounts for the financial resources and expenses or projects related to the County Economic Development Income Tax.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government reports the following major proprietary funds:

The War Memorial Coliseum fund accounts for the operation of an arena, exposition center, and baseball stadium which house major sporting events, music concerts, conventions, meetings, and other events.

Additionally, the primary government reports the following fund types:

The internal service funds account for automobile collision and comprehensive, civil rights, errors and omissions, health, and worker's compensation insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the Sheriff's Pension Trust and the Sheriff's Benefit pension funds which accumulate resources for pension benefit payments.

Agency funds account for assets held by the primary government as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 5-13-9) authorizes the primary government to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. Due to problems with property tax reassessment in 2003, the County Treasurer sent out two provisional tax statements in 2003 and the final statement in April 2004 with the final payment due May 10, 2004. The County Treasurer distributed a portion of the collections in February 2004 with final distribution on June 30, 2004. Both of these amounts are recorded as receivable as of December 31, 2003, net of an allowance for uncollectible amounts. The offset for the final distribution amount is to "Deferred revenue – unavailable" since the amounts are not considered available within sixty days.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Enterprise fund food and beverage taxes and sports and convention taxes are classified as restricted assets on the statement of net assets because their use is limited by ordinance.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All capitalized	N/A	N/A
Buildings	\$ 5,000	Straight-line	40-60
Improvements other than buildings	5,000	Straight-line	45
Machinery and equipment	5,000	Straight-line	5-25
Infrastructure	5,000	Straight-line	10-40
Net investment in joint venture	5,000	Straight-line	40

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government in its business-type activities during the current year was \$2,305,178. Of the amount, \$0 was included as part of the cost of capital assets under construction in connection with the Coliseum.

7. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of five days per year. Unused sick leave may be accumulated to a maximum of ten days. Accumulated sick leave is paid to employees through cash payments upon termination.
- b. Vacation Leave – primary government employees earn vacation leave on their anniversary date at rates from ten days to twenty-five days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

- c. Personal Leave – primary government employees earn personal leave at the rate of two days per year. Personal leave does not accumulate from year to year.

Vacation, sick and personal leave is accrued when incurred.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Reclassified Prior Year Data

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end.

On or before August 31, the County auditor submits to the County council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the County council to obtain taxpayer comments. In September of each year, the County council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Department of Local Government Finance. The budget becomes legally enacted after the County auditor receives approval of the Department of Local Government Finance.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the County council. The Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Expenditures in Excess of Appropriations

For the year ended December 31, 2003, expenditures exceeded budgeted appropriations in the following funds, by the amounts below:

Fund	Amount
County user fee	\$ 46,479
Law enforcement	509
Boys to men	42,892
GIS bond of 2000	49,901
 Total	 \$ 139,781

These expenditures were funded by available fund balance in each fund.

C. Deficit Fund Equity

At December 31, 2003, the following funds reported deficits in fund equity, which are violations of State statute:

	Deficit
Governmental funds:	
Hospital care for the indigent	\$ 618,955
Medical assistance to wards	70,148
Children with special health care needs	99,033
Community corrections – home detention	144,429
Crime control	15,179
Waterworks operation	1,015
Sex offender reentry program	6,254
CASAD east tif	166,471
GIS bond of 2000	47,514

Fund equity deficits arose primarily from expenditures or expenses exceeding revenues due to the timing differences of property taxes and grants or cost reimbursements; these deficits will be repaid from future revenues.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Primary Government

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

The primary government's investments are categorized below to give an indication of the level of risk assumed by the primary government at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the primary government or its agent in the primary government's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the primary government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the primary government's name.

	Category			Reported Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ -	\$ 1,943,150	\$ 9,918,357	\$ 11,861,507	\$ 11,861,507
Corporate debt securities	-	6,211,246	-	6,211,246	6,211,246
Corporate equity instruments	-	16,609,090	-	16,609,090	16,609,090
Repurchase agreements	-	-	27,354,108	27,354,108	27,354,108
Total investments	\$ -	\$ 24,763,486	\$ 37,272,465	\$ 62,035,951	\$ 62,035,951

2. Discretely Presented Component Unit

The County's discretely presented component unit's deposits and investments were entirely insured by the Federal Depository Insurance Corporation, Indiana Public Deposit Insurance Fund, or by collateral held in the financial institutions name.

The County's discretely presented component unit's investments are categorized below to give and indication of the level of risk assumed by the discretely presented component unit. Category 1 includes investments that are insured or registered, or securities held by the discretely presented component unit or its agent in the discretely presented component unit's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the discretely presented component unit's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the discretely presented component unit's name.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Category			Reported Amount	Fair Value
	1	2	3		
Repurchase agreements, secured by U.S. Treasury or Federal Agency securities	\$ -	\$ -	\$ 2,209,000	\$ 2,209,000	\$ 2,209,000
Investments not subject to categorization: Short-term government mutual funds				5,150,676	5,150,676
Total investments				\$ 7,359,676	\$ 7,359,676

B. Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

<u>Primary Government</u>	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,966,627	\$ 239,814	\$ -	\$ 9,206,441
Construction in progress	13,643,225	53,477,587	6,082,887	61,037,925
Total capital assets, not being depreciated	22,609,852	53,717,401	6,082,887	70,244,366
Capital assets, being depreciated:				
Buildings	55,917,503	260,954	-	56,178,457
Improvements other than buildings	769,222	24,170	-	793,392
Machinery and equipment	28,179,344	1,233,845	528,516	28,884,673
Infrastructure being depreciated	325,204,862	2,327,901	148,579	327,384,184
Net investment in joint venture	5,216,205	94,629	-	5,310,834
Totals	415,287,136	3,941,499	677,095	418,551,540
Less accumulated depreciation for:				
Buildings	25,151,436	916,836	-	26,068,272
Improvements other than buildings	752,597	2,630	-	755,227
Machinery and equipment	17,329,519	2,468,004	529,340	19,268,183
Infrastructure being depreciated	88,780,759	6,413,294	148,579	95,045,474
Net investment in joint venture	766,471	130,454	-	896,925
Totals	132,780,782	9,931,218	677,919	142,034,081
Total capital assets, being depreciated, net	282,506,354	(5,989,719)	(824)	276,517,459
Total governmental activity capital assets, net	\$ 305,116,206	\$ 47,727,682	\$ 6,082,063	\$ 346,761,825

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 380,487	\$ -	\$ -	\$ 380,487
Construction in progress	33,974,643	1,943,142	-	35,917,785
	<u>34,355,130</u>	<u>1,943,142</u>	<u>-</u>	<u>36,298,272</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Land improvements	1,440,208	-	-	1,440,208
Buildings	39,223,016	-	-	39,223,016
Improvements other than buildings	3,252,193	-	-	3,252,193
Machinery and equipment	2,558,235	313,322	-	2,871,557
	<u>46,473,652</u>	<u>313,322</u>	<u>-</u>	<u>46,786,974</u>
Totals				
Less accumulated depreciation for:				
Land improvements	1,083,535	42,907	-	1,126,442
Buildings	19,689,065	1,281,579	-	20,970,644
Improvements other than buildings	2,734,976	191,886	-	2,926,862
Machinery and equipment	1,860,675	159,692	-	2,020,367
	<u>25,368,251</u>	<u>1,676,064</u>	<u>-</u>	<u>27,044,315</u>
Totals				
Total capital assets, being depreciated, net				
	<u>21,105,401</u>	<u>(1,362,742)</u>	<u>-</u>	<u>19,742,659</u>
Total business-type activity capital assets, net				
	<u>\$ 55,460,531</u>	<u>\$ 580,400</u>	<u>\$ -</u>	<u>\$ 56,040,931</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Discretely Presented Component Unit</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 12,714,432	\$ 725,789	\$ -	\$ 13,440,221
Construction in progress	<u>1,679,324</u>	<u>4,642,695</u>	<u>3,318,327</u>	<u>3,003,692</u>
Total capital assets, not being depreciated	<u>14,393,756</u>	<u>5,368,484</u>	<u>3,318,327</u>	<u>16,443,913</u>
Capital assets, being depreciated:				
Buildings and improvements	64,284,904	84,875	1,123	64,368,656
Infrastructure being depreciated	95,036,747	3,257,322	186,885	98,107,184
Machinery and equipment	<u>6,095,301</u>	<u>423,075</u>	<u>321,613</u>	<u>6,196,763</u>
Totals	<u>165,416,952</u>	<u>3,765,272</u>	<u>509,621</u>	<u>168,672,603</u>
Less accumulated depreciation for:				
Buildings and improvements	19,764,467	2,354,520	1,123	22,117,864
Infrastructure being depreciated	45,637,690	4,753,453	186,885	50,204,258
Machinery and equipment	<u>3,872,941</u>	<u>423,673</u>	<u>321,613</u>	<u>3,975,001</u>
Totals	<u>69,275,098</u>	<u>7,531,646</u>	<u>509,621</u>	<u>76,297,123</u>
Total capital assets, being depreciated, net	<u>96,141,854</u>	<u>(3,766,374)</u>	<u>-</u>	<u>92,375,480</u>
Total discretely presented component unit capital assets, net	<u>\$ 110,535,610</u>	<u>\$ 1,602,110</u>	<u>\$ 3,318,327</u>	<u>\$ 108,819,393</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,099,565
Public safety	1,016,018
Highways and streets	6,830,858
Health and welfare	281,819
Culture and recreation	<u>25,039</u>
Total depreciation expense - governmental activities	<u>\$ 9,253,299</u>
Business-type activities:	
Coliseum	<u>\$ 1,676,064</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2003, is as follows:

Interfund Payables	Interfund Receivables				Total
	Governmental Activities			Business-type	
	General Fund	CEDIT	Nonmajor Governmental	Coliseum	
General fund	\$ -	\$ -	\$ 9,131,000	\$ 2,750,000	\$ 11,881,000
Family and children	3,331,284	-	-	-	3,331,284
Nonmajor governmental	93,811	360,000	2,000,000	-	2,453,811
Agency funds	214,081	-	-	-	214,081
Totals	<u>\$ 3,639,176</u>	<u>\$ 360,000</u>	<u>\$ 11,131,000</u>	<u>\$ 2,750,000</u>	<u>\$ 17,880,176</u>

Interfund balances resulted from the time lag between the dates that (1) Interfund loans are repaid, (2) Interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

2. Interfund Transfers

Interfund transfers at December 31, 2003, were as follows:

Transfer From	Transfer To			
	General Fund	CEDIT	Nonmajor Governmental	Total
CEDIT	\$ -	\$ -	\$ 134,600	\$ 134,600
Nonmajor governmental	23,030	238,560	6,064,813	6,326,403
Totals	<u>\$ 23,030</u>	<u>\$ 238,560</u>	<u>\$ 6,199,413</u>	<u>\$ 6,461,003</u>

The primary government typically uses transfers to fund ongoing operating subsidies.

D. Leases

Operating Leases

The primary government has entered into an operating lease having initial or remaining noncancelable terms exceeding one year for a radio communications tower. Rental expenditures for this lease were \$82,440. The following is a schedule by years of future minimum rental payments as of December 31, 2003:

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2004	\$	82,440
2005		82,440
2006		<u>61,830</u>
 Total	 \$	 <u>226,710</u>

E. Long-Term Liabilities

Primary Government

1. General Obligation Bonds

The primary government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the primary government. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1996 Bridge general obligation bonds	4.75% to 5%	\$ 1,710,000
1998 Courthouse preservation bond	4.3% to 4.4%	190,000
1998 Central Soya building purchase bonds	4.1%	190,000
1999 Allen County Community Corrections facility bonds	4.3% to 4.4%	510,000
2000 Allen County GIS bonds	4.7% to 4.85%	870,000
2000 Allen County courthouse preservation bonds	4.8% to 5%	870,000
2001 Allen County flood control refunding bonds	4% to 4.3%	4,110,000
2001 Allen County radio communication bonds	4% to 4.4%	5,000,000
2001 Allen County parking garage refunding bonds	3.58% to 4.21%	<u>965,000</u>
 Total		 <u>\$ 14,415,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2004	\$ 3,329,000	\$ 586,919
2005	2,835,000	449,316
2006	2,196,000	327,094
2007	1,370,000	243,211
2008	1,210,000	184,966
2009-2013	<u>3,475,000</u>	<u>253,533</u>
 Totals	 <u>\$ 14,415,000</u>	 <u>\$ 2,045,039</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. First Mortgage Bonds

The primary government issues first mortgage bonds to provide funds for the acquisition and construction of major capital facilities. First mortgage bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1998 Jail building first mortgage refunding bonds	3.7% to 4.5%	\$ 2,850,000
2000 Jail building first mortgage bonds	4.55% to 5.75%	20,815,000
2001 Juvenile Justice Center first mortgage bonds	3.5% to 4.5%	25,730,000
2001A War Memorial Coliseum additions first mortgage revenue bonds	3.4% to 5.75%	25,495,000
2001B War Memorial Coliseum additions first mortgage revenue bonds	5.6% to 6.875%	5,950,000
2002 War Memorial Coliseum building first mortgage refunding bonds	3.5% to 5%	<u>12,585,000</u>
Total		<u>\$ 93,425,000</u>

First mortgage bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 2,830,000	\$ 2,396,315	\$ 1,875,000	\$ 2,219,657
2005	2,945,000	2,279,633	2,075,000	2,147,741
2006	3,075,000	2,159,051	2,300,000	2,060,742
2007	3,200,000	2,029,272	2,535,000	1,964,944
2008	2,920,000	1,888,839	2,755,000	1,853,699
2009-2013	15,035,000	7,447,569	9,450,000	7,509,919
2014-2018	16,690,000	3,178,046	7,465,000	5,569,541
2019-2023	2,700,000	155,250	10,655,000	3,108,200
2024-2028	<u>-</u>	<u>-</u>	<u>4,920,000</u>	<u>353,641</u>
Totals	<u>\$ 49,395,000</u>	<u>\$ 21,533,975</u>	<u>\$ 44,030,000</u>	<u>\$ 26,788,084</u>

3. Revenue Bonds

Primary Government

The primary government issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
2001 Allen County parking garage bonds	3.87% to 5.59%	\$ <u>1,700,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2004	\$ 60,000	\$ 85,729
2005	65,000	83,248
2006	65,000	80,560
2007	70,000	77,656
2008	75,000	74,413
2009-2013	425,000	314,839
2014-2018	540,000	189,633
2019-2023	<u>400,000</u>	<u>34,378</u>
Totals	<u>\$ 1,700,000</u>	<u>\$ 940,456</u>

Discretely Presented Component Unit

The discretely presented component unit issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1993 Airport improvement bonds	5.75%	\$ 3,000,000
1994 Airport improvement bonds	5.4% to 5.9%	14,775,000
1995 Revenue refunding bonds	5.8% to 5.9%	720,000
1998 First mortgage bonds	4.375% to 5.3%	22,455,000
1998 Revenue bonds	4.35% to 4.5%	<u>3,385,000</u>
Total		<u>\$ 44,335,000</u>

Revenue bonds debt service requirements to maturity are as follows:

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Discretely Presented Component Unit	
	Principal	Interest
2004	\$ 3,175,000	\$ 2,290,930
2005	3,335,000	2,130,291
2006	3,090,000	1,966,499
2007	3,260,000	1,808,820
2008	3,430,000	1,640,779
2009-2013	15,860,000	5,685,269
2014-2018	9,300,000	1,953,197
2019-2023	2,885,000	145,375
Totals	<u>\$ 44,335,000</u>	<u>\$ 17,621,160</u>

4. Loan Payable

Primary Government

The War Memorial Coliseum (Business-type Activities) has entered into a loan. Annual debt service requirements to maturity for the loan, including interest of \$85,420, are as follows:

	Business-type Activities
2004	\$ 205,008
2005	205,008
2006	205,009
2007	205,009
Total	<u>\$ 820,034</u>

Discretely Presented Component Unit

The discretely presented component unit has entered into a noninterest bearing loan of \$166,000 for Air Trade Center utility improvements. This loan will be repaid at \$16,600 per year over a ten year period. At December 31, 2003, the remaining balance is \$99,600.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 18,042,000	\$ -	\$ 3,627,000	\$ 14,415,000	\$ 3,329,000
First mortgage	3,425,000	49,940,000	3,970,000	49,395,000	2,830,000
Revenue	<u>1,700,000</u>	<u>-</u>	<u>-</u>	<u>1,700,000</u>	<u>60,000</u>
Total bonds payable	23,167,000	49,940,000	7,597,000	65,510,000	6,219,000
Compensated absences	<u>2,037,071</u>	<u>2,116,342</u>	<u>2,037,071</u>	<u>2,116,342</u>	<u>2,116,342</u>
Total governmental activities long-term liabilities	<u>\$ 25,204,071</u>	<u>\$ 52,056,342</u>	<u>\$ 9,634,071</u>	<u>\$ 67,626,342</u>	<u>\$ 8,335,342</u>
Business-type activities:					
First mortgage bonds payable:					
Coliseum	\$ 45,730,000	\$ -	\$ 1,700,000	\$ 44,030,000	\$ 1,875,000
Loan payable:					
Coliseum	898,730	-	164,116	734,614	171,584
Compensated absences	<u>43,029</u>	<u>41,863</u>	<u>43,029</u>	<u>41,863</u>	<u>41,863</u>
Total business-type activities long-term liabilities	<u>\$ 46,671,759</u>	<u>\$ 41,863</u>	<u>\$ 1,907,145</u>	<u>\$ 44,806,477</u>	<u>\$ 2,088,447</u>

Compensated absences for governmental activities typically have been liquidated from the general fund and five special revenue funds. Claims and judgments typically have been liquidated from the general fund.

<u>Discretely Presented Component Units</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
First mortgage bonds	\$ 47,350,000	\$ -	\$ 3,015,000	\$ 44,335,000	\$ 3,175,000
Loan payable	133,120	-	33,520	99,600	16,600
Compensated absences	<u>1,031,278</u>	<u>255,412</u>	<u>385,431</u>	<u>901,259</u>	<u>147,611</u>
Total discretely presented component unit	<u>\$ 48,514,398</u>	<u>\$ 255,412</u>	<u>\$ 3,433,951</u>	<u>45,335,859</u>	<u>\$ 3,339,211</u>

F. Segment Information

The primary government maintains an Enterprise Fund (War Memorial Coliseum) which provides services to the public. The Coliseum facilities are intended to be self-supporting. Summary financial information for the Coliseum is presented below:

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Net Assets

Assets:	
Current assets	\$ 4,451,857
Restricted assets	9,011,299
Capital assets	<u>56,040,901</u>
 Total assets	 <u>\$ 69,504,057</u>
 Liabilities:	
Current liabilities	\$ 3,484,515
Current liabilities payable from restricted assets	3,619,305
Noncurrent liabilities	<u>42,718,030</u>
 Total liabilities	 <u>\$ 49,821,850</u>
 Net assets:	
Invested in capital assets, net of related debt	\$ 11,276,287
Unrestricted	<u>8,405,920</u>
 Total net assets	 <u>\$ 19,682,207</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Charges for services	\$ 6,458,837
Depreciation expense	(1,676,064)
Other operating expenses	<u>(5,698,165)</u>
 Operating loss	 (915,392)
 Nonoperating revenues (expenses):	
Investment earnings	117,484
Intergovernmental	5,650,249
Interest expense	(2,305,178)
Capital contributions	<u>193,340</u>
 Change in net assets	 2,740,503
 Beginning net assets	 <u>16,941,704</u>
 Ending net assets	 <u>\$ 19,682,207</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 1,755,966
Noncapital financing activities	(2,750,000)
Capital and related financing activities	(708,182)
Investing activities	<u>1,633,076</u>
Net decrease	(69,140)
Beginning cash and cash equivalents	<u>6,681,815</u>
Ending cash and cash equivalents	<u>\$ 6,612,675</u>

G. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Coliseum expansion fund	\$ 334,729
Coliseum ticket office fund	1,350,404
Coliseum advance customer deposits	632,262
Food and beverage supplemental tax fund	2,712,377
Sports and convention fund	<u>873,406</u>
Total restricted assets	<u>\$ 5,903,178</u>

H. Restatements

During 2002, the County retroactively changed its method of financial statement presentation and disclosure by adopting the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended. During 2002, the primary government elected not to report infrastructure acquired prior to January 1, 2002. During 2003, the primary government elected to retroactively report infrastructure acquired prior to January 1, 2002. The following schedule presents a summary of restated beginning balances of capital assets and net assets as a result of the retroactive reporting of infrastructure:

<u>Governmental Activities</u>	<u>Balance as Reported December 31, 2002</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2003</u>
Capital assets:			
Land and construction in progress	\$ 19,289,326	\$ 3,320,526	\$ 22,609,852
Other capital assets	98,425,222	316,861,914	415,287,136
Accumulated depreciation	<u>(44,251,483)</u>	<u>(88,529,299)</u>	<u>(132,780,782)</u>
Total capital assets	<u>\$ 73,463,065</u>	<u>\$ 231,653,141</u>	<u>\$ 305,116,206</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Governmental Activities</u>	<u>Balance as Reported December 31, 2002</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2003</u>
Net assets:			
Invested in capital assets, net of related debt	<u>\$ 50,134,070</u>	<u>\$ 231,653,141</u>	<u>\$ 281,787,211</u>

IV. Other Information

A. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Automobile Insurance

The Vehicle Self-Insurance Fund, an internal service fund, services the risk of loss in the following areas: automobile collision and comprehensive. The County is continuing to buy premium insurance for a number of other risks; i.e., liability.

The County is assuming 100% of the risk in these areas described above. Each department is responsible for the first \$500 deductible per each vehicle loss. Funding levels are determined based on the Insurance Director's analysis of prior years' claims history. The source of revenue is money appropriated from the County General Fund for automobile insurance, and also from the money or funds collected on behalf of the County arising from automobile insurance. The funding level for 2003 was \$0. There were no incurred but not reported claims at December 31, 2003. The cash balance in the fund at December 31, 2003, was \$265,063.

County Liability Fund

The County established the County Liability Fund to cover risks involving civil rights claims and errors and omission claims. The source of revenue is money appropriated from the County General Fund under the Sheriff's Liability and Liability Insurance line items. The funding level for 2003 was \$25,125. Incurred but not reported claims have not been accrued as a liability as of December 31, 2003.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Group Health Insurance

The primary government has chosen to establish a risk financing fund for risks associated with employee health claims. The risk financing fund is accounted for in the Self-Insurance Health Fund, (an internal service fund,) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$250,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the funds by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based primarily upon the insurance premium of each employee paid from a particular fund. The employee pays 13% and the Fund pays 87%, except the Sheriff's Department where the fund pays 100%. These premiums are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2002	2003
Unpaid claims, beginning of fiscal year	\$ 1,357,343	\$ 1,791,111
Incurred claims and changes in estimates	9,682,082	7,169,647
Claim payments	9,248,314	7,872,047
Unpaid claims, end of fiscal year	\$ 1,791,111	\$ 1,088,711

Worker's Compensation

During 1994, the primary government joined together with other governmental entities to form Indiana Public Employers Plan, Inc., currently operating as, a common risk management and insurance program for member governmental entities. This risk pool was formed in 1988 for the purpose of providing a medium for the funding and administration of worker's compensation. The primary government pays an annual premium to the risk pool for its worker's compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Contingent Liabilities

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney the resolution of these matters will not have a material effect on the condition of the County.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Conduit Debt Obligation

From time to time, the primary government has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2003, there were eleven series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$53,935,000.

D. Administration of Welfare Programs

The primary government is required to provide certain funding for administrative costs of welfare programs, the Hospital Care for Indigent program, Medical Assistance to Wards and Children with Special Health Care Needs through local property tax levies. The primary government remits those taxes to the State, which pays the cost.

E. Operating Lease to Recovery Health Services, Inc.

The Allen County Commissioners leased to Recovery Health Services, Inc. (Recovery), the personal property, nursing home and real estate used by Byron Health Center. Allen County is retaining the fifty-five bed residential program and paying Recovery for operations and a management fee. The significant provisions of this lease are as follows:

1. Term of Lease

January 1, 1999, to January 1, 2003, with an option to extend the term for two five year periods. Currently the lease is operating on a month to month basis.

2. Rent

(a) Base rent of \$300,000 per year during the initial term, to be paid monthly beginning on January 1, 1999, and thereafter on the first day of the month following the due date of the previous payment.

(b) In addition to the base rent, Recovery will pay \$60,000 per year toward the unpaid lease balance owing under the original lease agreement. The unpaid lease balance at December 31, 2003, was \$1,144,841. Due to the uncertainty of payments, the receivable is not shown on the financial statements. Any payments received will be shown as revenue in the year received. The additional rent shall be payable on the first day of December each year.

(c) Payments totaling \$370,000 were made during 2003, decreasing the unpaid balance by \$115,969, after applying a capital improvements credit of \$45,969.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Improvements

Capital repairs (as defined by the lease) are the responsibility of Allen County to the limit of eighty percent of all rent collected from Recovery. Sufficient funds from the base rent shall be deposited to a separate Maintenance Fund to accrue to the benefit of Byron Health Center. Recovery may elect to pay for repairs or capital improvements and receive a credit of up to eighty percent of the base rent per year. A credit of \$45,969 was taken during the year 2003.

4. Insurance

Recovery will carry liability, fire and casualty insurance for the mutual benefit of Allen County and Recovery.

F. Commitment

Allen County has an agreement with Affiliated Computer Services (ACS) for information resource management. ACS staffs and manages the operation of the County's data processing equipment and software systems. The County provides office space, computer operating supplies, utilities, office equipment, and items necessary for day to day operations. In addition, the County provides computer hardware as it deems necessary for ACS. The agreement may be terminated by either party with ninety days notice. There is a revenue sharing clause included in the agreement whereby ACS will earn a percentage of increases in revenue or decreases in expenses as the result of programs or plans developed by ACS.

G. Tax Incremental Revenue Bonds and Loan

1. Infrastructure for Nestle USA Distribution Facility

Allen County and the City of Fort Wayne provided certain public infrastructure improvements (water main extension and roadways) that were necessary for Nestle USA to construct a distribution facility. These improvements were financed in part by a \$2,215,000 Tax Increment Revenue Bond (TIF) issued by the Allen County Redevelopment District. In December 1999, these bonds were refunded with the Nestle II TIF Bond Issue. An escrow account was established to hold funds until the bonds are callable. Bonds outstanding at December 31, 2003, were \$800,000.

The \$2,440,000 1999 Allen County Redevelopment District Tax Increment Revenue Bonds are due in installments of \$55,000 to \$115,000, plus interest at 5.8% to 6.7%. Bonds outstanding at December 31, 2003, were \$2,040,000.

2. Infrastructure for Superior Aluminum Alloy Facility

Allen County and the City of New Haven provided certain public infrastructure improvements (water main extension, water tower, and roadways) that were necessary to support the construction of an aluminum smelting facility by Superior Aluminum Alloys. These improvements were financed in part by a \$400,000 loan from the Economic Development Fund to the Allen County Redevelopment Commission. Superior Aluminum Alloys is to repay the loan through their tax incremental financing payments. Balance due at December 31, 2003, was \$239,737.

The loan is due in installments of \$5,000 to \$60,263, plus interest through December 31, 2009. Interest rates are based upon rates earned by the Allen County Treasurer plus one percentage point.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Infrastructure for General Motors Facility

Allen County provided certain public infrastructure improvements (water and sewer main extensions, and right-of-way acquisition of Dalman Road) that were necessary to meet a previous commitment to General Motors. These improvements were financed by a \$5,233,322 Tax Increment Revenue Bond (TIF) issued by the Allen County Redevelopment District.

The \$5,233,322 1997 Allen County Redevelopment District Tax Increment Revenue Bonds include a combination of coupon bonds and capital appreciation bonds. The \$2,335,000 coupon bonds are due in installments of \$200,000 to \$400,000 and have a balance outstanding at December 31, 2003, of \$1,760,000. The \$2,898,322 capital appreciation bonds are due November 15, 2013. Total debt outstanding at December 31, 2003, was \$4,658,322.

Economic Development areas were established to repay the above bonds and loan. Property taxes generated from increased property valuations in the economic development areas are used to repay the bonds and loan. Since Allen County as a whole is not obligated to make the debt payments, these bonds are not considered as debt of the County. If the increased property taxes do not generate sufficient revenues to pay the debt service payments, up to \$1,100,000 per year may be allocated from the County Economic Development Income Tax Fund towards the debt service payments.

H. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health insurance benefits, as authorized by IC 5-10-8, to all employees who retire from the primary government on or after attaining age fifty-five with at least ten years of service. Currently, forty-seven retirees meet these eligibility requirements. The primary government and retirees provide 24% to 38% and 62% to 76%, respectively, of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. Expenditures for post-employment benefits cannot be reasonably estimated.

I. Pension Plans

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

b. County Police Retirement Plan

Plan Description

The primary government contributes to the County Police Retirement Plan which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides retirement, death, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Retirement Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note. The Net Pension Obligation (NPO) is considered an obligation of the County and is reflected in the Statement of Net Assets.

c. County Police Benefit Plan

Plan Description

The primary government contributes to the County Police Benefit Plan which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Benefit Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note. The Net Pension Obligation (NPO) is considered an obligation of the County and is reflected in the Statement of Net Assets.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>County Police Retirement And Benefit Plan</u>
Annual required contribution	\$ 2,514,332	\$ 1,076,351
Interest on net pension obligation	(102,318)	(43,094)
Adjustment to annual required contribution	<u>116,599</u>	<u>52,967</u>
Annual pension cost	2,528,613	1,086,224
Contributions made	<u>2,091,929</u>	<u>700,000</u>
Increase in net pension obligation	436,684	386,224
Net pension obligation, beginning of year	<u>(1,411,282)</u>	<u>(594,394)</u>
Net pension obligation, end of year	<u>\$ (974,598)</u>	<u>\$ (208,170)</u>

	<u>PERF</u>	<u>County Police Retirement Plan</u>	<u>County Police Benefit Plan</u>
Contribution rates:			
Government	5.25%	21.51%	N/A
Plan members	3%	3%	None
Actuarial valuation date	07-01-03	01-01-04	01-01-04
Actuarial cost method	Entry age	Frozen entry age	Aggregate
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	*
Amortization period	40 years	30 years	*
Amortization period (from date)	07-01-97	01-01-97	*
Asset valuation method	4 year smoothed market	3 year smoothed market	Market value

N/A = Not available.

*The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. The actual present value of projected benefits of the group in excess of the actuarial value of assets is allocated on a level basis over the earnings of the group.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	County Police Retirement Plan	County Police Benefit Plan
Investment rate of return	7.25%	7.25%	7.25%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	3.25%	3.25%
Attributed to merit/seniority	1%	1.75%	1.75%
Cost-of-living adjustments	2%	N/A	N/A

N/A = Not applicable.

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-01	\$ 1,427,742	154%	\$ (1,284,456)
	06-30-02	1,943,890	107%	(1,411,282)
	06-30-03	2,528,613	83%	(974,598)
County police retirement plan	12-31-01	778,311	84%	(604,522)
	12-31-02	710,128	99%	(594,394)
	12-31-03	1,086,224	64%	(208,170)
County police benefit plan	12-31-01	-	100%	-
	12-31-02	2,103	100%	-
	12-31-03	48,396	100%	-

ALLEN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-01	\$ 35,847,049	\$ 37,365,281	\$ (1,518,232)	96%	\$ 37,578,640	(4%)
07-01-02	34,251,247	41,953,298	(7,702,051)	82%	38,846,349	(20%)
07-01-03	34,891,619	37,871,885	(2,980,266)	92%	39,590,690	(8%)

County Police Retirement Plan and Benefit Plan*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 19,926,826	\$ 22,594,916	\$ (2,668,090)	88%	\$ 4,633,576	(58%)
01-01-00	22,423,664	25,307,492	(2,883,828)	89%	4,705,461	(61%)
01-01-01	24,498,318	27,693,195	(3,194,877)	88%	4,663,817	(69%)
01-01-02	25,885,390	28,616,423	(2,731,033)	90%	4,833,027	(57%)
01-01-03	24,709,843	30,291,515	(5,581,672)	82%	4,950,002	(113%)
01-01-04	24,513,742	31,911,588	(7,397,846)	77%	4,584,133	(161%)

*The actuary did not provide the information necessary to present the schedules of funding progress separately for these two individual pension funds.

ALLEN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2003

	General Fund				Family and Children Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Amounts		Original	Final	Amounts	
Revenues:								
Taxes:								
Property	\$ 47,423,911	\$ 50,144,887	\$ 35,278,419	\$(14,866,468)	\$ 13,330,761	\$ 13,330,761	\$ 7,904,897	\$ (5,425,864)
Licenses and permits	2,178,751	1,818,751	2,199,038	380,287	-	-	-	-
Intergovernmental	3,570,004	3,210,548	4,389,659	1,179,111	6,415,922	6,415,922	7,021,710	605,788
Charges for services	3,130,760	4,341,632	5,848,827	1,507,195	-	-	-	-
Other	5,517,471	6,121,481	3,734,951	(2,386,530)	346,000	346,000	-	(346,000)
Total revenues	61,820,897	65,637,299	51,450,894	(14,186,405)	20,092,683	20,092,683	14,926,607	(5,166,076)
Expenditures:								
Current:								
General government	32,302,650	33,180,606	33,024,287	156,319	-	-	-	-
Public safety	24,737,474	25,845,857	24,068,222	1,777,635	-	-	-	-
Health and welfare	5,751,603	5,836,085	5,577,857	258,228	22,840,517	22,840,517	21,894,865	945,652
Culture and recreation	405,912	447,483	414,448	33,035	-	-	-	-
Total expenditures	63,197,639	65,310,031	63,084,814	2,225,217	22,840,517	22,840,517	21,894,865	945,652
Other financing sources:								
Operating transfers in	-	-	23,030	23,030	-	-	-	-
Temporary loan	-	-	11,881,000	11,881,000	-	-	-	-
Total other financing sources	-	-	11,904,030	11,904,030	-	-	-	-
Net change in fund balances	(1,376,742)	327,268	270,110	(57,158)	(2,747,834)	(2,747,834)	(6,968,258)	(4,220,424)
Fund balances - beginning	2,972,420	2,972,420	2,972,420	-	2,211,999	2,211,999	2,211,999	-
Fund balances - December 31	\$ 1,595,678	\$ 3,299,688	\$ 3,242,530	\$ (57,158)	\$ (535,835)	\$ (535,835)	\$ (4,756,259)	\$ (4,220,424)

ALLEN COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET/GAAP RECONCILIATION
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2003

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

	General	Family and Children
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$ 270,110	\$ (6,968,258)
Adjustments:		
To adjust revenues for accruals	8,004,943	2,450,981
To adjust expenditures for accruals	(14,251,998)	(198,221)
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP basis)	\$ (5,976,945)	\$ (4,715,498)

ALLEN COUNTY
OTHER REPORTS

The report presented herein was prepared in addition to other official reports prepared for the individual county offices listed below:

County Juvenile Probation Department
County Youth Services Center

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF ALLEN COUNTY, INDIANA

Compliance

We have audited the compliance of Allen County (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 29, 2004

ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2003

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 65,731
National School Lunch Program	10.555		<u>130,608</u>
Total for Cluster			<u>196,339</u>
Total for Federal Grantor Agency			<u>196,339</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grants			
Sex Offender Management Discretionary Grant	16.203	2002-WP-BX-0011	<u>40,110</u>
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-2763 2003-LB-BX-0350	<u>50,514</u> <u>38,625</u>
Total for Program			<u>89,139</u>
Executive Office for Weed and Seed	16.595	2003-WS-QX-0019	<u>47,966</u>
Community Prosecution and Project Safe Neighborhoods	16.609	2002-GPCS-0081	<u>25,322</u>
Public Safety Partnership and Community Policing Grants	16.710	2001ULWX0030 2002CKWX0192	75,733 <u>75,000</u>
Total for Program			<u>150,733</u>
Pass-Through Indiana Department of Correction			
Offender Re-entry Program	16.202		
Adult and Juvenile Program			<u>36,881</u>
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants	16.523	01-JB-003	<u>94,877</u>
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	01-JF-002 01-JF-034 02-JF-026 02-JF-034	15,351 12,029 24,483 <u>6,842</u>
Total for Program			<u>58,705</u>
Title V Delinquency Prevention Program	16.548	01-JP-001 02-JP-001	49,100 <u>5,426</u>
Total for Program			<u>54,526</u>
National Criminal History Improvement Program (NCHIP)	16.554	NCHIP2000-031	<u>10,000</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2003
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (Continued)</u>			
Pass-Through Indiana Criminal Justice Institute (Continued) Crime Victim Assistance	16.575		
		02-VA-005	4,670
		02-VA-006	63,658
		02-VA-011	<u>7,129</u>
Total for Program			<u>75,457</u>
Byrne Formula Grant Program	16.579		
		00-DB-060	105,141
		00-DB-056	12,283
		01-DB-043	100,750
		01-DB-060	<u>46,375</u>
Total for Program			<u>264,549</u>
Violence Against Women Formula Grants	16.588		
		02-ST-004	11,712
		03-ST-004	<u>10,038</u>
Total for Program			<u>21,750</u>
Total for Federal Grantor Agency			<u>970,015</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600		
		OP-03-02-03-03	35,517
		154AL-03-04-04-01	1,511
		OP-04-02-03-02	<u>19,820</u>
Total for Program			<u>56,848</u>
Safety Incentive Grants for Use of Seatbelts	20.604		
		BC-02-02-03-12	2,202
		OPINS-03-07-05-01	<u>15,364</u>
Total for Program			<u>17,566</u>
Total for Cluster			<u>74,414</u>
Pass-Through Indiana Department of Transportation Highway Planning and Construction	20.205		
		STP F024 (3)	235,639
		STP F184 (1)	240,979
		STP F340 (1)	58,583
		BR-NVIS (456) Bridge Inspections	23,780
		STPP 9902 (041) Restoration	
		Engine #765	173,806
		STP 9902 (42)	154,296
		PL00940409	139,512
		PL00944019	134,380
		3300399	3,871
		03304019	11,238
		03104019	<u>24,125</u>
Total for Program			<u>1,200,209</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2003
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</u>			
Pass-Through Indiana Department of Transportation (Continued) Federal Transit - Metropolitan Planning Grants	20.505		
		IN8021108P	30,222
		IN8021208P	<u>74,286</u>
Total for Program			<u>104,508</u>
Total for Federal Grantor Agency			<u>1,379,131</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management TSCA Title IV State Lead Grants Certification of Lead Based Paint Professionals Lead Based Paint	66.707		
			<u>4,194</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Family and Social Services Administration Special Programs for the Aging Title VII Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		
		02-04-OV-1004-01	<u>72,297</u>
Pass-Through Indiana Department of Health Center for Disease and Control and Prevention Investigations Bio Terrorism Response Grant	93.283		
			<u>22,222</u>
Pass-Through Indiana Family and Social Services Administration Child Support Enforcement County Prosecutor's Expenditures County Clerk of the Circuit Court Expenditures County Court Expenditures Indirect Costs Incentives	93.563		
			1,163,221
			225,258
			117,833
			140,070
			<u>152,255</u>
Total for Program			<u>1,798,637</u>
Pass-Through Indiana Department of Health HIV Prevention Activities - Health Department Based	93.940		
		AIDS 195-6	<u>121,659</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977		
		STD 195-2	<u>136,173</u>
Preventative Health and Health Services Block Grant	93.991		
		02-Bi-IN-PRVS	<u>4,915</u>
Total for Federal Grantor Agency			<u>2,155,903</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana State Emergency Management Agency Public Assistance Grants Disaster No. 1476	97.036		
			<u>21,318</u>
Emergency Management Performance Grants	97.042		
			<u>59,116</u>
Total for Federal Grantor Agency			<u>80,434</u>
Total Federal Awards Expended			<u>\$ 4,786,016</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ALLEN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Allen County (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended December 31, 2003:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Juvenile justice and delinquency prevention - allocation to states	16.540	\$ 36,512
Crime victim assistance	16.575	75,457
Special programs for the aging title VII chapter 3 programs for prevention of elder abuse, neglect, and exploitation	93.041	72,297

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.563	Child support enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ALLEN COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

ALLEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2004, with Ms. Lisbeth A. Blosser, County Auditor; Mrs. Tera K. Klutz, Chief Deputy Auditor; Mrs. Jacquelynn Scheuman, Finance and Budget Director; and Ms. Linda K. Bloom and Mr. Edwin J. Rousseau, County Commissioners.