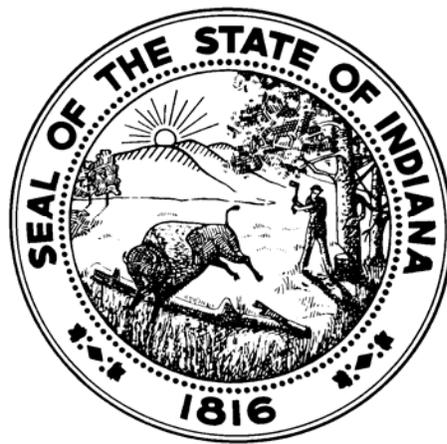


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

ALLEN COUNTY, INDIANA



FILED

11/30/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Lisbeth A. Blosser	01-01-03 to 12-31-10
Treasurer	Robert W. Lee	01-01-05 to 12-31-08
Clerk	Therese M. Brown	01-01-03 to 12-31-10
Sheriff	James A. Herman Kenneth C. Fries	01-01-03 to 12-31-06 01-01-07 to 12-31-10
Recorder	Patricia J. Crick John D. McGauley	01-01-03 to 12-31-06 01-01-07 to 12-31-10
President of the Board of County Commissioners	Marla J. Irving F. Nelson Peters	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the County Council	Paula S. Hughes Paul G. Moss	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2006, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of one of the two discretely presented component units, Fort Wayne-Allen County Airport Authority, which represents 97.08 percent and 93.30 percent, respectively, of the assets and revenues of the discretely presented component units. Other auditors whose report thereon has been furnished to us audited those financial statements. Our opinions, insofar as they relate to the amounts included for the one discretely presented component unit are based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the respective, financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of December 31, 2006, 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 of America.

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

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities, Budgetary Comparison Schedules and Budget/GAAP Reconciliation as listed in the Table of Contents are not required parts 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2007, 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

September 24, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS 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 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, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

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

September 24, 2007

The management of Allen County (County) provides the following discussion and analysis as insight into the County's financial performance during the year ended December 31, 2006. Please read it in conjunction with the County's basic financial statements and notes to the basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of 2006 by \$399,553,354 (*net assets*). Of this amount, \$109,919,054 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$5,608,837 is restricted for specific purpose (*restricted net assets*), and \$284,025,463 is invested in capital assets, net of related debt.
- The County's total net assets decreased by \$24,411,655 from 2005. The net assets of the County's governmental activities decreased by \$26,312,626 or 6.6%. This decrease is primarily due to a decrease in infrastructure assets due to the annexation of much of Aboite Township by the City of Fort Wayne. The net assets of the County's business activities increased by \$1,900,971 or 7.7%. This increase is primarily due to normal retirement of long-term debt as bond maturities became due.
- At the end of 2006, unreserved fund balance for the general fund was \$15,455,219 or 20% of the 2006 general fund expenditures.
- The County's debt decreased by \$9,538,553 or 9% in comparison with prior year. This decrease is primarily the result of normal retirement of long-term debt as bond maturities became due.

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 Allen County Solid Waste Management District is

also reported as a discretely presented component unit because the primary government appoints a voting majority of the Solid Waste Management District's board and is able to impose its will.

The government-wide financial statements can be found on pages 16 and 17 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 approximately 220 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 and the Family & Children Fund (foster care and adoption assistance). Information for the other governmental funds is combined into a single, aggregated presentation.

The governmental funds financial statements can be found on pages 18 through 20 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, workers compensation, 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 four 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 21 through 23 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 24 and 25 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 26 through 54 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 55 through 58 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 \$399,553,354 at December 31, 2006.

County's Net Assets

	Governmental		Business-type		Total		
	Activities		Activities		2006	2005	Variance %
	2006	2005	2006	2005			
Assets:							
Current and other assets	\$ 117,531,992	\$ 105,836,640	\$ 16,161,758	\$ 15,131,195	\$ 133,693,750	\$ 120,967,835	10.52%
Capital assets	326,050,859	373,516,943	52,238,233	54,312,206	378,289,092	427,829,149	-11.58%
Total assets	443,582,851	479,353,583	68,399,991	69,443,401	511,982,842	548,796,984	-6.71%
Liabilities:							
Current and other liabilities	20,879,118	23,517,232	6,687,828	6,901,122	27,566,946	30,418,354	-9.37%
Long-term liabilities	49,617,542	56,437,534	35,245,000	37,976,087	84,862,542	94,413,621	-10.12%
Total liabilities	70,496,660	79,954,766	41,932,828	44,877,209	112,429,488	124,831,975	-9.94%
Net assets:							
Invested in capital assets, net of related debt	269,763,317	310,220,214	14,262,146	13,848,566	284,025,463	324,068,780	-12.36%
Restricted	5,608,837	5,146,232	-	-	5,608,837	5,146,232	8.99%
Unrestricted	97,714,037	84,032,371	12,205,017	10,717,626	109,919,054	94,749,997	16.01%
Total net assets	\$ 373,086,191	\$ 399,398,817	\$ 26,467,163	\$ 24,566,192	\$ 399,553,354	423,965,009	-5.76%

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

- The County's capital assets decreased by \$49,450,057 or 12%. This decrease is primarily due to a decrease in infrastructure assets due to the annexation of much of Aboite Township by the City of Fort Wayne.
- The County's long-term liabilities decreased by \$9,551,079 or 10%. This decrease is primarily due to the normal retirement of outstanding debt.

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

- A portion of the County's net assets, 28%, is *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.

- Another 71% 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, 1%, represents resources that are subject to external restrictions on how they can be used.

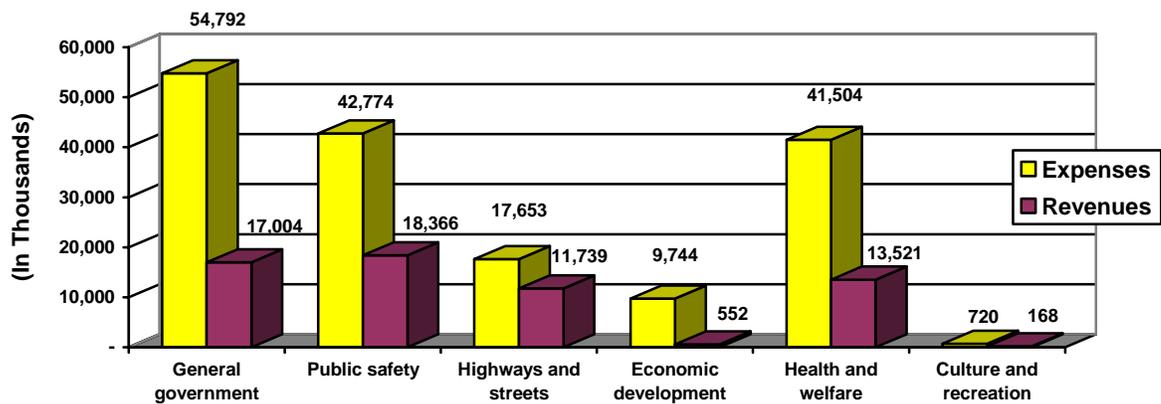
The County's decrease in net assets of \$24,411,655 from 2005 is primarily due to a decrease in infrastructure assets due to the annexation of much of Aboite Township by the City of Fort Wayne.

Government activities. Governmental activities account for 93% of the County's net assets as of December 31, 2006.

County's Change in Net Assets

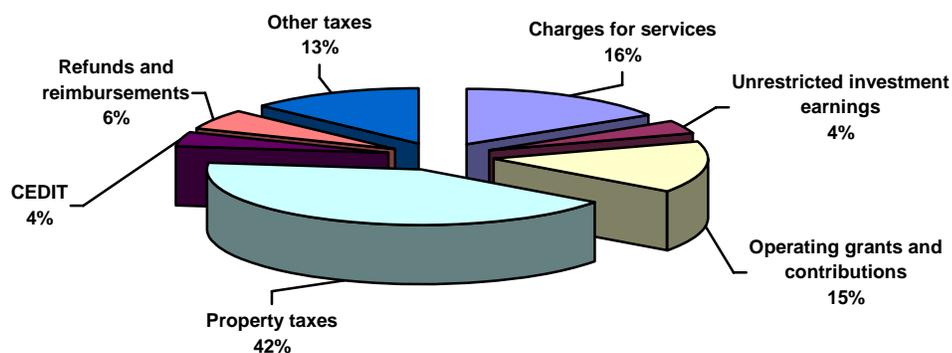
	Governmental		Business-type		Total		Variance %
	Activities		Activities				
	2006	2005	2006	2005	2006	2005	
Revenues:							
Program revenues:							
Charges for services	\$ 31,164,492	\$ 34,555,922	\$ 5,279,277	\$ 6,093,286	\$ 36,443,769	\$ 40,649,208	-10.35%
Operating grants and contributions	29,661,634	25,179,998	-	-	29,661,634	25,179,998	17.80%
Capital grants and contributions	575,807	1,374,327	-	-	575,807	1,374,327	-58.10%
General Revenue:							
Property taxes	80,111,248	76,241,614	-	-	80,111,248	76,241,614	5.08%
CEDIT	7,572,878	6,612,963	-	-	7,572,878	6,612,963	14.52%
Franchise taxes	264,658	646,800	-	-	264,658	646,800	-59.08%
Other taxes	24,326,696	19,556,396	-	-	24,326,696	19,556,396	24.39%
Food and beverage taxes	-	-	5,313,905	5,047,970	5,313,905	5,047,970	5.27%
Sports and convention taxes	-	-	913,217	902,045	913,217	902,045	1.24%
Unrestricted investment earnings	7,722,615	4,623,782	610,550	378,936	8,333,165	5,002,718	66.57%
Refunds and reimbursements	11,258,828	13,673,949	-	-	11,258,828	13,673,949	-17.66%
Total Revenues	192,658,856	182,465,751	12,116,949	12,422,237	204,775,805	194,887,988	5.07%
Expenses:							
General government	54,791,812	60,826,017	-	-	54,791,812	60,826,017	-9.92%
Public safety	42,773,527	53,989,516	-	-	42,773,527	53,989,516	-20.77%
Highways and streets	17,653,040	13,544,162	-	-	17,653,040	13,544,162	30.34%
Sanitation	34,330	627	-	-	34,330	627	5375.28%
Economic Development	9,744,188	7,726,587	-	-	9,744,188	7,726,587	26.11%
Health and welfare	41,504,180	35,972,737	-	-	41,504,180	35,972,737	15.38%
Culture and recreation	719,525	625,679	-	-	719,525	625,679	15.00%
Coliseum	-	-	10,215,978	10,379,243	10,215,978	10,379,243	-1.57%
Total expenses	167,220,602	172,685,325	10,215,978	10,379,243	177,436,580	183,064,568	-3.07%
Change in net assets before special items	25,438,254	9,780,426	1,900,971	2,042,994	27,339,225	11,823,420	131.23%
Change in net pension obligation	323,275	402,504	-	-	323,275	402,504	-19.68%
Capital contributions	18,000,900	-	-	59,612	18,000,900	59,612	30096.77%
Loss on assets due to annexation	(70,075,055)	-	-	-	(70,075,055)	-	100.00%
Change in net assets	(26,312,626)	10,182,930	1,900,971	2,102,606	(24,411,655)	12,285,536	-298.70%
Net assets - beginning	399,398,817	389,215,887	24,566,192	22,463,586	423,965,009	411,679,473	2.98%
Net assets - ending	\$ 373,086,191	\$ 399,398,817	\$ 26,467,163	\$ 24,566,192	399,553,354	423,965,009	-5.76%

Expenses and Program Revenues – Governmental Activities

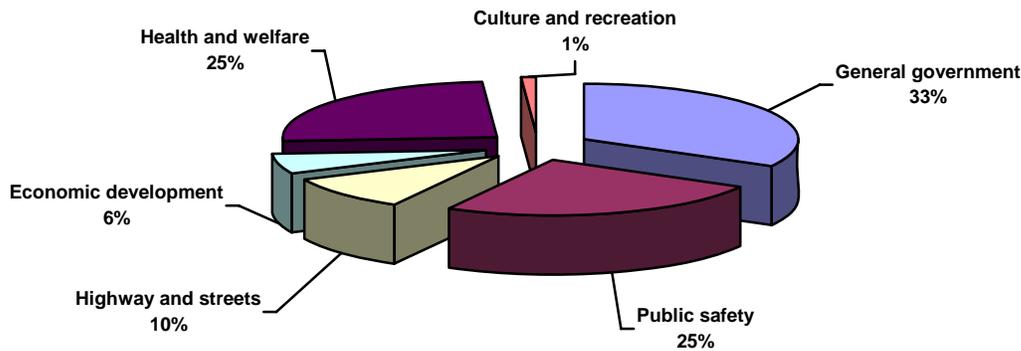


- Total revenue for Governmental activities increased \$10,193,105 or 5.6% from 2005. This increase is primarily due to increased property tax and income tax collections.
- Total expense from Governmental activities decreased \$5,464,723 or 3% from 2005.
- Public Safety expenses decreased \$11,215,989 or 21% from 2005. The primary reason for this decrease was significant additional grant funding for public safety and homeland security was received and spent in 2005.
- Highway and street expenses increased \$4,108,878 or 30% from 2005. This increase is primarily due to increased depreciation expense from 2005.

Revenues by Source – Governmental Activities

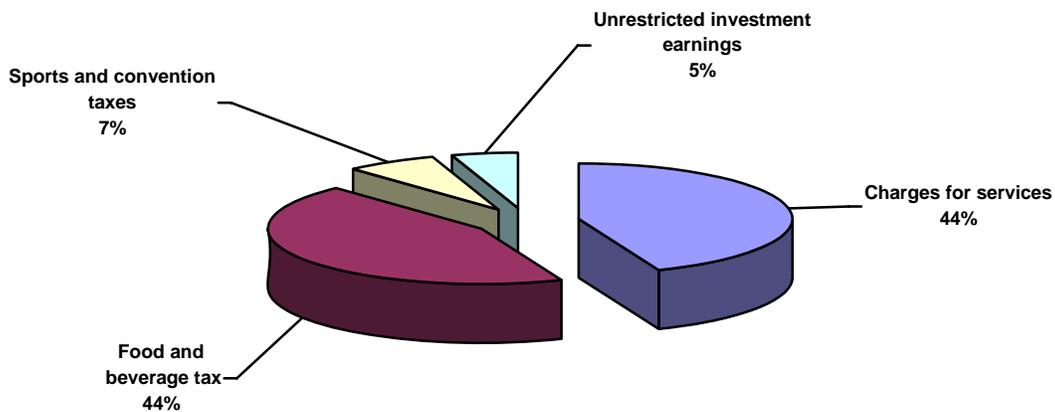


Expenses by Function/Program – Governmental Activities



Business-type activities. Business-type activities account for 7% of the County’s net assets as of December 31, 2006. 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 \$12,116,949 and incurred \$10,215,978 of expenses. During 2006, the total revenues included \$5,279,277 of program revenue and \$6,837,672 from the Food & Beverage Taxes, Sports & Convention Taxes, and investment earnings.

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, 2006, the County’s governmental funds reported combined ending fund balances of \$91,290,621, an increase of \$16,154,237 in comparison to prior year.

Approximately 94% of the combined ending fund balance or \$85,681,784 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 \$4,108,837, and (2) to pay tax incremental financing bonds and loans of \$1,500,000.

The General Fund is the chief operating fund of the County. At December 31, 2006, the unreserved fund balance of the General Fund was 15,455,219.

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

Revenues Classified by Source - General Fund

	2006		2005*		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 57,118,575	63.01%	\$ 52,050,058	60.90%	\$ 5,068,517	9.74%
Licenses and permits	1,777,241	1.96%	2,066,298	2.42%	(289,057)	-13.99%
Intergovernmental	12,134,071	13.39%	11,585,790	13.56%	548,281	4.73%
Charges for services	4,429,628	4.89%	4,154,211	4.86%	275,417	6.63%
Fines and forfeits	2,142,657	2.36%	1,597,335	1.87%	545,322	34.14%
Other	13,046,871	14.39%	14,009,279	16.39%	(962,408)	-6.87%
Total	\$ 90,649,043	100%	\$ 85,462,971	100%	\$ 5,186,072	6.07%

* Some prior year amounts have been changed to reflect current year presentation.

- Revenue increased \$5,186,072 or 6% from 2005. This increase was mainly due to increased income tax collections of \$2,680,000 and increased property tax collections of \$1,959,000 from 2005.
- Clerk Fines and Forfeitures increased \$545,322 or 34% from 2005. This increase is primarily due to increased fee amounts effective July 1, 2006.

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

Expenditures by Function - General Fund

	2006		2005		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government	\$ 39,355,377	50.46%	\$ 45,211,889	54.61%	\$ (5,856,512)	-12.95%
Public Safety	31,547,905	40.46%	30,796,779	37.19%	751,126	2.44%
Health and Welfare	6,625,865	8.50%	6,404,070	7.73%	221,795	3.46%
Culture and Recreation	451,034	0.58%	388,354	0.47%	62,680	16.14%
Total	\$ 77,980,181	100.00%	\$ 82,801,092	100.00%	\$ (4,820,911)	-5.82%

- General government fund expenses decreased \$5,856,512 or 13% from 2005. The decrease was due to approximately \$3,900,000 less in property tax refunds paid in 2006 than in 2005. These expenses are reimbursed to the general fund by the local units of government for which the refund was paid.

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 \$12,205,017 for the Allen County War Memorial Coliseum and \$8,901,583 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 2006 exceeded its original budget by approximately \$17,500,000 or 23%. The key elements of the difference between the original budget and final budget are listed below:

- \$7,000,000 unanticipated transfer to the County's Rainy Day Fund.
- \$3,800,000 of unanticipated property tax refunds (which will be reimbursed through tax collections).

During the year General Fund revenues and expenditures were more than budgetary estimates. Actual revenues were \$10,318,296 more than estimates. As stated above, this is primarily due to reimbursement of property tax refunds by other units of government. Actual expenditures were \$15,573,787 lower than the final budgetary appropriations. The bulk of these cost savings resulted from unspent or encumbered appropriations of (a) \$6,600,000 for the remaining payment of institutional debt, (b) \$3,000,000 for capital expenses, (c) \$1,655,694 in salaries and benefits due to unfilled positions from turnover county-wide, and (d) \$550,000 in supplies.

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, 2006 was \$378,289,092 (net of accumulated depreciation), a decrease of \$49,540,057 or 11.6%. This investment in capital assets includes land and easements, infrastructure, construction in progress, buildings and improvements, equipment, and net investment in joint venture.

County's Capital Assets (net of depreciation)

	Governmental		Business-type		Total		% Variance
	Activities		Activities				
	2006	2005	2006	2005	2006	2005	
Land and easements	\$ 8,348,473	\$ 9,068,500	\$ 380,487	\$ 380,487	\$ 8,728,960	\$ 9,448,987	-7.6%
Construction in progress	12,432,389	8,984,080	227,470	-	12,659,859	8,984,080	40.9%
Buildings and improvements	91,383,863	86,693,329	51,030,951	53,195,111	142,414,814	139,888,440	1.8%
Machinery and equipment	7,912,954	8,349,948	599,325	736,608	8,512,279	9,086,556	-6.3%
Infrastructure	201,720,990	256,120,861	-	-	201,720,990	256,120,861	-21.2%
Net investment in joint venture	4,252,190	4,300,225	-	-	4,252,190	4,300,225	-1.1%
	<u>\$ 326,050,859</u>	<u>\$ 373,516,943</u>	<u>\$ 52,238,233</u>	<u>\$ 54,312,206</u>	<u>\$ 378,289,092</u>	<u>\$ 427,829,149</u>	<u>-11.6%</u>

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

- Infrastructure decreased by \$54,399,871 or 21% due to the annexation of much of Aboite Township by the City of Fort Wayne.
- Construction in progress increased by \$3,675,779 or 41% due to increased road projects in progress as of December 31, 2006.

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 39 and 40 of this report.

Long-term debt. At December 31, 2006, the County had total debt outstanding of \$94,723,445. Of this amount, \$80,457,358 comprised of first mortgage bonds, \$12,560,000 of general obligation bonds, \$1,510,000 of revenue bonds and \$196,087 of loans payable.

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

	Governmental		Business-type		Total		
	Activities		Activities		2006	2005	Variance %
	2006	2005	2006	2005			
General Obligation Bonds	\$ 12,560,000	\$ 16,366,000	\$ -	\$ -	\$ 12,560,000	\$ 16,366,000	-23%
First Mortgage Bonds	42,677,358	45,857,358	37,780,000	40,080,000	80,457,358	85,937,358	-6%
Revenue Bonds	1,510,000	1,575,000	-	-	1,510,000	1,575,000	-4%
Loans Payable	-	-	196,087	383,640	196,087	383,640	-49%
	<u>\$ 56,747,358</u>	<u>\$ 63,798,358</u>	<u>\$ 37,976,087</u>	<u>\$ 40,463,640</u>	<u>\$ 94,723,445</u>	<u>\$ 104,261,998</u>	<u>-9%</u>

During 2006, the County's total debt decreased by \$9,538,553 or 9%, due to the normal retirement of outstanding debt. 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 2006 the borrowing limit is \$101,805,801. The amount of debt subject to the debt service limit is approximately \$14,266,000.

Additional information on the County's long-term debt can be found in Note III.E on pages 42 through 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 square miles. The City of Fort Wayne is the second largest city in the state 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 3/4 of the County's population. The eastern half of the county is largely agricultural with several small towns.
- The unemployment rate for the County in December 2006 was 4.6% down from 5% in December 2005. The County unemployment rate is still lower than the State, which was 4.7% in December 2006. Both the State and the County unemployment rates were above the national rate of 4.3% in December 2006.
- The County anticipates a property tax rate decrease of 0.0344 (from 0.5675 to 0.5331 per \$100 of net assessed valuation) for 2007. The primary reason for the tax rate decrease was the increase in net assessed valuation.
- Assessed value increased by 8.6% compared to 2005. We anticipate assessed value to gradually increase indefinitely, absent any legislative changes to property assessment rules.

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, 2006

Assets	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Current assets:				
Cash, cash equivalents, and investments	\$ 103,889,335	\$ 249,570	\$ 104,138,905	\$ 11,302,153
Receivables (net of allowances for uncollectibles):				
Interest	1,025,033	2,281	1,027,314	-
Taxes	3,377,012	-	3,377,012	57,552
Accounts	1,202,756	388,122	1,590,878	327,671
Special assessments	277,819	-	277,819	-
Intergovernmental	4,549,960	-	4,549,960	-
Suite	-	774,000	774,000	-
Unbilled revenue	-	-	-	828,901
Other	-	-	-	285,942
Due from agency fund	-	11,171	11,171	-
Inventories	886,039	-	886,039	-
Prepaid expense	199,550	160,646	360,196	181,287
Restricted assets:				
Cash and cash equivalents	-	12,484,681	12,484,681	3,559,443
Cash with fiscal agent	-	57,474	57,474	-
Taxes receivable	-	1,043,715	1,043,715	-
Interest receivable	-	40,098	40,098	-
Passenger facility charge receivable	-	-	-	138,287
Federal and state grants receivable	-	-	-	4,523,586
Other receivable	-	-	-	19,358
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	-	-	1,710,784
Investments	-	-	-	3,100,000
Taxes receivable	-	-	-	9,044
Suite receivable	-	950,000	950,000	-
Net pension assets	1,785,947	-	1,785,947	193,189
Deferred debits	338,541	-	338,541	402,352
Capital assets:				
Land, improvements and construction in progress	20,780,862	607,957	21,388,819	15,847,011
Other capital assets, net of depreciation	305,269,997	51,630,276	356,900,273	99,403,138
Total assets	443,582,851	68,399,991	511,982,842	141,889,698
Liabilities				
Accounts payable	6,707,050	31,001	6,738,051	1,387,217
Accrued payroll and withholdings payable	4,054,006	154,492	4,208,498	-
Taxes payable	-	4,396	4,396	-
Accrued liabilities	-	-	-	278,760
Accrued interest payable	448,908	4,461	453,369	-
Incurred but not reported claims	404,600	-	404,600	-
Deferred revenue	-	2,410,362	2,410,362	-
Payable from restricted assets:				
Accounts payable	-	-	-	58,915
Ticket office customer deposits payable	-	919,803	919,803	-
First mortgage bonds - due within one year	-	2,535,000	2,535,000	-
Revenue bonds - due within one year	-	-	-	3,230,000
Accrued interest payable	-	378,602	378,602	827,412
Noncurrent liabilities:				
Due within one year:				
General obligation bonds payable	3,305,000	-	3,305,000	-
First mortgage bonds payable	3,295,000	-	3,295,000	-
Compensated absences	2,418,128	53,624	2,471,752	-
Revenue bonds payable	70,000	-	70,000	-
Notes and loans payable	176,426	196,087	372,513	16,600
Due in more than one year:				
Deferred credit	-	-	-	7,214
General obligation bonds payable (net of discounts)	9,241,862	-	9,241,862	-
First mortgage bonds payable (net of premiums and deferral of loss on refunding)	38,966,493	35,245,000	74,211,493	-
Compensated absences	-	-	-	923,505
Revenue bonds payable (net of discounts or premiums)	1,409,187	-	1,409,187	31,336,069
Notes and loans payable	-	-	-	33,200
Total liabilities	70,496,660	41,932,828	112,429,488	38,098,892
Net Assets				
Invested in capital assets, net of related debt	269,763,317	14,262,146	284,025,463	80,634,280
Restricted for:				
Debt service	4,108,837	-	4,108,837	-
Other purposes	1,500,000	-	1,500,000	12,174,175
Unrestricted	97,714,037	12,205,017	109,919,054	10,982,351
Total liabilities, equity and other credits	\$ 373,086,191	\$ 26,467,163	\$ 399,553,354	\$ 103,790,806

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

ALLEN COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 54,791,812	\$ 14,944,926	\$ 2,059,270	\$ -	\$ (37,787,616)	\$ -	\$ (37,787,616)	\$ -
Public safety	42,773,527	12,556,421	5,483,565	325,855	(24,407,686)	-	(24,407,686)	-
Highways and streets	17,653,040	1,613,209	9,876,283	249,952	(5,913,596)	-	(5,913,596)	-
Sanitation	34,330	50,987	-	-	16,657	-	16,657	-
Economic development	9,744,188	62,286	489,928	-	(9,191,974)	-	(9,191,974)	-
Health and welfare	41,504,180	1,823,004	11,697,775	-	(27,983,401)	-	(27,983,401)	-
Culture and recreation	719,525	113,659	54,813	-	(551,053)	-	(551,053)	-
Total governmental activities	<u>167,220,602</u>	<u>31,164,492</u>	<u>29,661,634</u>	<u>575,807</u>	<u>(105,818,669)</u>	<u>-</u>	<u>(105,818,669)</u>	<u>-</u>
Business-type activities:								
Coliseum	10,215,978	5,279,277	-	-	-	(4,936,701)	(4,936,701)	-
Total primary government	<u>\$ 177,436,580</u>	<u>\$ 36,443,769</u>	<u>\$ 29,661,634</u>	<u>\$ 575,807</u>	<u>(105,818,669)</u>	<u>(4,936,701)</u>	<u>(110,755,370)</u>	<u>-</u>
Component units:								
Fort Wayne - Allen County Airport Authority	17,630,426	11,667,374	-	7,999,576	-	-	-	2,036,524
Allen County Solid Waste Management District	1,084,055	1,642,227	35,800	-	-	-	-	593,972
Total component units	<u>\$ 18,714,481</u>	<u>\$ 13,309,601</u>	<u>\$ 35,800</u>	<u>\$ 7,999,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,630,496</u>
General revenues:								
Property taxes					80,111,248	-	80,111,248	4,307,566
CEDIT					7,572,878	-	7,572,878	-
Franchise taxes					264,658	-	264,658	-
Other taxes					24,326,696	-	24,326,696	-
Food and beverage taxes					-	5,313,905	5,313,905	-
Sports and convention taxes					-	913,217	913,217	-
Unrestricted investment earnings					7,722,615	610,550	8,333,165	984,751
Refunds and reimbursements					11,258,828	-	11,258,828	1,543
Change in net pension obligation					323,275	-	323,275	-
Capital contributions					18,000,900	-	18,000,900	-
Gain on disposal of capital assets					-	-	-	64,985
Special items:								
Loss on assets due to annexation					(70,075,055)	-	(70,075,055)	-
Total general revenues and special items					<u>79,506,043</u>	<u>6,837,672</u>	<u>86,343,715</u>	<u>5,358,845</u>
Change in net assets								
Net assets - beginning					(26,312,626)	1,900,971	(24,411,655)	7,989,341
Net assets - ending					<u>\$ 373,086,191</u>	<u>\$ 26,467,163</u>	<u>\$ 399,553,354</u>	<u>\$ 103,790,806</u>

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

ALLEN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

<u>Assets</u>	<u>General</u>	<u>Family and Children</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 19,484,327	\$ 1,554,685	\$ 73,290,219	\$ 94,329,231
Receivables (net of allowances for uncollectibles):				
Interest	864,944	-	157,033	1,021,977
Taxes	1,938,552	713,264	725,196	3,377,012
Accounts	1,072,402	-	726,758	1,799,160
Special assessments	-	-	277,819	277,819
Intergovernmental	1,644,934	424,487	2,480,539	4,549,960
Interfund receivable:				
Interfund loans	321,200	-	1,501,688	1,822,888
Interfund services provided and used	60,103	-	878,169	938,272
Total assets	<u>\$ 25,386,462</u>	<u>\$ 2,692,436</u>	<u>\$ 80,037,421</u>	<u>\$ 108,116,319</u>
 <u>Liabilities and fund balances</u>				
Liabilities:				
Accounts payable	\$ 4,439,840	\$ 431,641	\$ 1,578,092	\$ 6,449,573
Accrued payroll and withholdings payable	3,155,606	-	898,400	4,054,006
Interfund payable:				
Interfund loans	397,765	30,103	2,333,292	2,761,160
Deferred revenue	1,938,032	721,487	725,014	3,384,533
Loans payable	-	-	176,426	176,426
Total liabilities	<u>9,931,243</u>	<u>1,183,231</u>	<u>5,711,224</u>	<u>16,825,698</u>
Fund balances:				
Reserved for:				
Tax incremental financing bonds and loans	-	-	1,500,000	1,500,000
Debt service	-	-	4,108,837	4,108,837
Unreserved, reported in:				
General fund	15,455,219	-	-	15,455,219
Special revenue funds	-	1,509,205	42,957,273	44,466,478
Capital projects funds	-	-	25,760,087	25,760,087
Total fund balances	<u>15,455,219</u>	<u>1,509,205</u>	<u>74,326,197</u>	<u>91,290,621</u>
Total liabilities and fund balances	<u>\$ 25,386,462</u>	<u>\$ 2,692,436</u>	<u>\$ 80,037,421</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.	326,050,859
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,211,759
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.	8,901,583
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(59,154,578)
Net pension assets are considered an asset of the general government.	<u>1,785,947</u>

Net assets of governmental activities \$ 373,086,191

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, 2006

	<u>General</u>	<u>Family and Children</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 57,118,575	\$ 17,161,993	\$ 27,710,095	\$ 101,990,663
Special assessments	-	-	1,427,459	1,427,459
Licenses and permits	1,777,241	-	1,249,780	3,027,021
Intergovernmental	12,134,071	9,702,088	17,466,925	39,303,084
Charges for services	4,429,628	-	10,910,603	15,340,231
Fines and forfeits	2,142,657	-	2,238,446	4,381,103
Other	<u>13,046,871</u>	<u>1,210,773</u>	<u>5,533,232</u>	<u>19,790,876</u>
 Total revenues	 <u>90,649,043</u>	 <u>28,074,854</u>	 <u>66,536,540</u>	 <u>185,260,437</u>
Expenditures:				
Current:				
General government	39,355,377	-	4,216,791	43,572,168
Public safety	31,547,905	-	13,306,637	44,854,542
Highways and streets	-	-	12,175,381	12,175,381
Sanitation	-	-	34,330	34,330
Economic development	-	-	25,973	25,973
Health and welfare	6,625,865	29,254,026	5,352,725	41,232,616
Culture and recreation	451,034	-	266,950	717,984
Debt service:				
Principal	-	-	7,051,000	7,051,000
Interest	-	-	2,602,869	2,602,869
Capital outlay	<u>-</u>	<u>-</u>	<u>16,839,337</u>	<u>16,839,337</u>
 Total expenditures	 <u>77,980,181</u>	 <u>29,254,026</u>	 <u>61,871,993</u>	 <u>169,106,200</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>12,668,862</u>	 <u>(1,179,172)</u>	 <u>4,664,547</u>	 <u>16,154,237</u>
Other financing sources (uses):				
Transfers in	-	-	13,256,358	13,256,358
Transfers out	<u>(7,000,000)</u>	<u>-</u>	<u>(6,256,358)</u>	<u>(13,256,358)</u>
 Total other financing sources and uses	 <u>(7,000,000)</u>	 <u>-</u>	 <u>7,000,000</u>	 <u>-</u>
 Net change in fund balances	 5,668,862	 (1,179,172)	 11,664,547	 16,154,237
Fund balances - beginning	<u>9,786,357</u>	<u>2,688,377</u>	<u>62,661,650</u>	<u>75,136,384</u>
 Fund balances - ending	 <u>\$ 15,455,219</u>	 <u>\$ 1,509,205</u>	 <u>\$ 74,326,197</u>	 <u>\$ 91,290,621</u>

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, 2006

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).	\$ 16,154,237
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.	22,608,971
The net effect of annexation by the City of Fort Wayne of infrastructure capital assets is to decrease net assets.	(70,075,055)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(1,139,678)
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.	6,958,131
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.	202,431
Net pension assets are considered an asset of the general government, but are not current revenues.	323,275
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.	4,876
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>(1,349,814)</u>
Change in net assets of governmental activities (Statement of Activities)	<u>\$ (26,312,626)</u>

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

ALLEN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

<u>Assets</u>	<u>Business-Type Activities - Enterprise Fund</u>	<u>Internal Service Funds</u>
	<u>War Memorial Coliseum</u>	
Current assets:		
Cash and cash equivalents	\$ 249,570	\$ 9,560,104
Interest receivable	2,281	3,056
Accounts receivable (net of allowance)	399,293	500
Suite receivable	774,000	-
Prepaid items	160,646	-
Restricted assets:		
Cash and cash equivalents	12,484,681	-
Cash with fiscal agent	57,474	-
Taxes receivable	1,043,715	-
Interest receivable	40,098	-
Total current assets	15,211,758	9,563,660
Noncurrent assets:		
Suite receivable	950,000	-
Capital assets:		
Land, improvements to land and construction in progress	607,957	-
Other capital assets (net of accumulated depreciation)	51,630,276	-
Total capital assets	52,238,233	-
Total noncurrent assets	53,188,233	-
Total assets	68,399,991	9,563,660
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	31,001	257,477
Accrued wages payable	154,492	-
Taxes payable	4,396	-
Interest payable	4,461	-
Incurred but not reported claims	-	404,600
Deferred revenue	2,410,362	-
Compensated absences	53,624	-
Loan payable	196,087	-
Current liabilities payable from restricted assets:		
Ticket office customer deposits payable	919,803	-
First mortgage bonds payable	2,535,000	-
Accrued interest payable	378,602	-
Total current liabilities	6,687,828	662,077
Noncurrent liabilities:		
First mortgage bonds payable (net of unamortized discounts)	35,245,000	-
Total liabilities	41,932,828	662,077
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,262,146	-
Unrestricted	12,205,017	8,901,583
Total net assets	\$ 26,467,163	\$ 8,901,583

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, 2006

	Business-Type Activities - Enterprise Fund	
	War Memorial Coliseum	Internal Service Funds
Operating revenues:		
Rent	\$ 1,299,125	\$ -
Concessions	978,637	-
Parking	1,146,614	-
Ticket office	122,219	-
Miscellaneous	224,521	22,849
Advertising	303,992	-
Arena maintenance fee	396,755	-
Suite/club seats	807,414	-
Employee/employer contributions	-	8,449,948
	<u>5,279,277</u>	<u>8,472,797</u>
Total operating revenues		
Operating expenses:		
Salaries and wages	2,077,704	-
Fringe benefits	604,100	-
Materials and supplies	142,863	-
Purchased services	1,658,801	-
Utilities	741,077	-
Miscellaneous	82,433	-
Maintenance and repair	510,952	-
Insurance claims and expenses	-	9,887,911
Depreciation	2,340,887	-
	<u>8,158,817</u>	<u>9,887,911</u>
Total operating expenses		
Operating loss	<u>(2,879,540)</u>	<u>(1,415,114)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	610,550	65,300
Food and beverage taxes	5,313,905	-
Sports and convention taxes	913,217	-
Interest expense	(2,057,161)	-
	<u>4,780,511</u>	<u>65,300</u>
Total nonoperating revenue		
Change in net assets	1,900,971	(1,349,814)
Total net assets - beginning	<u>24,566,192</u>	<u>10,251,397</u>
Total net assets - ending	<u>\$ 26,467,163</u>	<u>\$ 8,901,583</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, 2006

	Business-Type Activities - Enterprise Fund	
	War Memorial Coliseum	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,093,475	\$ 13,328,571
Payments to suppliers	(3,342,298)	(10,535,555)
Payments to employees	(2,685,602)	-
Other receipts	-	22,849
	<u>(934,425)</u>	<u>2,815,865</u>
Net cash provided (used) by operating activities		
Cash flows from capital and related financing activities:		
Purchase of capital assets	(39,444)	-
Acquisition and construction of capital assets	(227,470)	-
Principal paid on capital debt	(2,487,553)	-
Interest paid on capital debt	(2,078,198)	-
Food and beverage taxes	5,357,652	-
Sports and convention taxes	919,877	-
	<u>1,444,864</u>	<u>-</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	61,740	-
Interest received	596,587	65,170
	<u>658,327</u>	<u>65,170</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	1,168,766	2,881,035
Cash and cash equivalents, January 1	<u>11,565,485</u>	<u>6,679,069</u>
Cash and cash equivalents, December 31	<u>\$ 12,734,251</u>	<u>\$ 9,560,104</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (2,879,540)	\$ (1,415,114)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	2,340,887	-
(Increase) decrease in assets:		
Accounts receivable	35,473	4,878,623
Prepaid items	4,546	-
Increase (decrease) in liabilities:		
Accounts payable	(102,281)	(181,201)
Accrued wages payable	(6,459)	-
Deferred revenue	(221,275)	-
Taxes payable	(89)	-
Compensated absence payable	2,661	-
Incurred but not reported claims	-	(466,443)
Customer deposits	(108,348)	-
	<u>1,945,115</u>	<u>4,230,979</u>
Total adjustments		
Net cash provided (used) by operating activities	<u>\$ (934,425)</u>	<u>\$ 2,815,865</u>

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

ALLEN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2006

<u>Assets</u>	Pension Trust Fund	Agency Funds
Cash and cash equivalents	\$ 1,282,969	\$ 20,863,336
Receivables:		
Contributions	10,997	-
Interest and dividends	98,885	-
Taxes	-	15,552,075
Accounts	-	184,063
Intergovernmental	-	7,725
Loans	-	1,111
	109,882	15,744,974
Total receivables		
Investments at fair value:		
U.S. Government securities	2,752,104	-
Shares of unit investment trusts	28,449,668	-
	31,201,772	-
Total investments		
Total assets	32,594,623	36,608,310
<u>Liabilities</u>		
Accounts payable	-	662,521
Payroll withholdings payable	-	998,957
Interest payable	-	1,129
Trust payable	-	34,735,531
Intergovernmental payable	-	210,172
	-	36,608,310
Total liabilities	-	\$ 36,608,310
<u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	32,594,623	
Total net assets	\$ 32,594,623	

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, 2006

<u>Additions</u>	<u>Pension Trust Fund</u>
Contributions:	
Employer	\$ 1,300,000
Plan members	<u>124,478</u>
Total contributions	<u>1,424,478</u>
Investment income:	
Net increase in fair value of investments	1,985,884
Interest	<u>2,097,656</u>
Total investment income	<u>4,083,540</u>
Total additions	<u>5,508,018</u>
 <u>Deductions</u>	
Benefits	1,555,326
Administrative expense	<u>148,232</u>
Total deductions	<u>1,703,558</u>
Changes in net assets	3,804,460
Net assets - beginning	<u>28,790,163</u>
Net assets - ending	<u>\$ 32,594,623</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 they are 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 Allen County Solid Waste Management District is a significant discretely presented component unit of the primary government. The primary government appoints a voting majority of the Solid Waste Management District's board and is able to impose its will. It would be misleading to exclude the Allen County Solid Waste Management District from the primary government's financial statements because of its relationship with the primary government.

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

Allen County Jail Building Corporation
c/o U.S. National Bank Association
10 W. Market Street, Suite 1150
Indianapolis, IN 46204

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 Bear Terminal
Suite 209
Fort Wayne, IN 46809

Allen County Solid Waste Management District
One Main Street, Rm B86
Fort Wayne, IN 46802

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 \$90,958 for its share of 2006 net income. Complete financial statements for the Association can be obtained from the Controller, City of Fort Wayne, Room 930, One Main Street, Fort Wayne, Indiana, 46802.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Changes in Net Assets) 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 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 60 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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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, and 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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 non-operating 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.

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

Transactions 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 Indiana 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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Indiana 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31 of the year collected. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide 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 years
Improvements other than buildings	5,000	Straight-line	45 years
Machinery and equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-40 years
Net investment in joint venture	5,000	Straight-line	40 years

N/A = Not applicable

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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$2,057,161. 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 5 days per year. Unused sick leave may be accumulated to a maximum of 10 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 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – primary government employees earn personal leave at the rate of 2 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.

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 of America. All annual appropriations lapse at fiscal year end.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Indiana Department of Local Government Finance. The budget becomes legally enacted after the County Auditor receives approval of the Indiana Department of Local Government Finance.

The primary government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the County Council. The Indiana 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. Deficit Fund Equity

At December 31, 2006, the following funds reported deficits in fund equity, which are violations of State statute:

Fund	2006
Governmental Funds:	
Community Corrections Weed and Seed Initiative	\$ 7,380
Comprehensive Emergency Management Planning	172
Community Corrections Serious and Violent Offender Reentry Initiative	987
Adult Protective Services	13,800
Kryder House Juvenile Justice and Delinquency Prevention Grant	12
Tuberculosis Block Grant	10,012
State Homeland Security Program	3,767
Lincoln Industrial TIF	160,714
Vera Bradley TIF	1,141,688

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

III. Detailed Notes on All Funds

A. Deposits and Investments

Primary Government

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. The bank balance held at National City Bank for the Sheriff's Retirement and Benefit Pension Plans for \$1,282,969 was uninsured and uncollateralized.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. The Sheriff's Merit Board has established an investment policy for the Sheriff's Retirement and Benefit Pension Plans. This investment policy outlines parameters for investment activity for the Pension Plans. As of December 31, 2006, the County and the Sheriff's Pension Plans had the following investments:

Primary Government:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Government sponsored enterprises	\$ 13,985,625	\$ 6,742,100	\$ 7,243,525	\$ -
External investment pool	2,376,917	2,376,917	-	-
Totals	\$ 16,362,542	\$ 9,119,017	\$ 7,243,525	\$ -

Sheriff's Retirement and Benefit Pension Plans:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 0-5	5-15	More Than 15
U.S. treasuries and securities	\$ 2,752,104	\$ 1,543,141	\$ 767,817	\$ 441,146
Government sponsored enterprises	2,681,044	209,410	220,603	2,251,031
Mutual funds	11,647,304	11,647,304	-	-
Corporate bonds	1,365,987	447,152	416,126	502,709
Corporate stock	8,692,948	8,692,948	-	-
Foreign mutual fund	3,537,577	3,537,577	-	-
Foreign bonds	29,630	-	29,630	-
Foreign equities	495,178	495,178	-	-
Totals	\$ 31,201,772	\$ 26,572,710	\$ 1,434,176	\$ 3,194,886

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Policies

Indiana Code 5-13-9 authorizes the County to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the County and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the County may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

The Sheriff's Pension Plan is not subject to the same investment laws as the County. The investment policy for the Sheriff's Pension Plans was adopted by the Sheriff's Merit Board on March 10, 2005. Authorized investments include time or savings accounts, obligations issued or fully insured or guaranteed by the United States of America, bonds, stocks, guaranteed investment contracts, bank investment contracts, mutual funds, high quality money market funds, and foreign securities whose shares are not denominated in foreign currency.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County nor the Sheriff's Pension Plan has a formal investment policy for custodial credit risk for investments. At December 31, 2006, the County held investments in Government Sponsored Enterprises in the amount of \$13,985,625. Of these investments \$13,985,625 were held by the counterparty's trust department or agent but not in the County's name. At December 31, 2006, the Sheriff's Pension Plan held investments in Mutual Funds, Corporate Stock, Government Sponsored Enterprises, U.S. Treasuries and Securities, Corporate Bonds, Foreign Mutual Funds, Foreign Equities, and Foreign Bonds in the amount of \$31,201,772. Of these investments \$31,201,772 are held by the counterparty, not in the name of the Sheriff's Pension Plan.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County must follow state statute and limit the stated final maturities of the investments to no more than two years. The Sheriff's Merit Board for the Sheriff's Pension Plans manages interest rate risk by authorizing a maximum average maturity of no more than 15 years be maintained in fixed income securities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Primary Government:

Standard and Poor's Rating	Moody's Rating	County's Investments	
		Government Sponsored Enterprise	Investment Pools
AAA	Aaa	\$ 13,985,625	\$ 2,376,917

Sheriff's Retirement and Benefit Pension Plans:

Standard and Poor's Rating	Moody's Rating	Sheriff's Pension Plan Investments		
		Mutual Funds	Corporate/ Foreign Bonds	Government Sponsored Enterprise
AAA	Aaa	\$ -	\$ 661,304	\$ 209,410
AA	Aa	-	251,325	-
A	A	-	274,448	-
BBB	Baa	-	208,540	-
Unrated	Unrated	15,184,881	-	2,310,031
Totals		\$ 15,184,881	\$ 1,395,617	\$ 2,519,441

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement. More than 5% of the County's investments are in Federal Home Loan Bank in the amount of \$11,991,375. These investments represent 31% of the total investments for the County. The Sheriff's Merit Board for the Sheriff's Pension Plans manages concentration of credit risk by limiting the investment in debt securities of any one corporation to a maximum of 5% of the fixed income investments of the plan. More than 5% of the Sheriff's Pension Plan investments are in Federal National Mortgage Association in the amount of \$2,291,607. These investments represent 7% of the total investments for the Plan.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Foreign Currency Risk

Foreign currency risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The Sheriff's Merit Board has a formal policy in regards to foreign currency risk that states foreign securities must have shares denominated in United States of America dollars.

Discretely Presented Component Units

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the County's discretely presented component units had the following investments:

Discretely Presented Component Units:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Government sponsored enterprises	<u>\$6,104,997</u>	<u>\$ 4,606,027</u>	<u>\$ 1,498,970</u>	<u>\$ -</u>

Investment Policies

Indiana Code 5-13-9 authorizes the discretely presented component units to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the discretely presented component units and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the discretely presented component units may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The discretely presented component units do not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The discretely presented component units must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Discretely Presented Component Units:

<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>Government Sponsored Enterprise</u>
AAA	Aaa	<u>\$ 6,104,997</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The discretely presented component units do not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Foreign Currency Risk

Foreign currency risk relates to adverse affects on the fair value of an investment from changes in exchange rates. All discretely presented component units deposits and investments are denominated in U.S. currency.

B. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 9,068,500	\$ 529,511	\$ 1,249,538	\$ 8,348,473
Construction in progress	8,984,080	5,365,361	1,917,052	12,432,389
Total capital assets, not being depreciated	<u>18,052,580</u>	<u>5,894,872</u>	<u>3,166,590</u>	<u>20,780,862</u>
Capital assets, being depreciated				
Buildings	111,417,391	7,375,826	-	118,793,217
Improvement other than buildings	3,071,273	-	-	3,071,273
Machinery and equipment	30,678,960	2,388,142	1,428,667	31,638,435
Infrastructure being depreciated	361,868,128	21,985,639	100,779,584	283,074,183
Net investment in joint venture	5,468,767	90,958	-	5,559,725
Totals	<u>512,504,519</u>	<u>31,840,565</u>	<u>102,208,251</u>	<u>442,136,833</u>
Less accumulated depreciation for				
Buildings	26,971,572	1,941,511	18,144	28,894,939
Improvement other than buildings	823,763	761,925	-	1,585,688
Machinery and equipment	22,329,012	2,387,446	990,977	23,725,481
Infrastructure being depreciated	105,747,267	7,524,837	31,918,911	81,353,193
Net investment in joint venture	1,168,542	138,993	-	1,307,535
Totals	<u>157,040,156</u>	<u>12,754,712</u>	<u>32,928,032</u>	<u>136,866,836</u>
Total capital assets, being depreciated, net	<u>355,464,363</u>	<u>19,085,853</u>	<u>69,280,219</u>	<u>305,269,997</u>
Total governmental activities, capital assets, net	<u>\$ 373,516,943</u>	<u>\$ 24,980,725</u>	<u>\$ 72,446,809</u>	<u>\$326,050,859</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 380,487	\$ -	\$ -	\$ 380,487
Construction in progress	-	227,470	-	227,470
Total capital assets, not being depreciated	<u>380,487</u>	<u>227,470</u>	<u>-</u>	<u>607,957</u>
Capital assets, being depreciated				
Land improvements	1,440,208	-	-	1,440,208
Buildings	75,872,706	39,444	-	75,912,150
Improvement other than buildings	3,785,618	-	-	3,785,618
Machinery and equipment	3,035,121	-	-	3,035,121
Totals	<u>84,133,653</u>	<u>39,444</u>	<u>-</u>	<u>84,173,097</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities (continued):				
Less accumulated depreciation for				
Land improvements	1,196,560	27,211	-	1,223,771
Buildings	24,290,370	2,044,677	-	26,335,047
Improvement other than buildings	2,416,491	131,716	-	2,548,207
Machinery and equipment	2,298,513	137,283	-	2,435,796
Totals	30,201,934	12,754,712	32,928,032	136,866,836
Total capital assets, being depreciated, net	53,931,719	19,085,853	69,280,219	305,269,997
Total business-type activities, capital assets, net	\$ 54,312,206	\$ (2,073,973)	\$ -	\$ 52,238,233
 <u>Discretely Presented Component Units</u>				
Capital assets, not being depreciated				
Land	\$ 14,443,409	\$ 466,812	\$ -	\$ 14,910,221
Construction in progress	2,032,492	9,999,978	11,095,680	936,790
Total capital assets, not being depreciated	16,475,901	10,466,790	11,095,680	15,847,011
Capital assets, being depreciated				
Buildings and improvements	65,552,441	2,824,660	-	68,377,101
Infrastructure being depreciated	111,198,652	9,778,507	3,707	120,973,452
Machinery and equipment	7,253,619	1,678,287	354,283	8,577,623
Totals	184,004,712	14,281,454	357,990	197,928,176
Less accumulated depreciation for				
Buildings and improvements	26,814,395	2,276,655	-	29,091,050
Infrastructure being depreciated	59,613,968	5,393,133	-	65,007,101
Machinery and equipment	4,367,405	394,763	335,281	4,426,887
Totals	90,795,768	8,064,551	335,281	98,525,038
Total capital assets, being depreciated, net	93,208,944	6,216,903	22,709	99,403,138
Total discretely presented component units capital assets, net	\$ 109,684,845	\$ 16,683,693	\$ 11,118,389	\$ 115,205,149

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

Governmental activities:	
General government	\$ 1,608,570
Public safety	2,438,463
Highways and streets	8,398,989
Culture and recreation	266,352
	42,338
Total depreciation expense – governmental activities	\$ 12,754,712
Business-type activities:	
Coliseum	\$ 2,340,887

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, 2006, is as follows:

Interfund Payables	Interfund Receivables			Totals
	General Fund	Nonmajor Governmental	Proprietary Fund	
General Fund	\$ -	\$ 397,765	\$ -	\$ 397,765
Family and Children	30,103	-	-	30,103
Nonmajor governmental	351,200	1,982,092	-	2,333,292
Totals	<u>\$ 381,303</u>	<u>\$ 2,379,857</u>	<u>\$ -</u>	<u>\$ 2,761,160</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, 2006, were as follows:

Transfer From	Transfer To	2006
General Fund	Nonmajor governmental	\$ 7,000,000
Nonmajor governmental	Nonmajor governmental	<u>6,256,358</u>
Total		<u>\$ 13,256,358</u>

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

D. 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 \$28,000. The following is a schedule by years of future minimum rental payments as of December 31, 2006:

2007	\$ 84,000
2008	<u>56,000</u>
Total	<u>\$ 140,000</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Rate	Balance 12-31-06	Current Portion	Discount	Net Noncurrent
2001 Allen County flood control refunding bonds	4% to 4.3%	\$ 2,480,000	\$ 585,000	\$ (7,673)	\$ 1,887,327
2001 Allen County radio communications bonds	4.1% to 4.4%	3,365,000	575,000	-	2,790,000
2004 Allen County bridge bonds	2.5% to 2.75%	6,715,000	2,145,000	(5,465)	4,564,535
Totals		<u>\$ 12,560,000</u>	<u>\$ 3,305,000</u>	<u>\$ (13,138)</u>	<u>\$ 9,241,862</u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 3,305,000	\$ 390,749
2008	3,115,000	292,753
2009	3,020,000	196,013
2010	2,210,000	94,036
2011	685,000	32,302
2012-2016	225,000	4,950
Totals	<u>\$ 12,560,000</u>	<u>\$ 1,010,803</u>

2. First Mortgage Bonds

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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rate	Balance 12-31-06	Current Portion	Premium (Deferral of loss on refunding)	Net Noncurrent
1998 Jail building first mortgage refunding bonds	4.45% to 4.5%	\$ 975,000	\$ 685,000	\$ -	\$ 290,000
2001 Juvenile Justice Center first mortgage bonds	3.5% to 4.5%	22,982,358	1,555,000	-	21,427,358
2005 Jail building first mortgage refunding bonds	3% to 5%	18,720,000	1,055,000	(415,865)	17,249,135
2001 A War Memorial Coliseum additions first mortgage revenue bonds	4% to 5.75%	24,595,000	600,000	-	23,995,000
2001 B War Memorial Coliseum additions first mortgage revenue bonds	6.1% to 6.875%	5,570,000	145,000	-	5,425,000
2002 War Memorial Coliseum building first mortgage refunding bonds	4% to 5%	<u>7,615,000</u>	<u>1,790,000</u>	<u>-</u>	<u>5,825,000</u>
Totals		<u>\$80,457,358</u>	<u>\$5,830,000</u>	<u>\$ (415,865)</u>	<u>\$ 74,211,493</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
2007	\$ 3,295,000	\$ 1,901,793	\$ 2,535,000	\$ 1,964,944
2008	3,000,000	1,775,938	2,755,000	1,853,699
2009	2,815,000	1,659,913	2,930,000	1,727,480
2010	1,755,000	2,719,738	3,050,000	1,582,981
2011	4,220,000	718,306	1,100,000	1,458,214
2012-2016	17,505,000	2,240,144	6,410,000	6,323,960
2017-2021	10,087,358	1,658,949	9,515,000	4,207,022
2022-2026	<u>-</u>	<u>-</u>	<u>9,485,000</u>	<u>1,241,643</u>
Totals	<u>\$ 42,677,358</u>	<u>\$ 12,674,781</u>	<u>\$ 37,780,000</u>	<u>\$ 20,359,943</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:

Purpose	Interest Rate	Balance 12-31-06	Current Portion	Premium (Deferral of loss on refunding)	Net Noncurrent
2001 Allen County parking garage bonds	4.21% to 5.59%	<u>\$ 1,510,000</u>	<u>\$ 70,000</u>	<u>\$ (30,813)</u>	<u>\$ 1,409,187</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 70,000	\$ 77,655
2008	75,000	74,413
2009	75,000	70,955
2010	80,000	67,296
2011	85,000	63,318
2012-2016	490,000	245,097
2017-2021	635,000	92,185
Totals	<u>\$ 1,510,000</u>	<u>\$ 690,919</u>

Discretely Presented Component Units

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

Purpose	Interest Rate	Balance 12-31-06	Current Portion	Premium (Deferral of Loss on refunding)	Net Noncurrent
1998 First mortgage bonds	4.6% to 5.3%	\$ 19,575,000	\$ 1,050,000	\$ (146,793)	\$ 18,378,207
1998 Revenue bonds	4.4% to 4.5%	1,445,000	705,000	(1,503)	738,497
2004 Airport improvement refunding bonds	3% to 5%	13,400,000	1,055,000	294,365	12,639,365
Totals		<u>\$ 34,420,000</u>	<u>\$ 2,810,000</u>	<u>\$ 146,069</u>	<u>\$ 31,756,069</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Discretely Presented Component Unit	
	Principal	Interest
2007	\$ 3,230,000	\$ 1,621,114
2008	3,465,000	1,482,841
2009	2,835,000	1,340,659
2010	2,965,000	1,209,816
2011	3,100,000	1,063,848
2012-2016	12,410,000	3,085,078
2017-2021	6,415,000	658,525
Totals	<u>\$ 34,420,000</u>	<u>\$ 10,461,881</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 \$8,922, are as follows:

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Business -Type Activities
2007	<u>\$ 205,009</u>

Discretely Presented Component Units

The discretely presented component units have 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 10 year period. At December 31, 2006, the remaining balance is \$49,800.

5. Advance Refunding

In prior years, the primary government defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. At December 31, 2006, \$18,650,000 of bonds outstanding are considered defeased.

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

<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	\$ 16,366,000	\$ -	\$ 3,806,000	\$ 12,560,000	\$ 3,305,000
First mortgage	45,857,358	-	3,180,000	42,677,358	3,295,000
Revenues	<u>1,575,000</u>	<u>-</u>	<u>65,000</u>	<u>1,510,000</u>	<u>70,000</u>
Total bonds payable	63,798,358	-	7,051,000	56,747,358	6,670,000
Compensated absences	<u>2,356,178</u>	<u>2,418,128</u>	<u>2,356,178</u>	<u>2,418,128</u>	<u>2,418,128</u>
Total governmental activities long-term liabilities	<u>\$ 66,154,536</u>	<u>\$ 2,418,128</u>	<u>\$ 9,407,178</u>	<u>\$ 59,165,486</u>	<u>\$ 9,088,128</u>
Business-type activities:					
First mortgage bonds payable:					
Coliseum	\$ 40,080,000	\$ -	\$ 2,300,000	\$ 37,780,000	\$ 2,535,000
Loan payable Coliseum	383,640	-	187,553	196,087	196,087
Compensated absences	<u>50,963</u>	<u>53,624</u>	<u>50,963</u>	<u>53,624</u>	<u>53,624</u>
Total business-type activities, long-term liabilities	<u>\$ 40,514,206</u>	<u>\$ 53,624</u>	<u>\$ 2,538,516</u>	<u>\$ 38,029,711</u>	<u>\$ 2,784,711</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Discretely Presented Component Units	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
First mortgage bonds	\$ 37,500,000	\$ -	\$ 3,080,000	\$ 34,420,000	\$ 3,230,000
Loan payable	66,400	-	16,600	49,800	16,600
Compensated absences	<u>1,097,094</u>	<u>294,855</u>	<u>269,040</u>	<u>1,122,909</u>	<u>199,404</u>
Total governmental activities long-term liabilities	<u>\$ 38,663,494</u>	<u>\$ 294,855</u>	<u>\$ 3,365,640</u>	<u>\$ 35,592,709</u>	<u>\$ 3,446,004</u>

F. Restricted Assets

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

Coliseum Expansion Fund	\$ 147,854
Coliseum Ticket Office Fund	955,000
Coliseum Advance Customer Deposits	686,362
Food and Beverage Supplemental Tax Fund	8,783,584
Sports and Convention Fund	<u>1,911,881</u>
Total restricted assets	<u>\$ 12,484,681</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 primary government is continuing to buy premium insurance for a number of other risks; i.e., liability.

The primary government 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 2006 was \$0. There were no incurred but not reported claims at December 31, 2006. The cash balance in the fund at December 31, 2006, was \$198,767.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

County Liability Fund

The primary government 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 2006 was \$233,729. Incurred but not reported claims have not been accrued as a liability as of December 31, 2006.

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 fund 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:

	2005	2006
Unpaid claims, beginning of fiscal year	\$ 1,027,382	\$ 1,306,985
Incurred claims and changes in estimates	9,924,329	8,994,834
Claim payments	9,644,726	9,676,593
Unpaid claims end of fiscal year	\$ 1,306,985	\$ 625,226

Worker's Compensation

The primary government has chosen to establish a risk financing fund for risks associated with worker's compensation claims starting in 2006. The risk financing fund is accounted for in the Workmen's Compensation Self-Insurance 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 \$300,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in 2006. Amounts are paid into the fund by all insured funds and are available to pay for worker compensation claims. Interfund premiums are based primarily upon the number of employees paid from a particular fund. The funding level for 2006 was \$610,469. There were no incurred but not reported claims at December 31, 2006. The cash balance in the fund at December 31, 2006, was \$418,062.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Contingent Liabilities

The primary government 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 primary government.

C. Subsequent Events

On March 20, 2007, bonds in the amount of \$26,315,000 were issued through the Allen County War Memorial Coliseum Additions Building Corporation for the purpose of refunding the \$24,595,000 2001A War Memorial Coliseum additions first mortgage revenue bonds.

D. 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, 2006, there were eight series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$35,342,170.

E. Administration of Welfare Programs

The primary government is required to provide certain funding for administrative costs of welfare programs, the Hospital Care for the 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.

F. 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 55 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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

(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, 2006, was \$745,490. 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 \$360,000 were made during 2006, decreasing the unpaid balance by \$146,821, after applying a capital improvements credit of \$86,821.

3. Improvements

Capital repairs (as defined by the lease) are the responsibility of Allen County to the limit of 80% 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 80% of the base rent per year. A credit of \$86,821 was taken during the year 2006.

4. Insurance

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

G. 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 90 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.

H. Tax Incremental Revenue Bonds and Loans

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.

The \$2,440,000 1999 Allen County Redevelopment District Tax Incremental Revenue Bonds are due in installments of \$65,000 to \$115,000, plus interest at 5.8% to 6.7%. Bonds outstanding at December 31, 2006, were \$1,680,000.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. 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 1997 Tax Increment Revenue Bond (TIF) issued by the Allen County Redevelopment District.

In July 2005, these bonds were refunded with the Allen County Redevelopment Commission Tax Increment Revenue Bonds of 2005.

The \$9,275,000, 2005 Allen County Redevelopment District Tax Increment Revenue Bonds are in two series: Series 2005A (Tax Exempt) and Series B (Taxable). Series 2005A in the amount of \$6,985,000 was issued for purposes to cause the 1997 GM TIF bonds to be advance refunded and defeased. Series 2005B in the amount of \$2,290,000 was used to provide money to finance the purchase of lease of certain equipment by the Commission to be leased or leased back to General Motors Corporation and pay all costs incidental thereto including the issuance cost of the Series 2005B Bonds. Total debt outstanding at December 31, 2006, was \$6,985,000 series 2005A and \$2,290,000 Series 2005B.

3. Infrastructure for Vera Bradley Facility

Allen County provided certain public infrastructure improvements (water and sewer main extensions and roadways) that were necessary for Vera Bradley to construct a new manufacturing facility. These improvements were financed by a loan from the Allen County Economic Development Income Tax Fund. The loan outstanding at December 31, 2006, was \$1,141,688. Repayment of the loan will be made by using tax increment financing revenues from the Vera Bradley Economic Development Area established pursuant to Indiana Code 36-7-14-41.

Economic Development areas were established to repay the above bonds. Property taxes generated from increased property valuations in the economic development areas are used to repay the bonds. 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 \$1,500,000 per year may be allocated from the County Economic Development Income Tax Fund towards the debt service payments.

I. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government on or after attaining age 55 with at least 10 years of service. Upon review of the primary government's financial position, the primary government determines annually whether or not to provide this benefit and the benefit is not guaranteed as part of employment, nor is it guaranteed to the retirees currently receiving the benefit. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis due to the ability to terminate those benefits at any time. During the year ended December 31, 2006, expenditures of \$204,228 were recognized for postemployment benefits.

In 2006, the primary government began providing financial incentives to eligible employees who retire from the primary government before they are eligible for Medicare. The incentive provides a discounted premium to retirees who enroll in the primary government's insurance plan and monetary payments for retirees who are not enrolled in the primary government's insurance plan. For 2006, the primary government's expenditures for those postemployment benefits were \$11,216.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

J. Pension Plans

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

1. 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 3% 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:

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.

The negative Net Pension Obligation (NPO) is considered an asset of the primary government and is reflected as such in the Statement of Net Assets.

2. 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 the Sheriff's Department.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 negative Net Pension Obligation (NPO) is considered an asset of the primary government and is reflected as such in the Statement of Net Assets.

3. 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 the Sheriff's Department.

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 negative Net Pension Obligation (NPO) is considered an asset of the primary government and is reflected as such in the Statement of Net Assets.

Actuarial Information for the Above Plans

	PERF	County Police Retirement Plan	County Police Benefit Plan
Annual required contribution	\$ 2,301,617	\$ 961,736	\$ 117,825
Interest on net pension obligation	(119,619)	13,181	395
Adjustment to annual required contribution	136,315	(25,898)	(775)
Annual pension cost	2,318,313	949,019	117,445
Contributions made	2,408,052	1,182,175	117,825
Decrease in net pension obligation	(89,739)	(233,156)	(380)
Net pension obligation, beginning of year	(1,649,916)	181,801	5,443
Net pension obligation, end of year	\$ (1,739,655)	\$ (51,355)	\$ 5,063

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	County Police Retirement Plan	County Police Benefit Plan
Contribution rates:			
County	5%	21.3%	2.1%
Plan members	3%	3%	None
Actuarial valuation date	07-01-06	01-01-07	01-01-07
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	40 years	*
Amortization period (from date)	07-01-97	12-31-97	*
Asset valuation method	4 year smoothed market	75% of expected actuarial value plus 25% of actual market value	75% of expected actuarial value plus 25% of actual market value

*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 the assets is allocated on a level basis over the earnings of the group.

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%	4%	4%
Attributed to merit/seniority	1%	1%	1%
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	06-30-04	\$ 2,010,329	115%	\$ (1,283,312)
	06-30-05	2,174,543	117%	(1,649,916)
	06-30-06	2,318,313	104%	(1,739,655)
County Police				
Retirement Plan	12-31-04	1,231,314	65%	223,144
	12-31-05	1,262,863	103%	181,801
	12-31-06	949,019	125%	(51,355)

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County Police Retirement Plan	12-31-04	\$ 35,340	100%	\$ -
	12-31-05	31,717	83%	5,443
	12-31-06	117,445	100%	5,063

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)
07-01-04	\$ 35,855,063	\$ 39,978,333	\$ (4,123,270)	90%	\$ 40,224,665	(10%)
07-01-05	43,081,172	45,874,099	(2,792,927)	94%	43,442,974	(6%)
07-01-06	47,531,835	47,795,764	(263,929)	99%	45,053,388	(1%)

County Police Retirement 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)
01-01-02	\$ 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%)
01-01-05	25,239,949	33,449,599	(8,209,650)	75%	4,620,150	(178%)
01-01-06	27,137,283	30,211,612	(3,074,329)	90%	5,540,671	(55%)
01-01-07	29,635,099	32,410,952	(2,775,853)	91%	5,244,941	(53%)

County Police Benefit Plan*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-06	\$ 700,451	\$ 700,451	\$ -	100%	\$ 5,540,671	0%
01-01-07	840,328	840,328	-	100%	5,244,941	0%

* Prior to January 1, 2005, 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
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

County Police Retirement Plan*		
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed County
12-31-04	\$ 1,227,542	65%
12-31-05	1,267,279	103%
12-31-06	961,736	123%

County Police Benefit Plan*		
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed County
12-31-05	\$ 31,717	83%
12-31-06	117,825	100%

*Prior to January 1, 2005, the actuary did not provide the information necessary to present the schedules of contributions 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, 2006

	General Fund				Family and Children Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes:								
Property	\$ 58,106,501	\$ 58,106,501	\$ 57,487,644	\$ (618,857)	\$ 17,254,047	\$ 17,254,047	\$ 17,161,993	\$ (92,054)
Licenses and permits	2,496,000	2,496,000	1,801,378	(694,622)	-	-	-	-
Intergovernmental	8,452,076	8,452,076	11,214,672	2,762,596	11,548,952	11,548,952	9,286,179	(2,262,773)
Charges for services	4,316,000	4,316,000	4,479,627	163,627	-	-	-	-
Fines and forfeits	-	-	1,964,565	1,964,565	-	-	-	-
Other	6,143,000	6,143,000	12,883,987	6,740,987	-	-	1,210,773	1,210,773
Total revenues	<u>79,513,577</u>	<u>79,513,577</u>	<u>89,831,873</u>	<u>10,318,296</u>	<u>28,802,999</u>	<u>28,802,999</u>	<u>27,658,945</u>	<u>(1,144,054)</u>
Expenditures:								
Current:								
General government	37,313,170	50,411,052	38,832,217	11,578,835	-	-	-	-
Public safety:	33,466,860	37,344,495	33,459,281	3,885,214	-	-	-	-
Health and welfare:	6,110,960	6,686,625	6,615,491	71,134	30,153,300	30,153,300	28,983,638	1,169,662
Culture and recreation:	477,616	485,042	446,438	38,604	-	-	-	-
Total expenditures	<u>77,368,606</u>	<u>94,927,214</u>	<u>79,353,427</u>	<u>15,573,787</u>	<u>30,153,300</u>	<u>30,153,300</u>	<u>28,983,638</u>	<u>1,169,662</u>
Other financing sources (uses):								
Operating transfers out	-	-	(7,000,000)	(7,000,000)	-	-	-	-
Net change in fund balances	2,144,971	(15,413,637)	3,478,446	18,892,083	(1,350,301)	(1,350,301)	(1,324,693)	25,608
Fund balances - beginning	<u>9,786,357</u>	<u>9,786,357</u>	<u>9,786,357</u>	-	<u>2,688,377</u>	<u>2,688,377</u>	<u>2,688,377</u>	-
Fund balances - December 31	<u>\$ 11,931,328</u>	<u>\$ (5,627,280)</u>	<u>\$ 13,264,803</u>	<u>\$ 18,892,083</u>	<u>\$ 1,338,076</u>	<u>\$ 1,338,076</u>	<u>\$ 1,363,684</u>	<u>\$ 25,608</u>

ALLEN COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET/GAAP RECONCILIATION
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006

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:

	<u>General</u>	<u>Family and Children</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$ 3,478,446	\$ (1,324,693)
Adjustments:		
To adjust revenues for accruals	817,170	415,909
To adjust expenditures for accruals	<u>1,373,246</u>	<u>(270,388)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u>\$ 5,668,862</u>	<u>\$ (1,179,172)</u>

ALLEN COUNTY
OTHER REPORTS

The report presented herein was prepared in addition to the official report prepared for the individual County office listed below:

County Auditor

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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, 2006. 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 of America; 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, 2006.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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)

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

September 24, 2007

ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

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		\$ 92,512
National School Lunch Program	10.555		<u>170,234</u>
Total for cluster			<u>262,746</u>
Total for federal grantor agency			<u>262,746</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grants			
Comprehensive Approaches to Sex Offender Management Discretionary Grant	16.203	2002-WPBX-0011	<u>584</u>
Community Capacity Development Office	16.595		
Executive Office for Weed and Seed Program Guide and		2003WSQX0019	101,078
Application Kit: Continuation Sites		2006WSQ60174	71,513
		2004WSQ40099	<u>83,610</u>
Total for program			<u>256,201</u>
State Criminal Alien Assistance Program	16.606	FY 2005 SCAAP	<u>976</u>
Public Safety Partnership and Community Policing Grants	16.710	2004-SHWX-0060	<u>89,910</u>
Pass-Through Indiana Department of Correction			
Prisoner Reentry Initiative Demonstration	16.202	2002-RE-CX-2002	<u>436,325</u>
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants	16.523	04-JB-001	<u>37,406</u>
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JF-016	<u>2,307</u>
Title V - Delinquency Prevention Program	16.548	04-JP-FX-001	<u>76,946</u>
Crime Victim Assistance	16.575		
		05-VA-008	23,758
		05-VA-010	20,077
		06-VA-004	5,019
		06-VA-008	<u>11,632</u>
Total for program			<u>60,486</u>
Edward Byrne Memorial Formula Grant Program	16.579		
		02-DB-047	34,888
		04-DB-002	64,287
		04-DB-048	<u>142,725</u>
Total for program			<u>241,900</u>
Violence Against Women Formula Grants	16.588		
		05-ST-006	17,299
		06-ST-003	<u>18,340</u>
Total for program			<u>35,639</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, 2006
(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 City of Fort Wayne Edward Byrne Memorial Justice Assistance Grant Program	16.738		
		2005-DJ-BX-0226	64,406
		2005-DJ-BX-0372	35,835
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-026	<u>19,750</u>
Total for program			<u>119,991</u>
Total for federal grantor agency			<u>1,358,671</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600		
		PT-06-04-07-01	72,285
		154AL-06-03-05-01	73,938
		157PT-06004-09-01	1,990
Pass-Through City of Fort Wayne Highway Safety Cluster State and Community Highway Safety	20.600	J8-06-03-08-06	<u>28,627</u>
Total for program			<u>176,840</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Traffic Safety Drunk Driving Prevention Incentive Grants	20.601	PT-07-04-01-16	7,295
Pass-Through City of Fort Wayne Highway Safety Cluster Alcohol Traffic Safety Drunk Driving Prevention Incentive Grants	20.601	154AL-07-02-02-03	<u>2,381</u>
Total for program			<u>9,676</u>
Total for cluster			<u>186,516</u>
Pass-Through Indiana Department of Transportation Highway Planning and Construction	20.205		
		STPP 9902(041)	
		Restoration Engine 765	20,303
		PL00944039	211,112
		944049	230,459
		3104039	8,100
		3104049	17,000
		3304049	<u>29,295</u>
Total for program			<u>516,269</u>
Total for federal grantor agency			<u>702,785</u>
<u>U.S. ELECTIONS ASSISTANCE COMMISSION</u>			
Pass-Through Indiana Secretary of State Office Help America Vote Act Requirements Payments	90.401		
			<u>1,228,124</u>
Total for federal grantor agency			<u>1,228,124</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, 2006
(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 HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	TB0195-5	<u>22,269</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance Bioterrorism Preparedness and Response Supplemental	93.283	BPRS 195-10 FY 06 BPRS 195-10 FY 07	18,889 <u>10,977</u>
Total for program			<u>29,866</u>
Pass-Through Indiana Department of Child Services Child Support Enforcement	93.563		1,327,019
County Prosecutor's Expenditures			199,024
County Clerk of the Circuit Court Expenditures			143,601
County Court Expenditures			189,782
Indirect Costs			449,914
Incentives			<u>449,914</u>
Total for program			<u>2,309,340</u>
Pass-Through Indiana Supreme Court State Court Improvement Program	93.586	Allen CIP FY-09	<u>31,914</u>
Pass-Through Indiana Department of Health HIV Prevention Activities - Health Department Based	93.940	AID 195-9	<u>178,565</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	STD 195-2	<u>137,591</u>
Preventive Health and Health Services Block Grant	93.991	PHB-195-7	<u>16,704</u>
Total for federal grantor agency			<u>2,726,249</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security State Domestic Preparedness Equipment Support Program	97.004	FY-04	<u>227,726</u>
Emergency Management Performance Grants	97.042		<u>53,625</u>
Community Emergency Response Team Program Community Emergency Response Team Equipment	97.054		<u>3,850</u>
Homeland Security Grant Program	97.067	FY-2005	<u>3,766</u>
State Homeland Security Program	97.073	FY-2004	<u>57,175</u>
Law Enforcement Terrorism Prevention Program	97.074	FY 2004	<u>5,378</u>
Total for federal grantor agency			<u>351,520</u>
Total federal awards expended			<u>\$ 6,630,095</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, 2006:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Title V – Delinquency Prevention Program	16.548	\$ 76,946
Crime Victim Assistance	16.575	60,416

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
16.202	Prisoner Reentry Initiative Demonstration
90.401	Help America Vote Act Requirements Payments
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 September 24, 2007, with Lisbeth A. Blosser, Auditor; Tera K. Klutz, Chief Deputy Auditor; Jackie Scheuman, Finance and Budget Director; F. Nelson Peters, President of the Board of County Commissioners, and Linda K. Bloom and William E. Brown, County Commissioners. Our audit disclosed no material items that warrant comment at this time.