

**ALLEN COUNTY, OHIO
GENERAL FUND
FINANCIAL STATEMENTS FOR THE
THREE MONTH PERIOD ENDING
MARCH 31, 2006 and 2005**

Prepared by Ben E. Diepenbrock, CPA
AUDITOR OF ALLEN COUNTY, OHIO



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May 16, 2006

Allen County Elected Officials and Department Heads
Allen County Residents and Members of the News Media

Dear Financial Statement Users:

I am presenting the first quarter 2006, General Fund financial statements and schedules for your review. The concept of accountability requires that government officials report financial information to the public, their elected representatives and other users who make decisions based upon this information. The Governmental Accounting Standards Board in their *Concepts Statement I* state, "Accountability is the paramount objective of governmental financial reporting—the objective from which all other financial reporting objectives flow." I believe that reasonable people can make decisions when information is provided to them and that is why this report is prepared for you.

Our beginning (carryover) fund balance declined by \$822,908 (or 21.3%) from January 2005 to January 2006. Our revenues, transfers in and advances in decreased by \$129,778 (1.8%) primarily due to a decrease in real estate taxes and other financing sources which were offset by some increase in interest income and miscellaneous revenues. Expenditures increased by \$482,792 (7.8%) because of an increase in salaries and services. The cumulative effect of these transactions led to a significant decrease in the cash position of the county. As a result, our cash fund balance decreased by \$1,435,478 which is a decline of 29.08% from the first quarter of 2005, when the cash fund balance was relatively large.

These statements simply and objectively express the transactions that occurred in the first quarter. Because the presentation of the statements is on the cash basis, they do not consider future plans, assets or actual liabilities that exist. Please take the time to read the notes to the financial reports for more facts relating to these statements. As your auditor, I will continue to monitor our finances closely for changes that might impact our operations.

As always, feel free to call me if you have any feedback, observations or recommendations.

Sincerely,

A handwritten signature in black ink that reads "Ben E. Diepenbrock" with a stylized flourish at the end.

Ben E. Diepenbrock, CPA
Auditor of Allen County, Ohio

**ALLEN COUNTY, OHIO
FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2006 AND 2005**

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Allen County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
General Fund
For the Three Month Period Ended March 31, 2006 and 2005

	Actual 2006	Actual 2005	Variance Favorable (Unfavorable)
Revenues:			
Local taxes:			
Real estate taxes	\$1,259,923	\$1,662,373	(\$402,450)
Rollback reimbursement	207,190	139,108	68,082
House trailer tax	9,015	8,778	237
County sales tax	3,339,589	3,200,897	138,692
Transfer and conveyance fees	79,548	64,999	14,549
Local government fund	461,668	463,451	(1,783)
Local government assistance fund	95,341	95,709	(368)
Total local taxes	5,452,274	5,635,315	(183,041)
Other revenues:			
Fees	456,861	454,944	1,917
Licenses	1,206	723	483
Interest	327,804	247,262	80,542
Sales and rents	162,844	95,690	67,154
Miscellaneous and reimbursements	526,706	285,108	241,598
Courts	183,517	160,938	22,579
Detention Center	11,993	22,832	(10,839)
Federal grants	0	13,000	(13,000)
Total other revenues	1,670,931	1,280,497	390,434
Total General Fund revenue	7,123,205	6,915,812	207,393
Expenditures:			
Salaries	2,923,280	2,843,279	80,001
Insurance	595,849	574,862	20,987
Public employees retirement (PERS)	552,938	398,542	154,396
Medicare	32,963	30,421	2,542
Unemployment	896	0	896
Materials and supplies	403,130	374,645	28,485
Services	1,332,269	985,715	346,554
Equipment	17,658	8,337	9,321
Grants to other county depts.	535,719	521,188	14,531
Total expenditures	6,394,702	5,736,989	657,713
Excess of revenues over expenditures	728,503	1,178,823	(450,320)
Other financing sources (uses):			
Transfer in	0	100,000	(100,000)
Transfer out	(259,796)	(234,717)	(25,079)
Advance in	0	237,171	(237,171)
Advance out	0	(200,000)	200,000
Total other financing sources (uses)	(259,796)	(97,546)	(162,250)
Excess of revenues and other financing sources over expenditures and other financing uses	468,707	1,081,277	(612,570)
Beginning fund balance, January 1, 2006 and 2005	3,032,390	3,855,298	(822,908)
Ending fund balance, March 31, 2006 and 2005	3,501,097	4,936,575	(1,435,478)
Outstanding encumbrances	(4,239,955)	(3,545,846)	(694,109)
Unencumbered fund balance, March 31, 2006 and 2005	(\$738,858)	\$1,390,729	(\$2,129,587)

See the accompanying notes and explanations to the quarterly financial reports.
This is an unaudited financial statement.
Prepared by Allen County Auditor

Allen County, Ohio
Schedule of Estimated and Actual Revenues-Cash Basis
General Fund
For the Three Month Period Ended March 31, 2006

	Annual Budgeted Revenues	Total Receipt for 2006	Variance Over (Under)	% Received To Date
Revenues:				
Local taxes:				
Real estate taxes	\$2,139,000	\$1,259,923	(\$879,077)	58.90%
Personal property taxes	759,000	0	(759,000)	0.00%
House trailer tax	14,000	9,015	(4,985)	64.39%
Rollback reimbursement	317,000	207,190	(109,810)	65.36%
County sales taxes	12,900,000	3,339,589	(9,560,411)	25.89%
Transfers and conveyance fee	341,000	79,548	(261,452)	23.33%
Local government fund	1,614,000	461,668	(1,152,332)	28.60%
Local government assistance	327,000	95,341	(231,659)	29.16%
Total local taxes	<u>18,411,000</u>	<u>5,452,274</u>	<u>(12,958,726)</u>	<u>29.61%</u>
Other revenues:				
Fees	2,310,000	456,861	(1,853,139)	19.78%
Licenses	5,300	1,206	(4,094)	22.75%
Interest	1,300,000	327,804	(972,196)	25.22%
Sales and rents	456,887	162,844	(294,043)	35.64%
Miscellaneous and reimbursements	1,502,935	526,706	(976,229)	35.05%
Court revenues	265,000	183,517	(81,483)	69.25%
Detention center	61,000	11,993	(49,007)	19.66%
Federal grants	0	0	0	0.00%
Transfers in	100,000	0	(100,000)	0.00%
Advances in	50,000	0	(50,000)	0.00%
Total other revenues	<u>6,051,122</u>	<u>1,670,931</u>	<u>(4,380,191)</u>	<u>27.61%</u>
Total General Fund revenues	<u>\$24,462,122</u>	<u>\$7,123,205</u>	<u>(\$17,338,917)</u>	<u>29.12%</u>

See the accompanying notes and explanations to the quarterly financial reports.

This is an unaudited financial statement.

Prepared by Allen County Auditor

Allen County, Ohio
Schedule of Expenditures Compared to Appropriations-Cash Basis
General Fund
For the Three Month Period Ended March 31, 2006

	<u>Current Year Appropriations</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>	<u>% Spent To Date</u>
Expenditures: and budgeted appropriations				
Salaries	\$12,936,986	\$2,923,280	\$10,013,706	22.60%
Insurance	2,633,835	597,239	2,036,596	22.68%
Public employees retirement	1,820,462	552,938	1,267,524	30.37%
Medicare	155,119	32,963	122,156	21.25%
Unemployment	5,000	896	4,104	17.92%
Materials and supplies	1,474,545	1,226,825	247,720	83.20%
Services	5,859,066	3,996,790	1,862,276	68.22%
Capital outlay for equipment	89,152	79,227	9,925	88.87%
Grants to other county depts.	750,518	745,961	4,557	99.39%
Transfers out	867,334	738,335	128,999	85.13%
Advances out	50,000	0	50,000	0.00%
Total expenditures	<u>\$26,642,017</u>	<u>\$10,894,454</u>	<u>\$15,747,563</u>	<u>40.89%</u>

See the accompanying notes and explanations to the quarterly financial reports.

This is an unaudited financial statement.

Appropriations include prior year carryover plus current year appropriations.

Actual expenditures also include encumbrances (commitments against appropriations).

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Three Month Period Ended March 31, 2006

The financial statements and schedules for the General Fund are prepared on the basis of cash receipts and disbursements. As a result, revenues are recognized when received rather than when earned and expenditures are recognized when paid rather than when a liability is incurred. Adjustments are made at year end to bring the financial statements into conformity with generally accepted accounting principles (GAAP).

The financial statements and schedules presented are for the General Fund only. The General Fund is the primary operating fund of the county. It accounts for all receipts and expenditures that are not legally required to be accounted for in another fund. The General Fund includes such departments as the commissioners, auditor, treasurer, sheriff, recorder, clerk of courts, the courts, prosecutor, and others.

These notes are intended to provide the reader with more information than can be included on the face of the financial statements. They explain the accounting treatment used in the preparation of the statements. They also compare the plans of the offices (appropriations) with actual results and show where the county has spent the resources provided by the taxpayers.

The *Statement of Cash Receipts, Disbursements and Changes in Fund Balance* shows the actual cash receipts and expenditures for the first quarter which covers the period January 1, 2006 through March 31, 2006. This statement also shows a comparison of receipts and expenditures for the last two years. Comparative financial statements provide more information for management to make decisions and gives the readers a better idea of how we compare with last year.

The *Schedule of Budgeted and Actual Revenues* and the *Schedule of Expenditures Compared to Appropriations* for 2006, compares the estimated and actual revenues for the current year and the expenditures and encumbrances against the appropriations authorized by the Allen County Commissioners.

Revenues are classified by source based upon the county auditor's chart of accounts. Expenditures are classified by object because they better describe the types of payments made and are easier for readers to understand. A description of the major revenue sources and expenditures are summarized in these notes.

The *Schedule of Budgeted and Actual Revenues* includes only the 2006 estimated revenues and does not include prior year carryover balances that are available to appropriate. Estimated revenues are revised throughout the year to comply with financial reporting and legal requirements. A description of the major revenue accounts and explanations for the first quarter 2006 are included below.

The revenues in the General Fund are estimated based upon the source from which they are received and are classified in this manner. A brief description of the major revenue sources and an explanation of them are included below:

Real estate taxes are received from the tax paid by owners of real estate in the county. These taxes are distributed to the county in February and August. The February settlement has been received by the county and the county collected 24.21% less in 2006 than in 2005. The primary reason is that the county reallocated its real estate tax and sales tax in order to gain the maximum amount of personal property tax reimbursement during the phase out period. The county reallocated .75 mills of its 2.40 inside (or unvoted) mills or one-third toward the retirement of long-term debt. Additional sales tax revenue was credited to the General Fund to make up for the shortage in real estate tax revenue.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Three Month Period Ended March 31, 2006

Personal property tax revenues are received from taxes paid by those who have a trade or business. It is a tax on machinery and equipment used in manufacturing or other business and inventory used in manufacturing or for resale. Most of it is received by the county primarily in June and October after it is collected from the businesses and the larger share is received in the October settlement. Personal property is received in June and October each year. The amount shown on these statements is the amount reimbursed by the state.

The personal property tax has been eliminated by the Ohio General Assembly and is being phased out. Ohio counties will be reimbursed fully for personal property tax losses through 2010. From 2011-2017 counties will receive progressively less each year until it is phased out in 2017. However, based upon the reallocation of inside millage to pay long-term debt, the county was able to extend the reimbursement until 2017.

Rollback reimbursements are collected from the state for taxes that are discounted at the county level. This offsets the real estate rollback and the tax exempted from personal property. This will be collected in future quarters.

Sales tax is derived from the 1% additional tax on sales within the county. It is paid into the state by business owners and then sent back to the county about three months later. It should be noted that gross sales tax revenues (before allocation to other funds) are down in 2006 by \$113,684 or 2.85%. However, sales taxes received in the General Fund in 2006 are 4.33% more than we received in 2005 because of the change in the allocation of sales taxes between funds. This revenue source is affected by market and non-economic conditions and is a primary indicator of business activity.

Transfer taxes and conveyance fees are paid to the county when real estate transactions occur. One dollar is placed in the General Fund and the rest is distributed by the commissioners to other funds. These are slightly down this year.

Local government funds are received from the State of Ohio. This is a volatile revenue source since the state froze this for the next two years. The actual allocation was changed in the second half of 2005 and the amount received by the county in 2004, will be about the same for the next two years. We have received almost the same as last year.

Fees are generated from charges by the probate court and recorder. Auditor and treasurer fees are collected from administering the collection and distribution of real estate and personal property taxes to local governments.

Licenses primarily consist of revenues from the sale of cigarette and vendors licenses. More vendors' licenses were issued after July of 2004, because more industries are required to collect and remit sales taxes to the state. This will not significantly increase revenue from this source however.

Interest is collected monthly from investments of the county's cash. If the cash balances grow and interest rates increase, revenues will increase. Interest income has increased by \$80,542 which is an increase of almost 33% from 2005, due primarily to an increase in interest rates paid on investments and other factors.

Sales and rents are primarily collected from the rental of county property such as the county home, the Court of Appeals building and parking lots.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Three Month Period Ended March 31, 2006

Miscellaneous revenues are derived primarily from election expenses and reimbursements from other sources.

Court revenues come from fines and court costs imposed by the Municipal Court, Juvenile Court and other courts that collect these fines and fees.

Detention Center revenues are derived from tuition charges and housing of inmates. Federal grant revenue which comes primarily from the Federal National School Lunch program is also used to offset the Juvenile Detention Center food costs.

Transfers in are less than expected, but the amount anticipated may be collected in future quarter this year.

The *Schedule of Expenditures Compared to Appropriations* shows the relationship between the spending authority (appropriations) of the county and actual spending for the year. Current year appropriations include the encumbrances carried over from 2005, which do not need to be reappropriated, and the current year appropriations. The total expenditures and encumbrances column shows the amount spent and obligated (encumbered) in 2006, against the appropriation accounts. The variance column shows the amount that has not been spent or obligated to date and shows whether there are legal violations of Revised Code provisions. There are none.

Appropriations are approved by the county commissioners based upon requests made by the departments in the General Fund, and other funds, and must be approved before any expenditure can legally be made. Appropriations are limited by the carryover fund balance plus estimated revenues and cannot exceed those amounts. Appropriations include encumbrances carried over from 2005 and the current appropriations for 2006. Encumbrances are obligations that are made for the purchase of goods or services and reduce the available appropriations by that amount in order to reduce the risk of overspending. Appropriations do not exceed the amount available.

Outstanding encumbrances at March 31, 2006, are unusually high which appears to indicate that departmental supervisors are obligating their appropriations early in the year instead for monitoring their spending. If all outstanding encumbrances were paid today, there would not be enough cash to pay those who provide goods and services to the county. The auditor will continue to stress this to the departments.

Ohio law states that current year expenditures and encumbrances cannot exceed the appropriations referred to above. Appropriations can be modified throughout the year with the approval of the commissioners.

A brief description of expenditure accounts follows:

Salaries include the amounts paid to elected officials and county employees for services provided to the county. Salaries and fringe benefits account for about 67% of General Fund expenditures. Salaries expense is up this year by 2.81%.

Insurance includes the county share of hospitalization paid for employees as well as workers compensation and the term life insurance policy provided as a fringe benefit. Insurance costs are up about 3.65% from the prior year.

The Public Employee Retirement System includes the county (employer) share of retirement paid for the employees as a fringe benefit and is calculated based upon 13.70% of salaries paid. The county pays 16.93% of the gross salary for law enforcement employees as a fringe benefit.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Three Month Period Ended March 31, 2006

Medicare is paid by both the employee and the employer, with each contributing 1.45% of gross pay for those employees hired after April 1, 1986. Unemployment compensation is the county obligation for employees who are laid off. Allen County is a reimbursing employer so premiums are not paid unless employees are laid off and file a claim.

Materials and supplies include such items as general office supplies, advertising, dues, books, food for detention centers, fuel and maintenance of certain county vehicles, and other items. These expenditures are up by 7.6% from 2005.

Services include certain contracts with vendors for the maintenance and repair of office equipment and vehicles, jury fees, utility bills, liability insurance, travel expenses, and other items. Spending in this account has increased by \$346,554 or 35.16%.

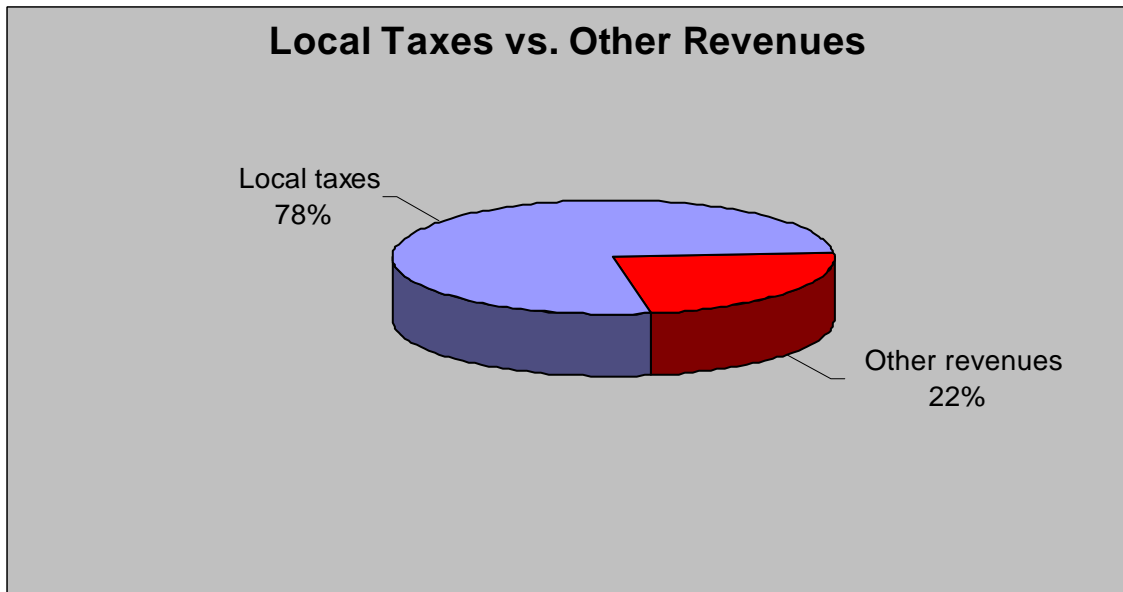
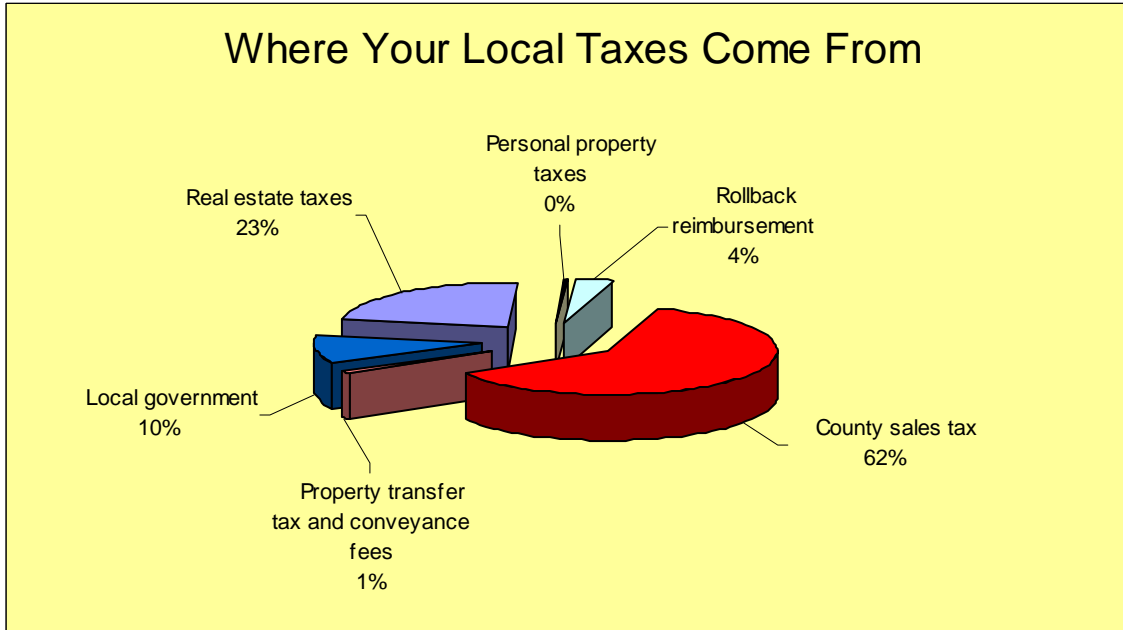
Capital outlay is used to record the purchase of equipment or other assets purchased through the General Fund. Most county purchases of general fixed assets are made from the Building and Repair Fund. This account is relatively insignificant compare to other accounts within the General Fund.

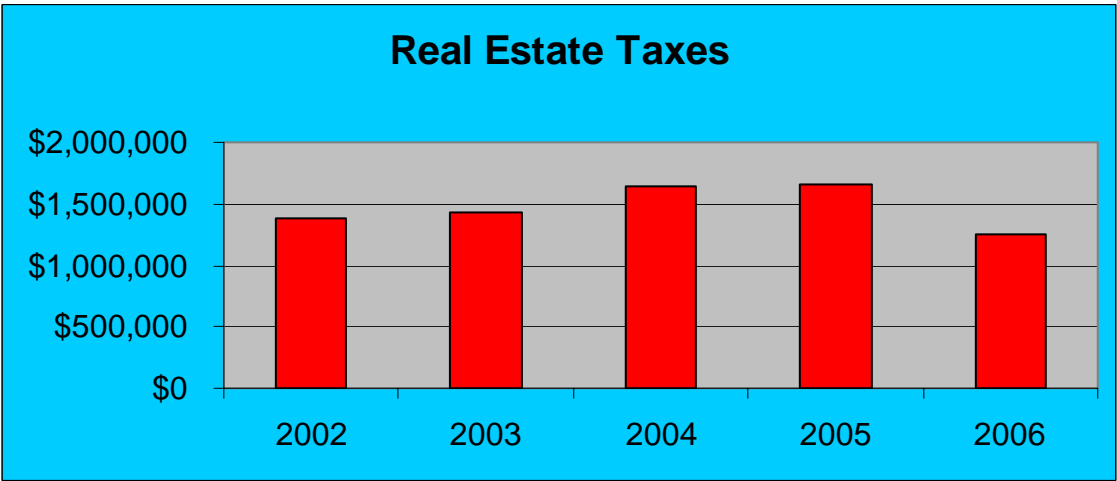
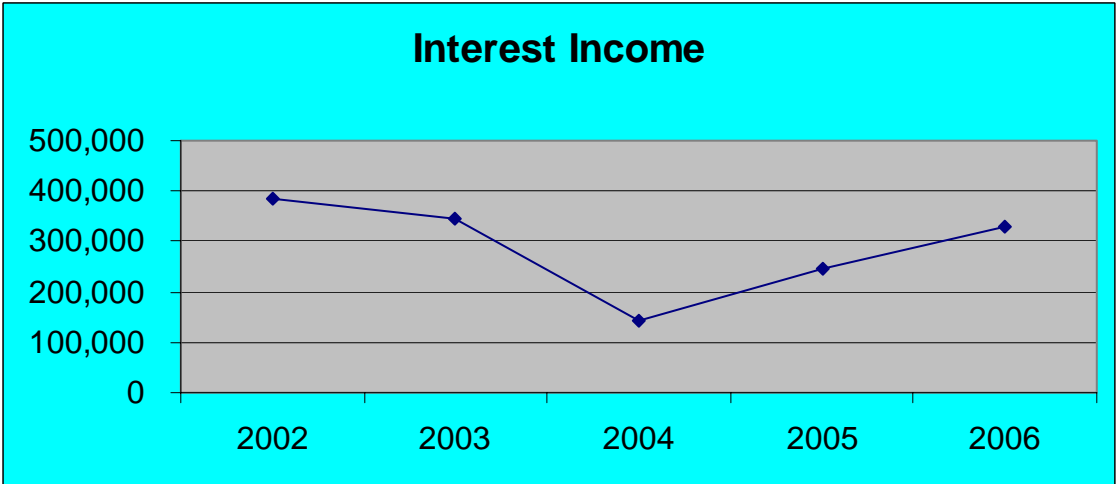
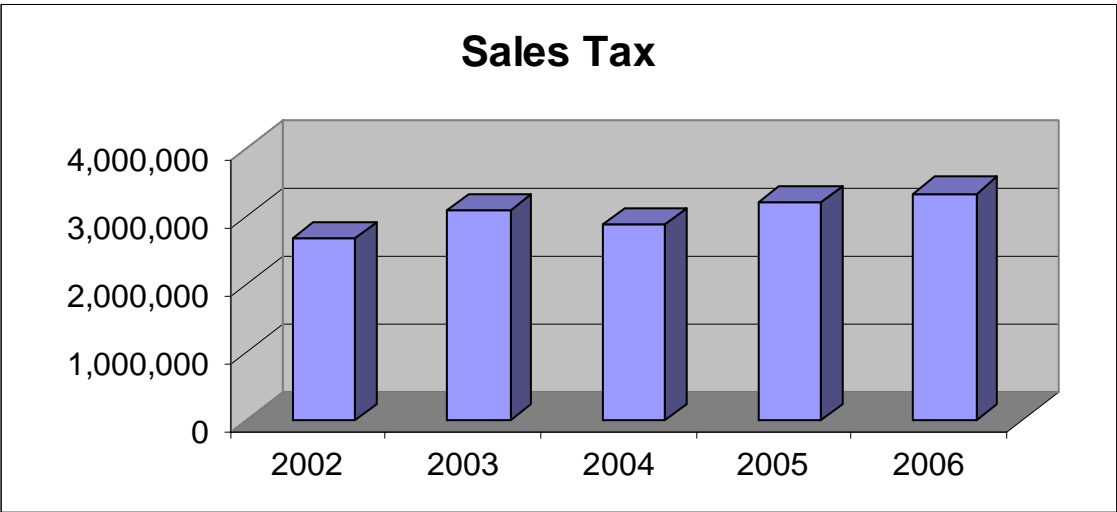
Grants to other county departments include payments made to the Regional Planning Commission, Regional Transit Authority, and Board of Health, veteran services, Airport Authority, Court of Appeals, agricultural-related organizations and others to assist in the funding of their operations. Expenditures for these accounts have increased by 2.79%.

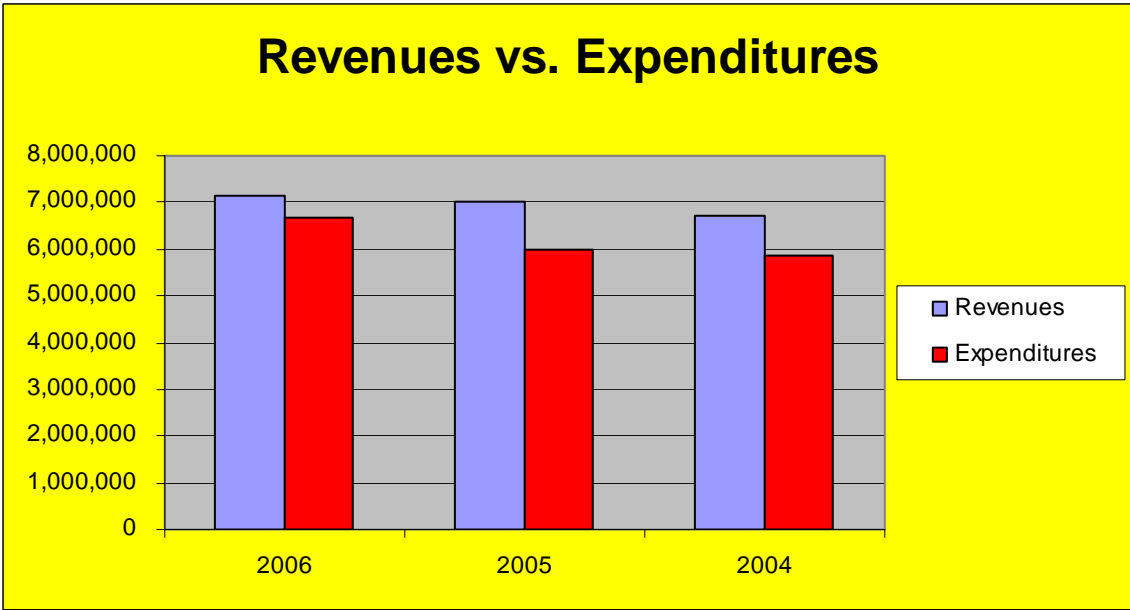
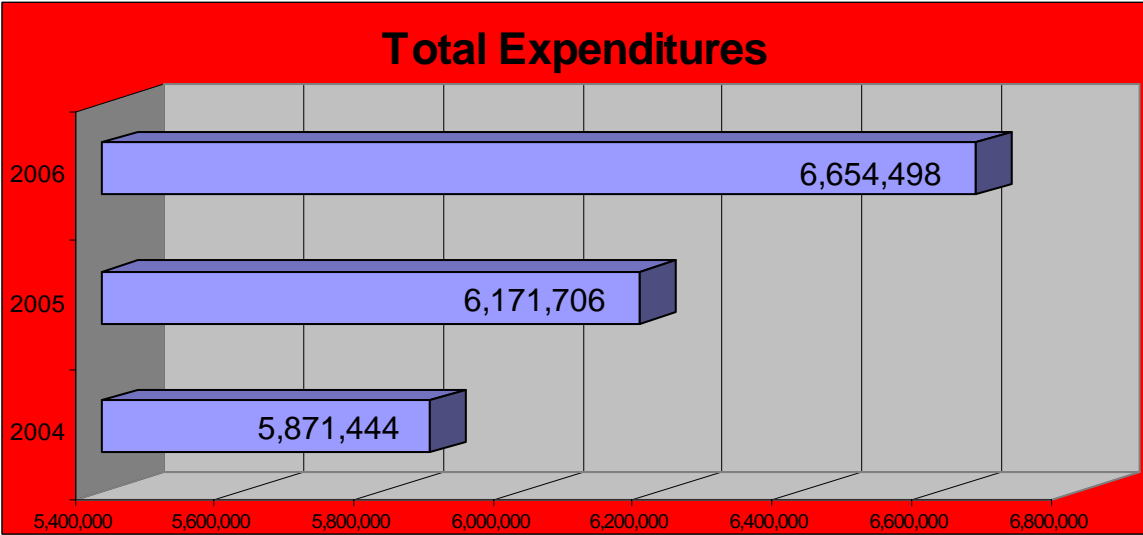
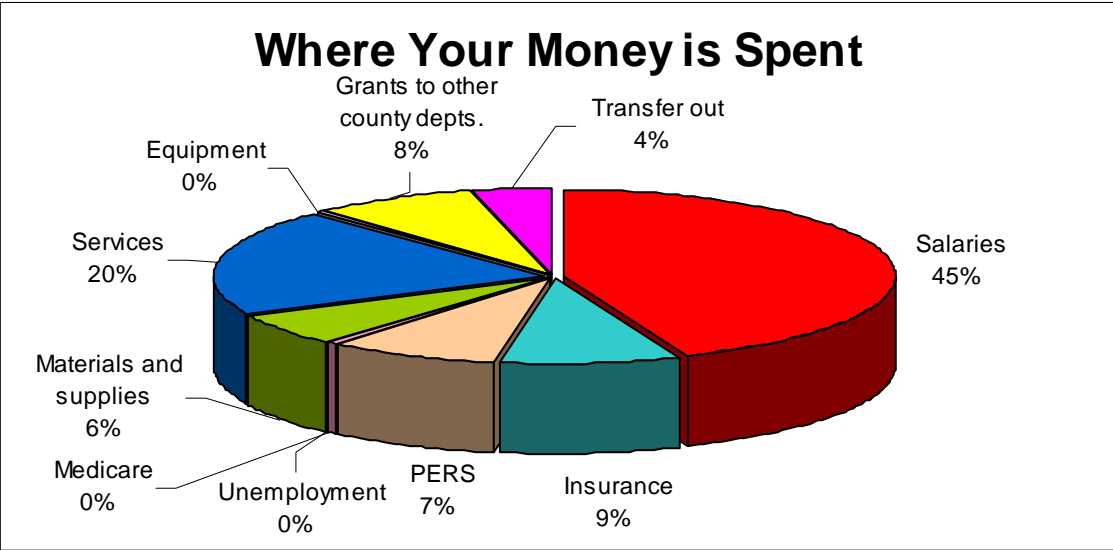
Transfers out primarily consist of the payment of the county's mandated share of public assistance to the County Department of Job and Family Services. The county's share to Department of Job and Family Services so far this year was \$144,796.

Graphs

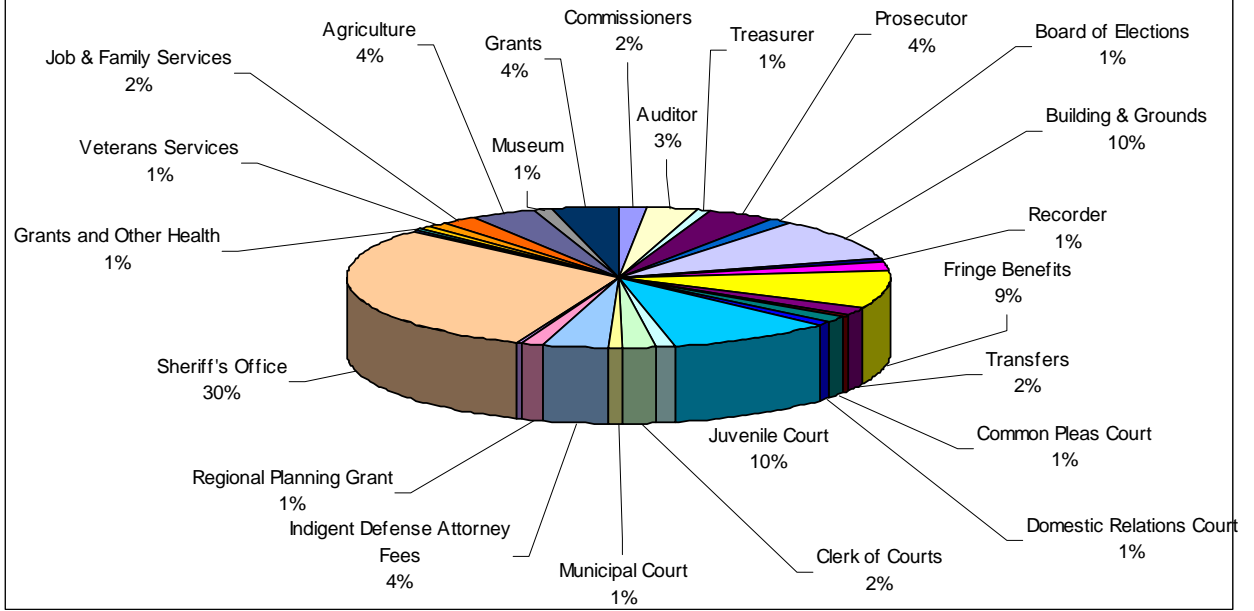
The graphs below depict a few of the main items of the County's General Fund revenue and expenditures. All amounts are for the period of January through December.







Expenditures by Departments



Expenditures By Department
General Fund
For the Three Month Period Ended March 31, 2006

General Legislative & Executive	
Commissioners	\$108,453
Allen County Law Library	6,204
Auditor	208,422
Treasurer	47,383
Prosecutor	255,375
Bureau of Inspection	4,816
Board of Elections	94,755
Building & Grounds	646,879
Recorder	76,952
Miscellaneous	98,296
Fringe Benefits (All General Fund Employees)	595,849
Insurance	873
Grants	137,236
Transfers	115,000
Total General Legislative & Executive	<u>2,396,493</u>
Judicial	
Court of Appeals	32,395
Common Pleas Court	98,428
Domestic Relations Court	52,934
Juvenile Court	660,250
Probate Court	73,493
Clerk of Courts	124,628
Municipal Court	55,078
Indigent Defense Attorney Fees	273,658
Total Judicial	<u>1,370,864</u>
Public Safety	
Regional Planning Grant	78,550
Coroner	32,125
Sheriff's Office	2,004,101
Total Public Safety	<u>2,114,776</u>
Public Works	
Tax Map Office	28,700
Total Public Works	<u>28,700</u>
Health	
Children's Services Attorney	13,436
Tuberculosis Care	2,475
Grants and Other Health	43,843
Total Health	<u>59,754</u>
Human Services	
Veterans Services	81,445
Job & Family Services Mandate	144,796
Total Human Services	<u>226,241</u>
Conservation & Recreation	
Agriculture	259,687
Museum	75,343
Grants	122,640
Total Conservation & Recreation	<u>457,670</u>
Total General Fund Expenditures	<u><u>\$6,654,498</u></u>