

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

ANNUAL FINANCIAL REPORT

2005

ALLEN COUNTY, INDIANA



FILED

09/29/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Lisbeth A. Blosser	01-01-03 to 12-31-06
Treasurer	Robert W. Lee	01-01-05 to 12-31-08
Clerk	Therese M. Brown	01-01-03 to 12-31-06
Sheriff	James A. Herman	01-01-03 to 12-31-06
Recorder	Patricia J. Crick	01-01-03 to 12-31-06
President of the Board of County Commissioners	Linda K. Bloom Marla J. Irving	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the County Council	Darren E. Vogt Paula S. Hughes	01-01-05 to 12-31-05 01-01-06 to 12-31-06



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, 2005, which collectively comprise the County's primary government basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County as of December 31, 2005, 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.

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 a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2006, 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.

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

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 5, 2006



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

TO: THE OFFICIALS OF ALLEN COUNTY, INDIANA

We have audited the financial statements of Allen County (County), as of and for the year ended December 31, 2005, and have issued our report thereon dated September 5, 2006. 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 of America.

Compliance

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

Internal Control Over Financial Reporting

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

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

STATE BOARD OF ACCOUNTS

September 5, 2006

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, 2005. 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 2005 by \$423,965,009 (*net assets*). Of this amount, \$94,749,997 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$5,146,232 is restricted for specific purpose (*restricted net assets*), and \$324,068,780 is invested in capital assets, net of related debt.
- The County's total net assets increased by \$12,285,536 from 2004. The net assets of the County's governmental activities increased by \$10,182,930 or 2.5%. This increase is primarily due to additional capital outlay for the ongoing operations of the County and normal retirement of long-term debt as bond maturities became due. The net assets of the County's business activities increased by \$2,102,606 or 9%. This increase is primarily due to normal retirement of long-term debt as bond maturities became due.
- At the end of 2005, unreserved fund balance for the general fund was \$9,786,357 or 12% of the 2005 general fund expenditures.
- The County's debt decreased by \$7,684,390 or 6% 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 16-17 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 200 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 18-19 of this report.

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

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

The proprietary funds financial statements can be found on pages 21-23 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 24-25 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 26-54 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 55-58 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 \$423,965,009 at December 31, 2005.

County's Net Assets

	Governmental		Business-type		Total		
	Activities		Activities		2005	2004	Variance %
	2005	2004	2005	2004			
Assets:							
Current and other assets	\$ 105,836,640	\$ 105,411,294	\$ 15,131,195	\$ 14,853,020	\$ 120,967,835	\$ 120,264,314	0.58%
Capital assets	373,516,943	372,329,775	54,312,206	54,905,795	427,829,149	427,235,570	0.14%
Total assets	479,353,583	477,741,069	69,443,401	69,758,815	548,796,984	547,499,884	0.24%
Liabilities:							
Current and other liabilities	23,517,232	25,208,043	6,901,122	6,831,589	30,418,354	32,039,632	-5.06%
Long-term liabilities	56,437,534	63,317,139	37,976,087	40,463,640	94,413,621	103,780,779	-9.03%
Total liabilities	79,954,766	88,525,182	44,877,209	47,295,229	124,831,975	135,820,411	-8.09%
Net assets:							
Invested in capital assets, net of related debt	310,220,214	302,664,871	13,848,566	12,187,765	324,068,780	314,852,636	2.93%
Restricted	5,146,232	4,914,343	-	-	5,146,232	4,914,343	4.72%
Unrestricted	84,032,371	81,636,673	10,717,626	10,275,821	94,749,997	91,912,494	3.09%
Total net assets	\$ 399,398,817	\$ 389,215,887	\$ 24,566,192	\$ 22,463,586	\$ 423,965,009	411,679,473	2.98%

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

- The County's long-term liabilities decreased by \$9,367,158 or 9%. This decrease is primarily due the normal retirement of outstanding debt.
- The County's capital assets increased by \$9,216,144 or 3%. This increase is primarily due to additional capital outlay for infrastructure.

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

- A portion of the County's net assets, 22%, is *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.

- Another 77% 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 increase in net assets of \$12,285,536 from 2004 is primarily due to the decrease of outstanding debt and increase of capital outlay noted above.

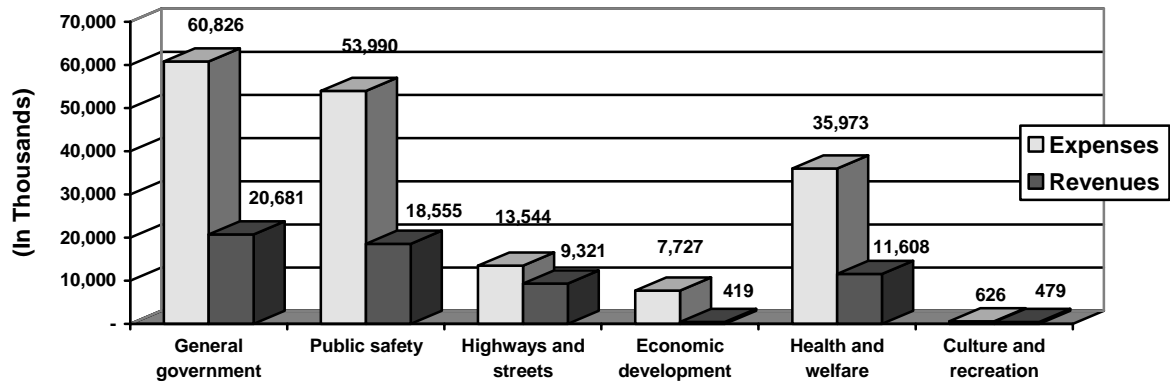
Government activities. Governmental activities account for 94% of the County's net assets as of December 31, 2005.

County's Change in Net Assets

	Governmental Activities		Business-type Activities		Total		
	2005	2004*	2005	2004	2005	2004	Variance %
Revenues:							
Program revenues:							
Charges for services	\$ 34,555,922	\$ 33,166,629	\$ 6,093,286	\$ 6,851,191	\$ 40,649,208	\$ 40,017,820	1.58%
Operating grants and contributions	25,179,998	30,548,458	-	-	25,179,998	30,548,458	-17.57%
Capital grants and contributions	1,374,327	3,152,706	-	-	1,374,327	3,152,706	-56.41%
General Revenue:							
Property taxes	76,241,614	76,561,936	-	-	76,241,614	76,561,936	-0.42%
CEDIT	6,612,963	8,058,309	-	-	6,612,963	8,058,309	-17.94%
Franchise taxes	646,800	591,473	-	-	646,800	591,473	9.35%
Other taxes	19,556,396	16,141,304	-	-	19,556,396	16,141,304	21.16%
Food and beverage taxes	-	-	5,047,970	5,034,278	5,047,970	5,034,278	0.27%
Sports and convention taxes	-	-	902,045	921,615	902,045	921,615	-2.12%
Unrestricted investment earnings	4,623,782	2,205,725	378,936	116,740	5,002,718	2,322,465	115.41%
Refunds and reimbursements	13,673,949	2,504,226	-	-	13,673,949	2,504,226	446.03%
Total Revenues	182,465,751	172,930,766	12,422,237	12,923,824	194,887,988	185,854,590	4.86%
Expenses:							
General government	60,826,017	53,917,675	-	-	60,826,017	53,917,675	12.81%
Public safety	53,989,516	47,986,065	-	-	53,989,516	47,986,065	12.51%
Highways and streets	13,544,162	16,979,058	-	-	13,544,162	16,979,058	-20.23%
Sanitation	627	11,251	-	-	627	11,251	-94.43%
Economic Development	7,726,587	4,045,330	-	-	7,726,587	4,045,330	91.00%
Health and welfare	35,972,737	29,285,940	-	-	35,972,737	29,285,940	22.83%
Culture and recreation	625,679	555,849	-	-	625,679	555,849	12.56%
Coliseum	-	-	10,379,243	10,142,445	10,379,243	10,142,445	2.33%
Total expenses	172,685,325	152,781,168	10,379,243	10,142,445	183,064,568	162,923,613	12.36%
Change in net assets before							
special items	9,780,426	20,149,598	2,042,994	2,781,379	11,823,420	22,930,977	-48.44%
Special items	402,504	22,282,028	59,612	-	462,116	22,282,028	-97.93%
Change in net assets	10,182,930	42,431,626	2,102,606	2,781,379	12,285,536	45,213,005	-72.83%
Net assets - beginning							
	389,215,887	346,784,261	22,463,586	19,682,207	411,679,473	366,466,468	12.34%
Net assets - ending							
	\$ 399,398,817	\$ 389,215,887	\$ 24,566,192	\$ 22,463,586	423,965,009	411,679,473	2.98%

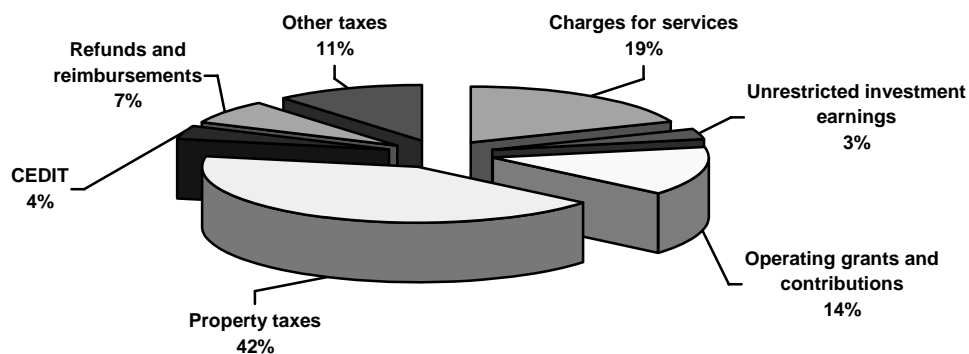
* Some prior year amounts have been changed to reflect current year presentation.

Expenses and Program Revenues – Governmental Activities

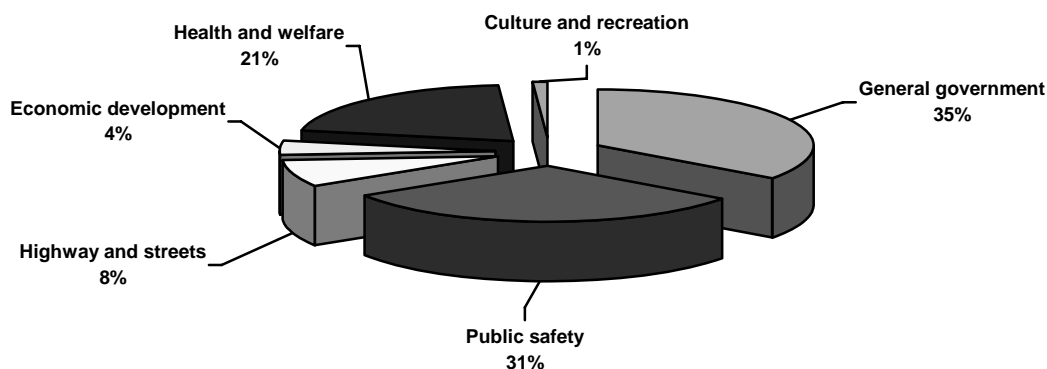


- Total revenue for Governmental activities increased \$9,534,985 or 5.5% from 2004. This increase is primarily due to reimbursements received from other units of government for payment of property tax refunds.
- Total expense from Governmental activities increased \$19,904,157 or 13% from 2004. This increase is partially due to the increased costs of providing welfare services of families and children in Allen County. Health and Welfare expenses increased \$6,686,797 or 23% from 2004.
- Public Safety expenses increased \$6,003,451 or 12.5% from 2004. The primary reason for this increase was additional grant funding for public safety.
- Highway and street expenses decreased \$3,434,896 or 20% from 2004. This decrease is primarily due to the decrease in income tax revenue used for infrastructure. In 2005, the County directed more income tax revenue to economic development incentives and as a result economic development expenses increased \$3,681,257 from 2004.

Revenues by Source – Governmental Activities

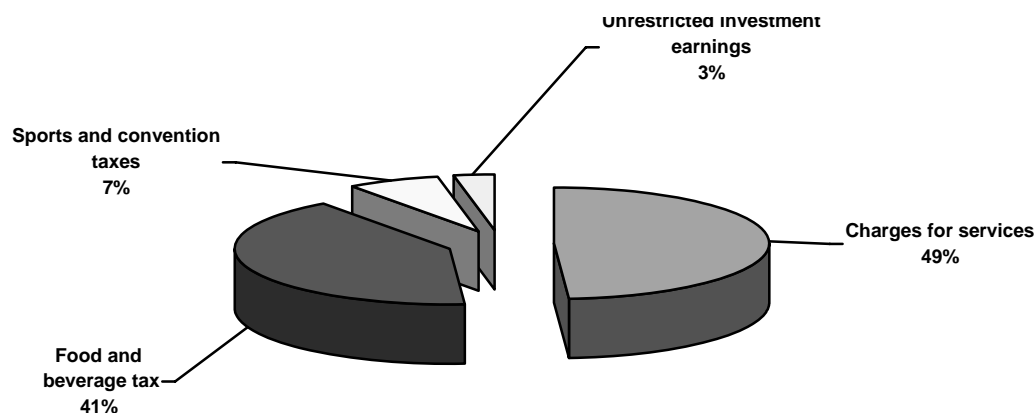


Expenses by Function/Program – Governmental Activities



Business-type activities. Business-type activities account for 6% of the County’s net assets as of December 31, 2005. 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 \$12,422,237 and incurred \$10,379,243 of expenses. During 2005, the total revenues included \$6,093,286 of program revenue and \$6,328,951 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, 2005, the County’s governmental funds reported combined ending fund balances of \$75,136,384, an increase of \$365,283 in comparison to prior year.

Approximately 93% of the combined ending fund balance or \$69,990,152 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 \$3,646,232, 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, 2005, the unreserved fund balance of the General Fund was 9,786,357.

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

Revenues Classified by Source - General Fund

	2005		2004		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 56,917,909	66.60%	\$ 67,232,614	81.25%	\$ (10,314,705)	-15.34%
Licenses and permits	2,066,298	2.42%	2,135,366	2.58%	(69,068)	-3.23%
Intergovernmental	4,924,114	5.76%	5,719,742	6.91%	(795,628)	-13.91%
Charges for services	7,545,371	8.83%	5,342,092	6.46%	2,203,279	41.24%
Other	14,009,279	16.39%	2,320,917	2.80%	11,688,362	503.61%
Total	\$ 85,462,971	100%	\$ 82,750,731	100%	\$ 2,712,240	3.28%

- Tax revenue decreased \$10,314,705 or 15% from 2004. This decrease was mainly due to approximately \$11,000,000 of 2003 tax revenue being reflected in the 2004 general fund financials statements because the taxes weren't collected until June of 2004.
- Other revenue increased significantly as a result of receiving reimbursement from other local units of government for paying property tax refunds.

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

Expenditures by Function - General Fund

	2005		2004*		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government	\$ 45,211,889	54.60%	\$ 36,750,101	49.92%	\$ 8,461,788	23.03%
Public Safety	30,796,779	37.19%	30,789,273	41.82%	7,506	0.02%
Health and Welfare	6,404,070	7.73%	5,718,678	7.77%	685,392	11.99%
Culture and Recreation	388,354	0.47%	357,049	0.49%	31,305	8.77%
Total	\$ 82,801,092	100%	\$ 73,615,101	100%	\$ 9,185,991	12.48%

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

- General government fund expenses increased \$8,461,788 or 23% from 2004. The increase was due to an increase in property tax refunds. 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 \$10,717,626 for the Allen County War Memorial Coliseum and \$10,251,397 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 2005 exceeded its original budget by approximately \$13,000,000 or 17%. The key elements of the difference between the original budget and final budget are listed below:

- \$9,600,000 of unanticipated property tax refunds (which will be reimbursed through tax collections).
- \$2,000,000 increase in public safety appropriations for future installments of institutional debt expense.

During the year General Fund revenues and expenditures were more than budgetary estimates. Actual revenues were \$14,268,594 more than estimates. As stated above, this is primarily due to reimbursement of property tax refunds by other units of government. Actual expenditures were \$2,203,238 lower than the final budgetary appropriations. The bulk of these cost savings resulted from unspent appropriations of (a) \$1,412,182 in salaries and benefits due to unfilled positions from turnover county-wide, (b) \$46,508 in supplies, and (c) \$289,432 in services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2005 was \$427,829,149 (net of accumulated depreciation), a slight increase from 2004. 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				
	2005	2004	2005	2004	2005	2004	
Land and easements	\$ 9,068,500	\$ 9,287,768	\$ 380,487	\$ 380,487	\$ 9,448,987	\$ 9,668,255	-2.3%
Construction in progress	8,984,080	44,943,484	-	-	8,984,080	44,943,484	-80.0%
Buildings and improvements	86,693,329	53,749,643	53,195,111	53,790,357	139,888,440	107,540,000	30.1%
Machinery and equipment	8,349,948	8,965,002	736,608	734,951	9,086,556	9,699,953	-6.3%
Infrastructure	256,120,861	251,019,751	-	-	256,120,861	251,019,751	2.0%
Net investment in joint venture	4,300,225	4,364,127	-	-	4,300,225	4,364,127	-1.5%
	<u>\$ 373,516,943</u>	<u>\$ 372,329,775</u>	<u>\$ 54,312,206</u>	<u>\$ 54,905,795</u>	<u>\$ 427,829,149</u>	<u>\$ 427,235,570</u>	<u>0.1%</u>

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

- Construction in progress decreased by \$35,959,404 and buildings and improvements increased by \$32,348,440, primarily due to the completion of the Allen County Charles "Bud" Meeks Justice Center.

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 39-41 of this report.

Long-term debt. At December 31, 2005, the County had total debt outstanding of \$104,261,998. Of this amount, \$85,937,358 comprised of first mortgage bonds, \$16,366,000 of general obligation bonds, \$1,575,000 of revenue bonds and \$383,640 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		Variance %
	Activities		Activities				
	2005	2004	2005	2004	2005	2004	
General Obligation Bonds	\$ 16,366,000	\$ 19,421,000	\$ -	\$ -	\$ 16,366,000	\$ 19,421,000	-16%
First Mortgage Bonds	45,857,358	48,167,358	40,080,000	42,155,000	85,937,358	90,322,358	-5%
Revenue Bonds	1,575,000	1,640,000	-	-	1,575,000	1,640,000	-4%
Loans Payable	-	-	383,640	563,030	383,640	563,030	-32%
	<u>\$ 63,798,358</u>	<u>\$ 69,228,358</u>	<u>\$ 40,463,640</u>	<u>\$ 42,718,030</u>	<u>\$ 104,261,998</u>	<u>\$ 111,946,388</u>	<u>-7%</u>

During 2005, the County's total debt decreased by \$7,684,390 or 7%, 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 2005 the borrowing limit is \$93,746,517. The amount of debt subject to the debt service limit is approximately \$18,325,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The County is located in northeastern Indiana, approximately 125 miles northeast of Indianapolis. The County is the largest county in the State of Indiana in terms of square miles. The City of Fort Wayne is the second largest city in the state, 85th largest in the nation, and serves as the economic hub for the area. The west central part of the County is dominated by the City of Fort Wayne with about 2/3 of the County's population. The eastern half of the county is largely agricultural with several small towns.
- General Motors located a modern light truck assembly plant in the southwestern part of the County in the mid-1980s that generates significant economic advantages. As with many mid-west communities that have a traditional manufacturing base, there has been a steady movement towards more service and retail related jobs. Almost two-thirds of the areas jobs are evenly distributed between the manufacturing, service and retail sectors. The remaining one-third comes from the construction, finance and government sectors. Job growth has been primarily from expansion of existing businesses.
- During 2005, unemployment in the County averaged 5.2%, and at year end it decreased to about 4.8%. According to the Indiana Business Review, the newly established Fort Wayne-Huntington-Auburn Consolidated Statistical Area is expected to see continued job growth at a pace comparable to that for Indiana statewide. The job growth is expected to be an additional 2,000 to 2,500 on the conservative end or between 3,000 to 3,500 if the very recent job growth rate continues.
- The ten largest employers in Allen County make up only 12.9% of the total employment so the County is not entirely reliant on only a few major employers.
- On the same note, the top ten taxpayers in Allen County provide only 6.6% of the property tax revenue so the County is not entirely reliant on only a few property owners.

- The County Building Department issued 1,742 building permits in 2005, which is a decrease of 3.2% of the 1,799 permits issued in 2004.
- Assessed value increased by 1.0% compared to 2004. 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, 2005

Assets	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$ 89,451,026	\$ 989,524	\$ 90,440,550	\$ 4,108,174
Investments	-	-	-	12,646,225
Receivables (net of allowances for uncollectibles):				
Interest	590,948	3,074	594,022	-
Taxes	4,222,405	-	4,222,405	26,680
Accounts	6,130,647	190,766	6,321,413	406,627
Special assessments	69,458	-	69,458	-
Intergovernmental	2,449,485	-	2,449,485	-
Suite	-	550,000	550,000	-
Unbilled revenue	-	-	-	288,990
Other	-	-	-	546,298
Net pension assets	1,649,916	-	1,649,916	204,826
Inventories	682,840	-	682,840	-
Prepaid expense	200,318	165,192	365,510	185,384
Deferred debits	389,597	-	389,597	488,808
Restricted assets:				
Cash and cash equivalents	-	10,575,961	10,575,961	4,755,223
Cash with fiscal agent	-	119,214	119,214	-
Investments	-	-	-	2,553,775
Taxes receivable	-	1,094,122	1,094,122	4,316
Interest receivable	-	25,342	25,342	-
Suite receivable	-	1,418,000	1,418,000	-
Passenger facility charge receivable	-	-	-	116,662
Federal and state grants receivable	-	-	-	365,936
Loan receivable	-	-	-	274,667
Other receivable	-	-	-	11,930
Capital assets:				
Land, improvements and construction in progress	18,052,580	380,487	18,433,067	16,475,901
Other capital assets, net of depreciation	355,464,363	53,931,719	409,396,082	93,208,944
Total assets	479,353,583	69,443,401	548,796,984	136,669,366
Liabilities				
Accounts payable	8,440,112	133,282	8,573,394	1,006,502
Accrued payroll and withholdings payable	4,050,597	160,951	4,211,548	-
Taxes payable	-	4,485	4,485	-
Accrued liabilities	-	-	-	261,929
Accrued interest payable	515,734	8,728	524,462	-
Incurred but not reported claims	871,043	-	871,043	-
Deferred revenue	-	2,631,637	2,631,637	-
Payable from restricted assets:				
Accounts payable	-	-	-	57,574
Ticket office customer deposits payable	-	1,028,151	1,028,151	-
First mortgage bonds - due within one year	-	2,300,000	2,300,000	-
Revenue bonds - due within one year	-	-	-	3,080,000
Accrued interest payable	-	395,372	395,372	891,430
Noncurrent liabilities:				
Due within one year:				
General obligation bonds payable	3,801,439	-	3,801,439	-
First mortgage bonds payable	3,180,000	-	3,180,000	-
Compensated absences	2,356,178	50,963	2,407,141	-
Revenue bonds payable	65,000	-	65,000	-
Notes and loans payable	237,129	187,553	424,682	16,600
Due in more than one year:				
General obligation bonds payable (net of discounts)	12,543,122	-	12,543,122	-
First mortgage bonds payable (net of premiums and deferral of Loss on Refunding)	42,230,106	37,780,000	80,010,106	-
Compensated absences	-	-	-	906,031
Revenue bonds payable (net of discounts or premiums)	1,477,062	-	1,477,062	34,598,035
Notes and loans payable	-	196,087	196,087	49,800
Net pension obligation	187,244	-	187,244	-
Total liabilities	79,954,766	44,877,209	124,831,975	40,867,901
Net Assets				
Invested in capital assets, net of related debt	310,220,214	13,848,566	324,068,780	71,940,410
Restricted for:				
Debt service	3,646,232	-	3,646,232	-
Other purposes	1,500,000	-	1,500,000	6,858,838
Unrestricted	84,032,371	10,717,626	94,749,997	17,002,217
Total liabilities, equity and other credits	\$ 399,398,817	\$ 24,566,192	\$ 423,965,009	\$ 95,801,465

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

ALLEN COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating	Capital	Primary Government			
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 60,826,017	\$ 18,889,871	\$ 557,304	\$ 1,234,000	\$ (40,144,842)	\$ -	\$ (40,144,842)	\$ -
Public safety	53,989,516	12,995,089	5,419,616	140,327	(35,434,484)	-	(35,434,484)	-
Highways and streets	13,544,162	588,866	8,732,352	-	(4,222,944)	-	(4,222,944)	-
Sanitation	627	47,200	-	-	46,573	-	46,573	-
Economic development	7,726,587	-	418,541	-	(7,308,046)	-	(7,308,046)	-
Health and welfare	35,972,737	1,844,064	9,763,811	-	(24,364,862)	-	(24,364,862)	-
Culture and recreation	625,679	190,832	288,374	-	(146,473)	-	(146,473)	-
Total governmental activities	<u>172,685,325</u>	<u>34,555,922</u>	<u>25,179,998</u>	<u>1,374,327</u>	<u>(111,575,078)</u>	<u>-</u>	<u>(111,575,078)</u>	<u>-</u>
Business-type activities:								
Coliseum	10,379,243	6,093,286	-	-	-	(4,285,957)	(4,285,957)	-
Total primary government	<u>\$ 183,064,568</u>	<u>\$ 40,649,208</u>	<u>\$ 25,179,998</u>	<u>\$ 1,374,327</u>	<u>\$ (111,575,078)</u>	<u>\$ (4,285,957)</u>	<u>\$ (115,861,035)</u>	<u>\$ -</u>
Component units:								
Fort Wayne - Allen County Airport Authority	17,830,956	11,388,058	-	5,098,268	-	-	-	(1,344,630)
Allen County Solid Waste Management District	1,090,095	1,451,523	15,825	-	-	-	-	377,253
Total component units	<u>\$ 18,921,051</u>	<u>\$ 12,839,581</u>	<u>\$ 15,825</u>	<u>\$ 5,098,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(967,377)</u>
General revenues:								
Property taxes					76,241,614	-	76,241,614	4,069,893
CEDIT					6,612,963	-	6,612,963	-
Franchise taxes					646,800	-	646,800	-
Other taxes					19,556,396	-	19,556,396	-
Food and beverage taxes					-	5,047,970	5,047,970	-
Sports and convention taxes					-	902,045	902,045	-
Unrestricted investment earnings					4,623,782	378,936	5,002,718	725,713
Refunds and reimbursements					13,673,949	-	13,673,949	9,017
Change in net pension obligation					402,504	-	402,504	-
Capital contributions					-	59,612	59,612	-
Gain on disposal of capital assets					-	-	-	184,937
Total general revenues					<u>121,758,008</u>	<u>6,388,563</u>	<u>128,146,571</u>	<u>4,989,560</u>
Change in net assets					10,182,930	2,102,606	12,285,536	4,022,183
Net assets - beginning					<u>389,215,887</u>	<u>22,463,586</u>	<u>411,679,473</u>	<u>91,779,282</u>
Net assets - ending					<u>\$ 399,398,817</u>	<u>\$ 24,566,192</u>	<u>\$ 423,965,009</u>	<u>\$ 95,801,465</u>

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

ALLEN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

<u>Assets</u>	<u>General</u>	<u>Family and Children</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 16,327,081	\$ 2,879,378	\$ 63,565,498	\$ 82,771,957
Receivables (net of allowances for uncollectibles):				
Interest	503,251	-	84,771	588,022
Taxes	2,740,629	755,713	726,063	4,222,405
Accounts	581,162	-	670,362	1,251,524
Special assessments	-	-	69,458	69,458
Intergovernmental	929,544	355	1,519,586	2,449,485
Interfund receivable:				
Interfund loans	519,588	-	360,000	879,588
Interfund services provided and used	292,188	-	-	292,188
Total assets	<u>\$ 21,893,443</u>	<u>\$ 3,635,446</u>	<u>\$ 66,995,738</u>	<u>\$ 92,524,627</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 6,314,036	\$ 191,356	\$ 1,496,042	\$ 8,001,434
Accrued payroll and withholdings payable	3,052,421	-	998,176	4,050,597
Interfund payable:				
Interfund loans	-	-	879,554	879,554
Deferred revenue	2,740,629	755,713	723,187	4,219,529
Loans payable	-	-	237,129	237,129
Total liabilities	<u>12,107,086</u>	<u>947,069</u>	<u>4,334,088</u>	<u>17,388,243</u>
Fund balances:				
Reserved for:				
Tax incremental financing bonds and loans	-	-	1,500,000	1,500,000
Debt service	-	-	3,646,232	3,646,232
Unreserved, reported in:				
General fund	9,786,357	-	-	9,786,357
Special revenue funds	-	2,688,377	32,763,085	35,451,462
Capital projects funds	-	-	24,752,333	24,752,333
Total fund balances	<u>9,786,357</u>	<u>2,688,377</u>	<u>62,661,650</u>	<u>75,136,384</u>
Total liabilities and fund balances	<u>\$ 21,893,443</u>	<u>\$ 3,635,446</u>	<u>\$ 66,995,738</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.	373,516,943
Bond issuance costs associated with new debt issued by the County in 2005 were reported as expenditures in the governmental funds when the debt was issued, whereas bond issuance costs are deferred in the statement of net assets. Deferred bond issuance costs are amortized, over the life of the debt issued, as an adjustment to interest expense in the statement of activities	254,209
Some assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,945,853
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.	10,251,397
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(66,168,641)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>1,462,672</u>
Net assets of governmental activities	<u>\$ 399,398,817</u>

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

ALLEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	<u>General</u>	<u>Family and Children</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 56,917,909	\$ 18,061,089	\$ 26,504,332	\$ 101,483,330
Special assessments	-	-	924,065	924,065
Licenses and permits	2,066,298	-	1,434,143	3,500,441
Intergovernmental	4,924,114	6,547,162	15,078,824	26,550,100
Charges for services	7,545,371	-	11,290,029	18,835,400
Other	<u>14,009,279</u>	<u>920,410</u>	<u>3,280,631</u>	<u>18,210,320</u>
 Total revenues	 <u>85,462,971</u>	 <u>25,528,661</u>	 <u>58,512,024</u>	 <u>169,503,656</u>
Expenditures:				
Current:				
General government	45,211,889	-	3,116,081	48,327,970
Public safety	30,796,779	-	14,435,541	45,232,320
Highways and streets	-	-	11,604,684	11,604,684
Sanitation	-	-	627	627
Economic development	-	-	22,150	22,150
Health and welfare	6,404,070	24,614,566	4,791,628	35,810,264
Culture and recreation	388,354	-	687,414	1,075,768
Debt service:				
Principal	-	-	25,700,000	25,700,000
Interest	-	-	2,769,141	2,769,141
Bond issuance costs	-	-	254,209	254,209
Capital outlay	<u>-</u>	<u>-</u>	<u>20,728,729</u>	<u>20,728,729</u>
 Total expenditures	 <u>82,801,092</u>	 <u>24,614,566</u>	 <u>84,110,204</u>	 <u>191,525,862</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>2,661,879</u>	 <u>914,095</u>	 <u>(25,598,180)</u>	 <u>(22,022,206)</u>
Other financing sources (uses):				
Transfers in	982	-	5,434,324	5,435,306
Transfers out	-	-	(5,435,306)	(5,435,306)
Refunding bonds issued	-	-	2,588,280	2,588,280
TIF bonds issued	-	-	20,270,000	20,270,000
Bond premium	-	-	1,050,017	1,050,017
Defeasance of bonds	<u>-</u>	<u>-</u>	<u>(1,520,808)</u>	<u>(1,520,808)</u>
 Total other financing sources and uses	 <u>982</u>	 <u>-</u>	 <u>22,386,507</u>	 <u>22,387,489</u>
 Net change in fund balances	 2,662,861	 914,095	 (3,211,673)	 365,283
 Fund balances - beginning	 <u>7,123,496</u>	 <u>1,774,282</u>	 <u>65,873,323</u>	 <u>74,771,101</u>
 Fund balances - ending	 <u>\$ 9,786,357</u>	 <u>\$ 2,688,377</u>	 <u>\$ 62,661,650</u>	 <u>\$ 75,136,384</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, 2005

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).	\$	365,283
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.		1,187,168
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		61,264
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.		6,060,522
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.		(214,990)
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.		402,504
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.		(115,702)
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>2,436,881</u>
Change in net assets of governmental activities (statement of activities)	\$	<u><u>10,182,930</u></u>

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

ALLEN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

<u>Assets</u>	Business-Type Activities - <u>Enterprise Fund</u>	Internal <u>Service Funds</u>
	<u>War Memorial Coliseum</u>	
Current assets:		
Cash and cash equivalents	\$ 989,524	\$ 6,679,069
Interest receivable	3,074	2,926
Accounts receivable (net of allowance)	190,766	4,879,123
Suite receivable	550,000	-
Prepaid items	<u>165,192</u>	<u>-</u>
Total current assets	<u>1,898,556</u>	<u>11,561,118</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments	10,575,961	-
Restricted cash with fiscal agent	119,214	-
Restricted taxes receivable	1,094,122	-
Restricted interest receivable	25,342	-
Suite receivable	<u>1,418,000</u>	<u>-</u>
Total restricted assets	<u>13,232,639</u>	<u>-</u>
Capital assets:		
Land, improvements to land and construction in progress	380,487	-
Other capital assets (net of accumulated depreciation)	<u>53,931,719</u>	<u>-</u>
Total capital assets	<u>54,312,206</u>	<u>-</u>
Total noncurrent assets	<u>67,544,845</u>	<u>-</u>
Total assets	<u>69,443,401</u>	<u>11,561,118</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	133,282	438,678
Accrued wages payable	160,951	-
Taxes payable	4,485	-
Interest payable	8,728	-
Incurring but not reported claims	-	871,043
Deferred revenue	2,631,637	-
Compensated absences	50,963	-
Loan payable	187,553	-
Current liabilities payable from restricted assets:		
Ticket office customer deposits payable	1,028,151	-
First mortgage bonds payable	2,300,000	-
Accrued interest payable	<u>395,372</u>	<u>-</u>
Total current liabilities	<u>6,901,122</u>	<u>1,309,721</u>
Noncurrent liabilities:		
First mortgage bonds payable (net of unamortized discounts)	37,780,000	-
Loans payable	<u>196,087</u>	<u>-</u>
Total noncurrent liabilities	<u>37,976,087</u>	<u>-</u>
Total liabilities	<u>44,877,209</u>	<u>1,309,721</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	13,848,566	-
Unrestricted	<u>10,717,626</u>	<u>10,251,397</u>
Total net assets	<u>\$ 24,566,192</u>	<u>\$ 10,251,397</u>

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

ALLEN COUNTY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Business-Type Activities - <u>Enterprise Fund</u>	
	<u>War Memorial Coliseum</u>	<u>Internal Service Funds</u>
Operating revenues:		
Rent	\$ 1,422,777	\$ -
Concessions	1,351,249	-
Parking	1,208,099	-
Ticket office	202,081	-
Miscellaneous	275,334	49,609
Advertising	325,783	-
Arena maintenance fee	502,402	-
Suite/club seats	805,561	-
Employee/employer contributions	-	12,803,074
	<u>6,093,286</u>	<u>12,852,683</u>
Total operating revenues		
Operating expenses:		
Salaries and wages	2,344,709	-
Fringe benefits	711,861	-
Materials and supplies	145,974	-
Purchased services	1,459,182	-
Utilities	760,979	-
Miscellaneous	92,130	-
Maintenance and repair	483,912	-
Insurance claims and expenses	-	10,463,950
Depreciation	2,224,166	-
	<u>8,222,913</u>	<u>10,463,950</u>
Total operating expenses		
Operating income (loss)	<u>(2,129,627)</u>	<u>2,388,733</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	378,936	48,148
Food and beverage taxes	5,047,970	-
Sports and convention taxes	902,045	-
Interest expense	(2,156,330)	-
	<u>4,172,621</u>	<u>48,148</u>
Total nonoperating revenue		
Income before contributions and transfers	2,042,994	2,436,881
Capital contributions	<u>59,612</u>	<u>-</u>
Change in net assets	2,102,606	2,436,881
Total net assets - beginning	<u>22,463,586</u>	<u>7,814,516</u>
Total net assets - ending	<u>\$ 24,566,192</u>	<u>\$ 10,251,397</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, 2005

	Business-Type Activities - <u>Enterprise Fund</u>	
	<u>War Memorial Coliseum</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,400,208	\$ 7,943,951
Payments to suppliers and contractors	(2,880,587)	(10,220,394)
Payments to employees	(3,042,320)	-
Other receipts	<u>269,679</u>	<u>60,109</u>
Net cash provided (used) by operating activities	<u>746,980</u>	<u>(2,216,334)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,570,965)	-
Principal paid on capital debt	(2,254,390)	-
Interest paid on capital debt	(2,174,514)	-
Food and beverage taxes	4,949,211	-
Sports and convention taxes	<u>904,251</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(146,407)</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	56,473	-
Interest received	<u>361,030</u>	<u>47,368</u>
Net cash provided by investing activities	<u>417,503</u>	<u>47,368</u>
Net increase in cash and cash equivalents	1,018,076	(2,168,966)
Cash and cash equivalents, January 1	<u>10,547,409</u>	<u>8,848,035</u>
Cash and cash equivalents, December 31	<u>\$ 11,565,485</u>	<u>\$ 6,679,069</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (2,129,627)</u>	<u>\$ 2,388,733</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,224,166	-
(Increase) decrease in assets:		
Accounts receivable	787,199	(4,848,623)
Prepaid items	10,688	-
Increase (decrease) in liabilities:		
Customer deposits	266,838	-
Accounts payable	50,902	198,389
Taxes payable	2,841	-
Accrued wages	6,621	-
Compensated absences payable	7,629	-
Incurred but not reported claims	-	45,167
Deferred revenue	<u>(480,277)</u>	<u>-</u>
Total adjustments	<u>2,876,607</u>	<u>(4,605,067)</u>
Net cash provided by operating activities	<u>\$ 746,980</u>	<u>\$ (2,216,334)</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from fanfare	\$ 59,612	\$ -

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

ALLEN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005

<u>Assets</u>	Pension Trust Fund	Agency Funds
Cash and cash equivalents	\$ -	\$ 24,639,315
Receivables:		
Contributions	10,852	-
Interest and dividends	67,595	-
Taxes	-	19,507,323
Accounts	-	112,363
Intergovernmental	-	16,804
Loan	-	1,845
	78,447	19,638,335
Total receivables		
Investments at fair value:		
U.S. Government securities	1,443,637	-
Shares of unit investment trusts	27,268,113	-
	28,711,750	-
Total investments		
Total assets	28,790,197	\$ 44,277,650
 <u>Liabilities</u>		
Payroll withholdings payable	-	\$ 998,051
Interfund payable	34	292,188
Interest payable	-	1,129
Trust payable	-	42,712,366
Intergovernmental payable	-	273,916
	34	44,277,650
Total liabilities		
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	28,790,163	
Total net assets	\$ 28,790,163	

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, 2005

<u>Additions</u>	<u>Pension Trust Fund</u>
Contributions:	
Employer	\$ 1,330,480
Plan members	<u>117,475</u>
Total contributions	<u>1,447,955</u>
Investment income:	
Net decrease in fair value of investments	(1,129,157)
Interest	<u>2,948,263</u>
Total investment income	<u>1,819,106</u>
Total additions	<u>3,267,061</u>
 <u>Deductions</u>	
Benefits	865,130
Administrative expense	<u>154,918</u>
Total deductions	<u>1,020,048</u>
Changes in net assets	2,247,013
Net assets - beginning	<u>26,543,150</u>
Net assets - ending	<u>\$ 28,790,163</u>

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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Blended Component Units

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

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

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

Discretely Presented Component Units

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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The 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 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 \$72,817 for its share of 2005 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, IN 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 fund:

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 fund accounts 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

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

Open-end mutual funds are reported at fair value.

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

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

2. Interfund Transactions and Balances

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

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the 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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government in its business-type activities during the current year was \$2,156,330. Of the amount, \$0 was included as part of the cost of capital assets under construction in connection with 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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, 2005, the following funds reported deficits in fund equity, which are violations of State statute:

	<u>Deficit</u>
Governmental funds:	
Community Corrections – Home Detention	\$ 244,478
Community Transition Program	209,156
Juvenile Community Corrections Grant	6,459
Fort Wayne – Allen County Small Pox Vaccinations and Bioterrorism	5,998
Community Corrections Weed and Seed Initiative	22,537
Community Emergency Response Team Equipment	48,075
Adult Protective Services	23,269
Court Improvement Project Allen-CIP-FY-03/04	4,364
Tuberculosis Block Grant	73,758
Lincoln Industrial TIF	163,411

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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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. At December 31, 2005, the bank balances held at Bank One, National City Bank, and Wells Fargo Bank in the amounts of \$309,098, \$5,281,017, and \$9,465,501, respectively, were collateralized with securities held by the pledging financial institution. The remaining 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 \$2,572,881 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, 2005, the County and the Sheriff's Pension Plans had the following investments:

Investment Type	Primary Government Market Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Repurchase agreements	\$ 14,964,888	\$ 14,964,888	\$ -	\$ -
Government sponsored enterprises	24,043,197	17,069,097	6,974,100	-
External investment pool	97,395	-	-	-
Totals	\$ 39,105,480	\$ 32,033,985	\$ 6,974,100	\$ -

Investment Type	Pension Plans Market Value	Investment Maturities (in Years)		
		Less Than 0-5	5-15	More Than 15
Mutual funds	\$ 2,890,378	\$ 2,890,378	\$ -	\$ -
Corporate stock	18,288,501	18,288,501	-	-
Government sponsored enterprises	2,076,534	79,775	219,884	1,776,875
U.S. treasuries and securities	1,443,637	1,009,464	434,173	-
Corporate bonds	1,049,738	425,574	486,527	137,637
Foreign equities	380,268	380,268	-	-
Foreign bonds	9,813	-	9,813	-
Totals	\$ 26,138,869	\$ 23,073,960	\$ 1,150,397	\$ 1,914,512

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 plans, 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, 2005, the County held investments in repurchase agreements in the amount of \$14,964,888. Of these investments \$14,964,888 were held by the counterparty's trust department or agent but not in the County's name. At December 31, 2005, the Sheriff's Pension Plan

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held investments in Mutual Funds, Corporate Stock, Government Sponsored Entities, U.S. Treasuries and Securities, Corporate Bonds, Foreign Equities, and Foreign Bonds in the amount of \$26,138,869. Of these investments \$26,138,869 are held by the counterparty, not in the name of the Sheriff's Pension Plan.

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.

		<u>County's Investments</u>		
<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>Government Sponsored Enterprise</u>	<u>Investment Pools</u>	
AAA	Aaa	<u>\$ 24,043,197</u>	<u>\$ 97,395</u>	
		<u>Sheriff's Pension Plan Investments</u>		
<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>Mutual Funds</u>	<u>Corporate/ Foreign Bonds</u>	<u>Government Sponsored Enterprise</u>
AAA	Aaa	\$ 2,630,523	\$ 399,449	\$ 147,597
AA	Aa	-	24,261	-
A	A	-	439,166	-
BBB	Baa	-	196,675	-
Unrated	Unrated	<u>259,855</u>	<u>-</u>	<u>1,928,937</u>
Totals		<u>\$ 2,890,378</u>	<u>\$ 1,059,551</u>	<u>\$ 2,076,534</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 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, Freddie Mac, and Federal Home Loan Mortgage, in the amount of \$16,566,493, \$3,230,644, and \$3,155,757, respectively. These investments represent 42%, 8% and 8% respectively of the total investments for the County. The Sheriff's Merit Board for the

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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 \$1,758,549. These investments represent 6% of the total investments for the Plan.

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. The foreign currency risk derives from the Sheriff's Pension Plan's investments in foreign bonds and equities with a fair value of \$9,813 and \$380,268, respectively at December 31, 2005.

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, 2005, the County's discretely presented component units had the following investments:

Investment Type	Discretely Presented Component Unit Market Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Repurchase agreements	\$ 510,000	\$ 510,000	\$ -	\$ -
Government sponsored enterprises	6,376,276	5,981,456	394,820	-
Totals	<u>\$ 6,886,276</u>	<u>\$ 6,491,456</u>	<u>\$ 394,820</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.

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(Continued)

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 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. At December 31, 2005, the discretely presented component units held investments in repurchase agreements in the amount of \$510,000. Of these investments \$510,000 were held by the counterparty's trust department or agent but not in the discretely presented component unit's name.

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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Standard and Poor's Rating	Moody's Rating	Discretely Presented Component Units Investments Government Sponsored Enterprise
AAA	Aaa	\$ 6,376,276

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.

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, 2005, 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	\$ 9,287,768	\$ 396,148	\$ 615,416	\$ 9,068,500
Construction in progress	44,943,484	6,969,215	42,928,619	8,984,080
Total capital assets, not being depreciated	54,231,252	7,365,363	43,544,035	18,052,580
Capital assets, being depreciated:				
Buildings	79,346,707	32,117,871	47,187	111,417,391
Improvements other than buildings	793,392	2,277,881	-	3,071,273
Machinery and equipment	29,656,106	2,194,507	1,171,653	30,678,960
Infrastructure being depreciated	350,003,998	12,252,854	388,724	361,868,128
Net investment in joint venture	5,395,950	72,817	-	5,468,767
Totals	465,196,153	48,915,930	1,607,564	512,504,519

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities (continued):				
Less accumulated depreciation for:				
Buildings	25,632,598	1,396,140	57,166	26,971,572
Improvements other than buildings	757,858	65,905	-	823,763
Machinery and equipment	20,691,104	2,660,416	1,022,508	22,329,012
Infrastructure being depreciated	98,984,247	7,095,646	332,626	105,747,267
Net investment in joint venture	1,031,823	136,719	-	1,168,542
	<u>147,097,630</u>	<u>11,354,826</u>	<u>1,412,300</u>	<u>157,040,156</u>
Totals				
Total capital assets, being depreciated, net	<u>318,098,523</u>	<u>37,561,104</u>	<u>195,264</u>	<u>355,464,363</u>
Total governmental activities, capital assets, net	<u>\$ 372,329,775</u>	<u>\$ 44,926,467</u>	<u>\$ 43,739,299</u>	<u>\$ 373,516,943</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 380,487	\$ -	\$ -	\$ 380,487
Capital assets, being depreciated:				
Land improvements	1,440,208	-	-	1,440,208
Buildings	75,632,759	239,947	-	75,872,706
Improvements other than buildings	3,244,015	1,261,521	719,918	3,785,618
Machinery and equipment	2,920,422	129,109	14,410	3,035,121
	<u>83,237,404</u>	<u>1,630,577</u>	<u>734,328</u>	<u>84,133,653</u>
Totals				
Less accumulated depreciation for:				
Land improvements	1,169,349	27,211	-	1,196,560
Buildings	22,250,908	2,039,462	-	24,290,370
Improvements other than buildings	3,106,368	30,041	719,918	2,416,491
Machinery and equipment	2,185,471	127,452	14,410	2,298,513
	<u>28,712,096</u>	<u>2,224,166</u>	<u>734,328</u>	<u>30,201,934</u>
Totals				
Total capital assets, being depreciated, net	<u>54,525,308</u>	<u>(593,589)</u>	<u>-</u>	<u>53,931,719</u>
Total business-type activities capital assets, net	<u>\$ 54,905,795</u>	<u>\$ (593,589)</u>	<u>\$ -</u>	<u>\$ 54,312,206</u>
<u>Discretely Presented Component Units</u>				
Capital assets, not being depreciated:				
Land	\$ 13,965,404	\$ 478,005	\$ -	\$ 14,443,409
Construction in progress	4,423,118	9,323,572	11,714,198	2,032,492
	<u>18,388,522</u>	<u>9,801,577</u>	<u>11,714,198</u>	<u>16,475,901</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and improvements	65,494,533	57,908	-	65,552,441
Infrastructure being depreciated	99,621,883	11,662,641	85,872	111,198,652
Machinery and equipment	7,024,500	282,090	52,971	7,253,619
	<u>172,140,916</u>	<u>12,002,639</u>	<u>138,843</u>	<u>184,004,712</u>
Totals				

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Discretely Presented Component Units</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	24,511,218	2,303,177	-	26,814,395
Infrastructure being depreciated	54,585,198	5,080,293	51,523	59,613,968
Machinery and equipment	<u>4,024,775</u>	<u>380,983</u>	<u>38,353</u>	<u>4,367,405</u>
Totals	<u>83,121,191</u>	<u>7,764,453</u>	<u>89,876</u>	<u>90,795,768</u>
Total capital assets, being depreciated, net	<u>89,019,725</u>	<u>4,238,186</u>	<u>48,967</u>	<u>93,208,944</u>
Total discretely presented component units capital assets, net	<u>\$ 107,408,247</u>	<u>\$ 14,039,763</u>	<u>\$ 11,763,165</u>	<u>\$ 109,684,845</u>

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

Governmental activities:	
General government	\$ 1,215,715
Public safety	1,793,907
Highways and streets	8,045,919
Health and welfare	276,645
Culture and recreation	<u>22,640</u>
Total depreciation expense - governmental activities	<u>\$ 11,354,826</u>
Business-type activities:	
Coliseum	<u>\$ 2,224,166</u>

C. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2005, is as follows:

<u>Interfund Payables</u>	<u>Interfund Receivables</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonmajor governmental	\$ 519,554	\$ 360,000	\$ 879,554
All others	<u>292,222</u>	<u>-</u>	<u>292,222</u>
Totals	<u>\$ 811,776</u>	<u>\$ 360,000</u>	<u>\$ 1,171,776</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2005, were as follows:

Transfer From	Transfer To	2006
Nonmajor Governmental	General Fund	\$ 982
	Nonmajor Governmental	5,434,324
Totals		\$ 5,435,306

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 \$91,661. The following is a schedule by years of future minimum rental payments as of December 31, 2005:

2006	\$ 62,554
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E. Long-Term Liabilities

Primary Government

1. General Obligation Bonds

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

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

Purpose	Interest Rates	Balance 12-30-05	Current Portion	Discount	Net Noncurrent
2000 Allen County GIS bonds	4.85%	\$ 175,000	\$ 173,626	\$ (1,374)	\$ -
2000 Allen County courthouse preservations bonds	5%	175,000	173,624	(1,376)	-
2001 Allen County flood control refunding bonds	3.85% to 4.3%	3,060,000	580,000	(9,591)	2,470,409
2001 Allen County radio communication bonds	4% to 4.4%	3,930,000	565,000	-	3,365,000
2001 Allen County parking garage refunding bonds	4.21%	201,000	199,189	(1,811)	-
2004 Allen County bridge bonds	2.5% to 2.75%	8,825,000	2,110,000	(7,287)	6,707,713
Totals		\$ 16,366,000	\$ 3,801,439	\$ (21,439)	\$ 12,543,122

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NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 3,806,000	\$ 502,569
2007	3,305,000	390,749
2008	3,115,000	292,753
2009	3,020,000	196,013
2010	2,210,000	94,036
2011-2015	910,000	37,253
Totals	\$ 16,366,000	\$ 1,513,373

2. First Mortgage Bonds

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

Purpose	Interest Rates	Balance 12-31-05	Current Portion	Premium (Deferral of loss on refunding)	Net Noncurrent
1998 Jail building first mortgage refunding bonds	4% to 4.5%	\$ 1,630,000	\$ 655,000	\$ -	\$ 975,000
2001 Juvenile Justice Center first mortgage bonds	3.5% to 4.5%	24,482,358	1,500,000	-	22,982,358
2005 Jail building first mortgage refunding bonds	3% to 5%	19,745,000	1,025,000	(447,252)	18,272,748
2001 A War Memorial Coliseum additions first mortgage revenue bonds	3.85% to 5.75%	25,045,000	450,000	-	24,595,000
2001 B War Memorial Coliseum additions first mortgage revenue bonds	6% to 6.875%	5,700,000	130,000	-	5,570,000
2002 War Memorial Coliseum building first mortgage refunding bonds	3.5% to 5%	9,335,000	1,720,000	-	7,615,000
Totals		\$ 85,937,358	\$ 5,480,000	\$ (447,252)	\$ 80,010,106

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

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 3,180,000	\$ 2,017,715	\$ 2,300,000	\$ 2,060,742
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
2011-2015	17,890,000	4,171,687	6,090,000	6,664,736
2016-2020	13,922,358	2,837,867	8,820,000	4,695,828
2021-2025	-	-	11,600,000	1,870,275
Totals	\$ 45,857,358	\$ 17,084,651	\$ 40,080,000	\$ 22,420,685

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Rates	Balance 12-31-05	Current Portion	Discount	Net Noncurrent
2001 Allen County parking garage bonds	4.21% to 5.59%	\$ 1,575,000	\$ 65,000	\$ (32,938)	\$ 1,477,062

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 65,000	\$ 80,560
2007	70,000	77,655
2008	75,000	74,413
2009	75,000	70,955
2010	80,000	67,296
2011-2015	465,000	270,077
2016-2020	605,000	126,611
2021-2024	140,000	3,913
Totals	\$ 1,575,000	\$ 771,480

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 Rates	Balance 12-31-05	Current Portion	Premium (Discount) (Deferral of loss on refunding)	Net Noncurrent
1998 First mortgage bonds	4.375% to 5.3%	\$ 20,575,000	\$ 1,000,000	\$ (163,931)	\$ 19,411,069
1998 Revenue bonds	4.4% to 4.5%	2,120,000	675,000	(3,699)	1,441,301
2004 Airport improvement refunding bonds	3% to 5%	14,805,000	1,405,000	345,665	13,745,665
Totals		\$ 37,500,000	\$ 3,080,000	\$ 178,035	\$ 34,598,035

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NOTES TO FINANCIAL STATEMENTS
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Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	<u>Discretely Presented</u>	
	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,080,000	\$ 1,751,687
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
2011-2015	13,875,000	3,760,303
2016-2020	<u>8,050,000</u>	<u>1,047,148</u>
Totals	<u>\$ 37,500,000</u>	<u>\$ 12,213,568</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 \$26,378, are as follows:

	<u>Business-Type</u> <u>Activities</u>
2006	\$ 205,009
2007	<u>205,009</u>
Total	<u>\$ 410,018</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, 2005, the remaining balance is \$66,400.

5. Advance Refunding

On April 14, 2005, the primary government issued \$20,270,000 in refunding first mortgage bonds with an average interest rate of 4.15% to advance refund \$19,545,000 of outstanding 2000 first mortgage bonds with an average interest rate of 5.13%. The net proceeds of \$21,065,808 (after payment of \$254,209 in issuance costs and \$3,431 deposited to the bond expense account) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 first mortgage bonds. As a result, these bonds are considered to be defeased and the liability for

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

those bonds has been removed from the Statement of Net Assets. The refunding resulted in the accounting loss of \$1,520,808, which has been recognized on the Statement of Net Assets as Deferral of loss on refunding. This amount will be amortized using the straight line method and charged to interest expense over the next 15 years. The primary government in effect reduced its aggregate debt service payment by \$519,082 over the next 15 years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$379,966.

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, 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	\$ 19,421,000	\$ -	\$ 3,055,000	\$ 16,366,000	\$ 3,801,439
First mortgage	48,167,358	20,270,000	22,580,000	45,857,358	3,180,000
Revenue	<u>1,640,000</u>	<u>-</u>	<u>65,000</u>	<u>1,575,000</u>	<u>65,000</u>
Total bonds payable	<u>69,228,358</u>	<u>20,270,000</u>	<u>25,700,000</u>	<u>63,798,358</u>	<u>7,046,439</u>
Compensated absences	<u>2,249,451</u>	<u>2,356,178</u>	<u>2,249,451</u>	<u>2,356,178</u>	<u>2,356,178</u>
Total governmental activities long-term liabilities	<u>\$ 71,477,809</u>	<u>\$ 22,626,178</u>	<u>\$ 27,949,451</u>	<u>\$ 66,154,536</u>	<u>\$ 9,402,617</u>
Business-type activities:					
First mortgage bonds payable:					
Coliseum	\$ 42,155,000	\$ -	\$ 2,075,000	\$ 40,080,000	\$ 2,300,000
Loan payable:					
Coliseum	563,030	-	179,390	383,640	187,553
Compensated absences	<u>43,334</u>	<u>50,963</u>	<u>43,334</u>	<u>50,963</u>	<u>50,963</u>
Total business-type activities long-term liabilities	<u>\$ 42,761,364</u>	<u>\$ 50,963</u>	<u>\$ 2,297,724</u>	<u>\$ 40,514,603</u>	<u>\$ 2,538,516</u>

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

<u>Discretely Presented Component Units</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
First mortgage bonds	\$ 40,150,000	\$ -	\$ 2,650,000	\$ 37,500,000	\$ 3,080,000
Loan payable	83,000	-	16,600	66,400	16,600
Compensated absences	<u>1,035,994</u>	<u>340,560</u>	<u>279,460</u>	<u>1,097,094</u>	<u>191,063</u>
Total discretely presented component units	<u>\$ 41,268,994</u>	<u>\$ 340,560</u>	<u>\$ 2,946,060</u>	<u>\$ 38,663,494</u>	<u>\$ 3,287,663</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Restricted Assets

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

Coliseum expansion fund	\$ 177,911
Coliseum ticket office fund	1,061,933
Coliseum advance customer deposits	663,636
Food and beverage supplemental tax fund	7,520,232
Sports and convention fund	<u>1,152,249</u>
Total restricted assets	<u>\$ 10,575,961</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, and 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 2005 was \$0. There were no incurred but not reported claims at December 31, 2005. The cash balance in the fund at December 31, 2005, was \$231,466.

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 2005 was \$300,000. Incurred but not reported claims have not been accrued as a liability as of December 31, 2005.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Group Health Insurance

The primary government has chosen to establish a risk financing fund for risks associated with employee health claims. The risk financing fund is accounted for in the Self-Insurance Health Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$250,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the 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:

	2004	2005
Unpaid claims, beginning of fiscal year	\$ 1,088,711	\$ 1,027,382
Incurred claims and changes in estimates	7,935,005	9,924,329
Claim payments	7,996,334	9,644,726
Unpaid claims, end of fiscal year	\$ 1,027,382	\$ 1,306,985

Worker's Compensation

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

B. Contingent Liabilities

The 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. 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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2005, there were seven series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$40,245,000.

D. Administration of Welfare Programs

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

E. Operating Lease to Recovery Health Services, Inc.

The Allen County Commissioners leased to Recovery Health Services, Inc., (Recovery), the personal property, nursing home and real estate used by Byron Health Center. Allen County is retaining the 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.

(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, 2005, was \$892,311. 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 2005, decreasing the unpaid balance by \$123,653, after applying a capital improvements credit of \$63,653.

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 eighty percent of the base rent per year. A credit of \$63,653 was taken during the year 2005.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Insurance

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

F. Commitment

Allen County has an agreement with Affiliated Computer Services (ACS) for information resource management. ACS staffs and manages the operation of the County's data processing equipment and software systems. The County provides office space, computer operating supplies, utilities, office equipment, and items necessary for day to day operations. In addition, the County provides computer hardware as it deems necessary for ACS. The agreement may be terminated by either party with 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.

G. 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, 2005, were \$1,810,000.

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, 2005, was \$6,985,000 series 2005A and \$2,290,000 Series 2005B.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

H. 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. Currently, 50 retirees meet these eligibility requirements. The primary government and retirees provide 24 % to 38% and 62% to 76%, respectively, of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. Expenditures for postemployment benefits cannot be reasonably estimated.

I. 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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 liability for Net Pension Obligation (NPO) is considered an obligation of the primary government and is presented in the governmental activities of the financial statements.

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.

Funding Policy and Annual Pension Cost

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

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 Net Pension Obligations (NPO) is considered an obligation of the County and is reflected in the Statement of Net Assets.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>County Police Retirement Plan</u>	<u>County Police Benefit Plan</u>
Annual required contribution	\$ 2,161,557	\$ 1,267,279	\$ 31,717
Interest on net pension obligation	(93,040)	16,178	-
Adjustment to annual required contribution	<u>106,026</u>	<u>(20,594)</u>	<u>-</u>
Annual pension cost	2,174,543	1,262,863	31,717
Contributions made	<u>2,541,147</u>	<u>1,304,206</u>	<u>26,274</u>
Increase (decrease) in net pension obligation	(366,604)	(41,343)	5,443
Net pension obligation, beginning of year	<u>(1,283,312)</u>	<u>223,144</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ (1,649,916)</u>	<u>\$ 181,801</u>	<u>\$ 5,443</u>
Contribution rates:			
County	5.5%	23.5%	N/A
Plan Members	3%	3%	None
Actuarial valuation date	07-01-05	01-01-06	01-01-06
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

N/A = Not available

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

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	County Police Retirement Plan	County Police Benefit Plan
Investment rate of return	7.25%	7.25%	7.25%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	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	06-30-03	\$ 2,528,613	83%	\$ (974,598)
	06-30-04	2,010,329	115%	(1,283,312)
	06-30-05	2,174,543	126%	(1,649,916)
County Police Retirement Plan	12-31-03	1,086,224	64%	(208,170)
	12-31-04	1,231,314	65%	223,144
	12-31-05	1,262,863	103%	181,801
County Police Benefit Plan	12-31-03	48,396	100%	-
	12-31-04	35,340	100%	-
	12-31-05	31,717	83%	5,443

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)
07-01-03	\$ 34,891,619	\$ 37,871,885	\$ (2,980,266)	92%	\$ 39,590,690	(8%)
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%)

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)
01-01-01	\$ 24,498,318	\$ 27,693,195	\$ (3,194,877)	88%	\$ 4,663,817	(69%)
01-01-02	25,885,390	28,616,423	(2,731,033)	90%	4,833,027	(57%)
01-01-03	24,709,843	30,291,515	(5,581,672)	82%	4,950,002	(113%)
01-01-04	24,513,742	31,911,588	(7,397,846)	77%	4,584,133	(161%)
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%)

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%

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
12-31-05	\$ 1,267,279	103%
12-31-04	1,227,542	65%
12-31-03	1,076,351	65%

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

*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, 2005

	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	\$ 58,297,189	\$ 58,297,189	\$ 58,362,530	\$ 65,341	\$ 18,125,298	\$ 18,125,298	\$ 18,061,089	\$ (64,209)
Licenses and permits	2,471,000	2,471,000	2,069,386	(401,614)	-	-	-	-
Intergovernmental	3,117,615	3,117,615	5,091,784	1,974,169	7,441,735	7,441,735	6,547,565	(894,170)
Charges for services	4,309,000	4,309,000	7,543,911	3,234,911	-	-	-	-
Other	4,367,000	4,367,000	13,762,787	9,395,787	-	-	920,410	920,410
Total revenues	<u>72,561,804</u>	<u>72,561,804</u>	<u>86,830,398</u>	<u>14,268,594</u>	<u>25,567,033</u>	<u>25,567,033</u>	<u>25,529,064</u>	<u>(37,969)</u>
Expenditures:								
Current:								
General government	37,725,212	45,837,222	45,345,292	491,930	-	-	-	-
Public safety	30,541,222	35,348,324	33,375,329	1,972,995	-	-	-	-
Health and welfare	6,002,061	6,013,732	6,301,497	(287,765)	24,840,000	24,840,000	24,586,420	253,580
Culture and recreation	389,002	411,622	385,544	26,078	-	-	-	-
Total expenditures	<u>74,657,497</u>	<u>87,610,900</u>	<u>85,407,662</u>	<u>2,203,238</u>	<u>24,840,000</u>	<u>24,840,000</u>	<u>24,586,420</u>	<u>253,580</u>
Other financing sources:								
Operating transfers in	-	-	993,373	993,373	-	-	-	-
Net change in fund balances	(2,095,693)	(15,049,096)	2,416,109	17,465,205	727,033	727,033	942,644	215,611
Fund balances - beginning	<u>7,123,496</u>	<u>7,123,496</u>	<u>7,123,496</u>	-	<u>1,774,282</u>	<u>1,774,282</u>	<u>1,774,282</u>	-
Fund balances - December 31	<u>\$ 5,027,803</u>	<u>\$ (7,925,600)</u>	<u>\$ 9,539,605</u>	<u>\$ 17,465,205</u>	<u>\$ 2,501,315</u>	<u>\$ 2,501,315</u>	<u>\$ 2,716,926</u>	<u>\$ 215,611</u>

ALLEN COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET/GAAP RECONCILIATION
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

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 of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 2,416,109	\$ 942,644
Adjustments:		
To adjust revenues for accruals	(2,359,818)	(403)
To adjust expenditures for accruals	<u>2,606,570</u>	<u>(28,146)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 2,662,861</u>	<u>\$ 914,095</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 its major federal program for the year ended December 31, 2005. The County's major federal program is 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 its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; 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 its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

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

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

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

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

STATE BOARD OF ACCOUNTS

September 5, 2006

ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

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		\$ 85,200
National School Lunch Program	10.555		<u>131,797</u>
Total for cluster			<u>216,997</u>
Total for federal grantor agency			<u>216,997</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Outdoor Recreation Acquisition, Development and Planning	15.916	18-00527	<u>200,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grants			
Sex Offender Management Discretionary Grant	16.203	2002-WPBX-0011	<u>63,081</u>
Community Capacity Development Office	16.595		
Executive Office for Weed and Seed Program Guide and			
Application Kit: Continuation Sites		2004-WS-Q40099	<u>95,764</u>
Bulletproof Vest Partnership Program	16.607	BOBX04024026	<u>939</u>
Community Protection and Project Safe Neighborhoods	16.609	2002-GPCX-0081	<u>37,850</u>
Public Safety Partnership and Community Policing Grants	16.710	2004-SHWX-0060	<u>31,147</u>
Pass-Through Indiana Department of Correction			
Serious and Violent Offender Reentry Initiative	16.202	2002-RE-CX-2002	<u>276,326</u>
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants	16.523	03-JB-001	55,172
		04-JB-001	<u>37,406</u>
Total for program			<u>92,578</u>
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	03-JF-025	1,179
		03-JF-018	10,827
		04-JF-016	<u>7,487</u>
Total for program			<u>19,493</u>
Crime Victim Assistance	16.575	04-VA-161	10,039
		04-VA-017	23,758
		05-VA-003	<u>7,919</u>
Total for program			<u>41,716</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, 2005
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>			
Pass-Through Indiana Criminal Justice Institute (continued) Byrne Formula Grant Program	16.579		
		03-DB-002	45,220
		02-DB-038	80,529
		02-DB-047	123,757
		04-DB-002	<u>32,481</u>
Total for program			<u>281,987</u>
Violence Against Women Formula Grants	16.588		
		03-ST-073	14,366
		05-ST-006	<u>17,701</u>
Total for program			<u>32,067</u>
Pass-Through City of Fort Wayne Edward Byrne Memorial Justice Assistance Grant Program	16.738		
		2005-DJ-BX-0226	<u>4,500</u>
Total for federal grantor agency			<u>977,448</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600		
		OP-05-02-T-03-P-2	35,957
		PT-06-04-07-01	17,747
		J8-05-03-03-02	4,000
		154AL-06-03-05-01	16,057
		154AL-05-03-02-05	<u>40,638</u>
Total for program			<u>114,399</u>
Safety Incentive Grants for Use of Seatbelts	20.604		
		IN-05-02-T-03-P-1	<u>25,000</u>
Total for cluster			<u>139,399</u>
Pass-Through Indiana Department of Transportation Highway Planning and Construction	20.205		
		STPP 9902(041)	
		Restoration Engine 765	57,257
		PL00944029	134,962
		PL00944039	198,383
		3304019	<u>29,411</u>
Total for program			<u>420,013</u>
Federal Transit - Metropolitan Planning Grants	20.505		
		IN8021308P	36,248
		IN80212A8P	<u>11,936</u>
Total for program			<u>48,184</u>
Total for federal grantor agency			<u>607,596</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, 2005
(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 Family and Social Services Administration Special Programs for the Aging Title VII Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	02-04-OV-1004-02	68,728
Pass-Through Indiana Department of Health Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	TB 195-10 TB 195-11	27,859 57,803
Total for program			85,662
Center for Disease Control and Prevention - Investigations and Technical Assistance Bioterrorism Preparedness and Response Supplemental	93.283	BPRS 195-10 FY 05 BPRS 195-10 FY 06	10,882 10,914
Total for program			21,796
Pass-Through Indiana Family and Social Services Administration Child Support Enforcement County Prosecutor's Expenditures County Clerk of the Circuit Court Expenditures County Court Expenditures Indirect Costs Incentives	93.563		1,335,837 234,191 135,931 119,504 377,922
Total for program			2,203,385
Pass-Through Indiana Supreme Court State Court Improvement Program	93.586	Allen CIP FY-04 Allen CIP FY-06	34,482 18,086
Total for program			52,568
Pass-Through Indiana Department of Health HIV Prevention Activities - Health Department Based	93.940	AID 195-6	181,795
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	STD 195-2	156,916
Total for federal grantor agency			2,770,850
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters	97.044	EMW-2005-FG-16391	101,078
Pass-Through Indiana Department of Homeland Security State Domestic Preparedness Equipment Support Program	97.004	FY-03 FY-03 Part II FY-04	272,513 34,483 1,438,317
Total for program			1,745,313

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, 2005
 (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 HOMELAND SECURITY (continued)</u>			
Pass-Through Indiana Department of Homeland Security (continued) Disaster Grants - Public Assistance	97.036	PA 1476	<u>9,454</u>
Emergency Management Performance Grants	97.042		<u>53,625</u>
Community Emergency Response Team Program First Responder Communications Equipment Community Emergency Response Team Equipment	97.054		350 <u>3,075</u>
			<u>3,425</u>
Total for federal grantor agency			<u>1,912,895</u>
Total federal awards expended			<u>\$ 6,685,786</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, 2005:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Juvenile Justice and Delinquency Prevention – Allocation to States	16.540	\$ 10,827
Crime Victim Assistance	16.575	41,716
Assistance to Firefighters	97.044	101,078

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 Program:

CFDA Number	Name of Federal Program or Cluster
97.004	State Domestic Preparedness Equipment Support Program

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 5, 2006, with Lisbeth A. Blosser, Auditor; Tera K. Klutz, Chief Deputy Auditor; Jackie Scheuman, Finance and Budget Director; Marla J. Irving, President of the Board of County Commissioners, and Linda K. Bloom and F. Nelson Peters, County Commissioners. Our audit disclosed no material items that warrant comment at this time.