

**ALLEN COUNTY, OHIO
GENERAL FUND
FINANCIAL STATEMENTS FOR THE
THREE MONTH PERIOD ENDING
MARCH 31, 2007 and 2006**

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

**ALLEN COUNTY, OHIO
FIRST QUARTER ENDED MARCH 31, 2007 AND 2006
FINANCIAL STATEMENTS**

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May 30, 2007

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 2007, 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 \$955,393 (or 31.51%) from January 2006 to January 2007. Our revenues, transfers in and advances in increased by \$899,910 (12.63%) primarily due to increases in real estate taxes, sales tax and interest income. Expenditures and other financing uses decreased by \$145,037 (3%) because of decreases in supplies and a postponement of grant payments to other departments and agencies. The cumulative effect of these transactions led to an increase of \$89,554 (2.56%) in the cash position of the county.

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
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
General Fund
For the Three Month Period Ended March 31, 2007 and 2006

| | Actual 2007 | Actual 2006 | Variance Favorable (Unfavorable) |
|--|--------------------|--------------------|-------------------------------------|
| Revenues: | | | |
| Local taxes: | | | |
| Real estate taxes | \$1,366,799 | \$1,259,923 | \$106,876 |
| Rollback reimbursement | 98,084 | 207,190 | (109,106) |
| House trailer tax | 32,319 | 9,015 | 23,304 |
| County sales tax | 3,684,899 | 3,339,589 | 345,310 |
| Transfer and conveyance fees | 173,301 | 79,548 | 93,753 |
| Local government fund | 463,451 | 461,668 | 1,783 |
| Local government assistance fund | 95,709 | 95,341 | 368 |
| Total local taxes | 5,914,562 | 5,452,274 | 462,288 |
| Other revenues: | | | |
| Fees | 448,699 | 456,861 | (8,162) |
| Licenses | 2,372 | 1,206 | 1,166 |
| Interest | 781,258 | 327,804 | 453,454 |
| Sales and rents | 108,723 | 162,844 | (54,121) |
| Miscellaneous and reimbursements | 529,768 | 526,706 | 3,062 |
| Courts | 222,626 | 183,517 | 39,109 |
| Detention Center | 15,107 | 11,993 | 3,114 |
| Total other revenues | 2,108,553 | 1,670,931 | 437,622 |
| Total General Fund revenue | 8,023,115 | 7,123,205 | 899,910 |
| Expenditures: | | | |
| Salaries | 3,047,640 | 2,923,280 | 124,360 |
| Insurance | 614,111 | 595,849 | 18,262 |
| Public employees retirement (PERS) | 587,185 | 552,938 | 34,247 |
| Medicare | 35,711 | 32,963 | 2,748 |
| Unemployment | 30 | 896 | (866) |
| Materials and supplies | 353,428 | 403,130 | (49,702) |
| Services | 1,412,071 | 1,332,269 | 79,802 |
| Equipment | 19,742 | 17,658 | 2,084 |
| Grants to other county depts. | 266,113 | 535,719 | (269,606) |
| Total expenditures | 6,336,031 | 6,394,702 | (58,671) |
| Excess of revenues over expenditures | 1,687,084 | 728,503 | 958,581 |
| Other financing sources (uses): | | | |
| Transfer in | 0 | 0 | 0 |
| Transfer out | (173,430) | (259,796) | 86,366 |
| Advance in | 0 | 0 | 0 |
| Advance out | 0 | 0 | 0 |
| Total other financing sources (uses) | (173,430) | (259,796) | 86,366 |
| Excess of revenues and other financing sources over expenditures and other financing uses | 1,513,654 | 468,707 | 1,044,947 |
| Beginning fund balance, January 1, 2007 and 2006 | 2,076,997 | 3,032,390 | (955,393) |
| Ending fund balance, March 31, 2007 and 2006 | 3,590,651 | 3,501,097 | 89,554 |
| Outstanding encumbrances | (4,590,454) | (4,239,955) | (350,499) |
| Unencumbered fund balance, March 31, 2007 and 2006 | (\$999,803) | (\$738,858) | (\$260,945) |

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, 2007

| | Annual Budgeted Revenues | Total Receipt for 2007 | Variance Over (Under) | % Received To Date |
|--|--------------------------------|------------------------------|--------------------------|-----------------------|
| Revenues: | | | | |
| Local taxes: | | | | |
| Real estate taxes | \$2,710,606 | \$1,366,799 | (\$1,343,807) | 50.42% |
| Personal property taxes | 465,302 | 0 | (465,302) | 0.00% |
| House trailer tax | 15,900 | 32,319 | 16,419 | 203.26% |
| Rollback and personal property reimbursement | 746,567 | 98,084 | (648,483) | 13.14% |
| County sales taxes | 13,094,360 | 3,684,899 | (9,409,461) | 28.14% |
| Transfers and conveyance fee | 742,060 | 173,301 | (568,759) | 23.35% |
| Local government fund | 1,635,000 | 463,451 | (1,171,549) | 28.35% |
| Local government assistance | 325,000 | 95,709 | (229,291) | 29.45% |
| Total local taxes | <u>19,734,795</u> | <u>5,914,562</u> | <u>(13,820,233)</u> | <u>29.97%</u> |
| Other revenues: | | | | |
| Fees | 1,690,000 | 448,699 | (1,241,301) | 26.55% |
| Licenses | 9,000 | 2,372 | (6,628) | 26.36% |
| Interest | 2,100,000 | 781,258 | (1,318,742) | 37.20% |
| Sales and rents | 402,200 | 108,723 | (293,477) | 27.03% |
| Miscellaneous and reimbursements | 1,700,800 | 529,768 | (1,171,032) | 31.15% |
| Court revenues | 786,850 | 222,626 | (564,224) | 28.29% |
| Detention center | 61,000 | 15,107 | (45,893) | 24.77% |
| Federal grants | 0 | 0 | 0 | 0.00% |
| Transfers in | 100,000 | 0 | (100,000) | 0.00% |
| Advances in | 100,000 | 0 | (100,000) | 0.00% |
| Total other revenues | <u>6,949,850</u> | <u>2,108,553</u> | <u>(4,841,297)</u> | <u>30.34%</u> |
| Total General Fund revenues | <u>\$26,684,645</u> | <u>\$8,023,115</u> | <u>(\$18,661,530)</u> | <u>30.07%</u> |

See the accompanying notes and explanations to the quarterly financial reports.
This is an unaudited financial statement.

Allen County, Ohio
Schedule of Expenditures Compared to Appropriations-Cash Basis
General Fund
For the Three Month Period Ended March 31, 2007

| | <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 | \$13,295,101 | \$3,047,640 | \$10,247,461 | 22.92% |
| Insurance | 2,694,700 | 614,111 | 2,080,589 | 22.79% |
| Public employees retirement | 1,965,662 | 587,185 | 1,378,477 | 29.87% |
| Medicare | 168,528 | 35,711 | 132,817 | 21.19% |
| Unemployment | 3,000 | 30 | 2,970 | 1.00% |
| Materials and supplies | 1,384,926 | 1,143,272 | 241,654 | 82.55% |
| Services | 6,930,616 | 4,289,038 | 2,641,578 | 61.89% |
| Capital outlay for equipment | 118,648 | 104,939 | 13,709 | 88.45% |
| Grants to other county depts. | 765,635 | 727,671 | 37,964 | 95.04% |
| Transfers out | 730,875 | 550,318 | 180,557 | 75.30% |
| Advances out | 50,000 | 0 | 50,000 | 0.00% |
| Total expenditures | <u>\$28,107,691</u> | <u>\$11,099,915</u> | <u>\$17,007,776</u> | <u>39.49%</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, 2007

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, 2007 through March 31, 2007. This statement also shows a comparison of receipts and expenditures for the last two years. A comparative financial statement provides more information for management to make decisions and gives the reader 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 2007, compares the estimated and actual revenues for the current year and the expenditures and encumbrances against the appropriations authorized by the Allen County Commissioners.

The General Fund budget for 2007 was estimated as follows:

| | |
|---|-------------------|
| January 1, 2007 unencumbered carryover fund balance of \$ | 1,777,911 |
| Estimated revenues for 2007 | <u>26,684,645</u> |
| Available to appropriate | 28,462,556 |
| Appropriations for 2007 | <u>27,808,605</u> |
| Unappropriated balance | <u>\$ 653,951</u> |

Revenues are classified by source based upon the county auditor's chart of accounts. Expenditures are classified by object because it better describes the types of payments made and is 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 2007 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 2007 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:

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Three Month Period Ended March 31, 2007

Real estate taxes are received from the 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 8.48% more in 2007 than in 2006. The primary reason is that the county taxable values increased due to the triennial update which was effective this calendar year. Also, the county annually reallocates .75 mills of its 2.40 inside (or unvoted) mills or one-third toward the retirement of long-term debt. This enabled the county to be reimbursed for the loss of tangible personal property for an additional six years, that is, from 2011 to 2017. Additional sales tax revenue was credited to the General Fund to make up for the shortage in real estate tax revenue.

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 and that is why no personal property tax revenue is shown on the first quarter financial statements.

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 instead of this being phased out.

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.

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 up in 2007 by \$227,410 or 5.6%. However, sales taxes received in the General Fund in 2007 are a little over 10% more than we received in 2006 because of the change in the allocation of sales taxes between funds. Currently, the commissioners are allocating \$39,300 more per month to the General Fund. 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. Of the \$3.00 per thousand collected, a total of \$2.25 is placed in the General Fund and the rest is distributed by the commissioners to other funds.

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 substantially the same amount for the last two years.

Fees are generated from charges by the probate court and recorder. Also, auditor and treasurer fees are collected from administering the collection and distribution of real estate and personal property taxes to local governments and fees are collected for pay to stay and housing prisoners.

Licenses primarily consist of revenues from the sale of cigarette and vendors licenses. This is not a significant revenue source and will continue to be immaterial to the total General Fund revenue.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Three Month Period Ended March 31, 2007

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 \$453,454 which is an increase of 138% from 2006, 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.

Miscellaneous and reimbursement revenues are derived primarily from election expenses and cost allocation reimbursements from other county departments as well as repayments for salaries originally paid through the General Fund.

Court revenues come from fines and court costs imposed by the Municipal Court, Juvenile Court and the clerk of courts that collects 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 Breakfast and Lunch program is also used to offset the Juvenile Detention Center food costs.

Transfers in and advances in are often difficult to project because they are nonrecurring transactions.

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 2006 of \$299,086 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 2007, 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 2006 and the current appropriations for 2007. 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, 2007, are unusually high which appears to indicate that departmental supervisors are obligating their appropriations early in the year instead for monitoring their spending. This makes their budgets difficult to control and modify. 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:

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Three Month Period Ended March 31, 2007

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 4.25%.

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 3.06% from the prior year.

The Ohio Public Employee Retirement System includes the county (employer) share of retirement paid for the employees as a fringe benefit and is calculated based upon 13.85% of salaries paid. The county pays 16.93% of the gross salary for law enforcement employees as a fringe benefit. OPERS payments increased this year by 6.19%.

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. As new employees replace retired veterans, medicare costs will increase. 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. This expenditure has, fortunately, been minimal.

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 down by 12.33% from 2006.

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 \$75,789 or 5.69%.

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 Expansion Fund. This account is relatively insignificant compared to other accounts within the General Fund, but did see an 11.8% increase.

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 been about half the previous year, primarily because the county is spreading the payments out throughout the year.

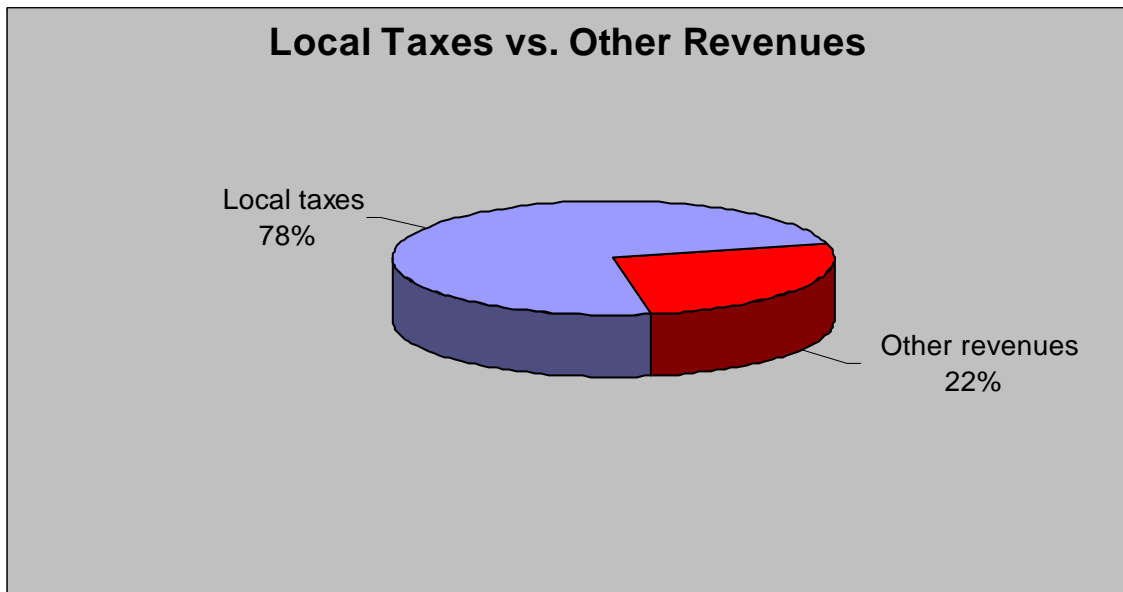
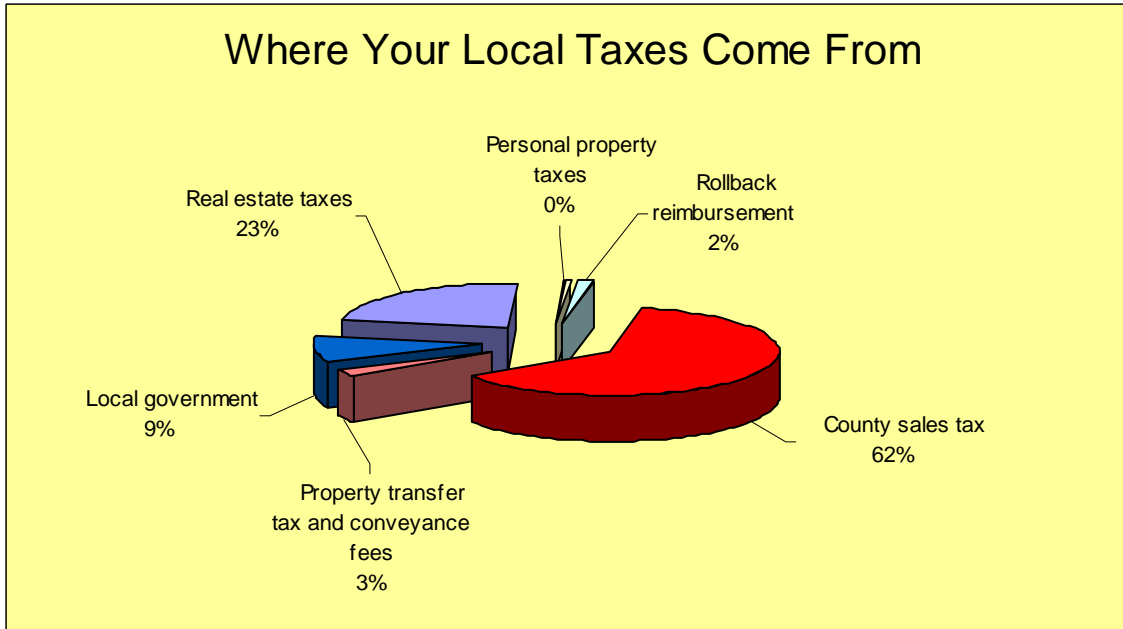
Transfers out primarily consist of the payment of the county's mandated share of public assistance to the County Department of Job and Family Services. The county's share to Department of Job and Family Services so far this year was \$173,430. The county obligation for the year is \$546,305.

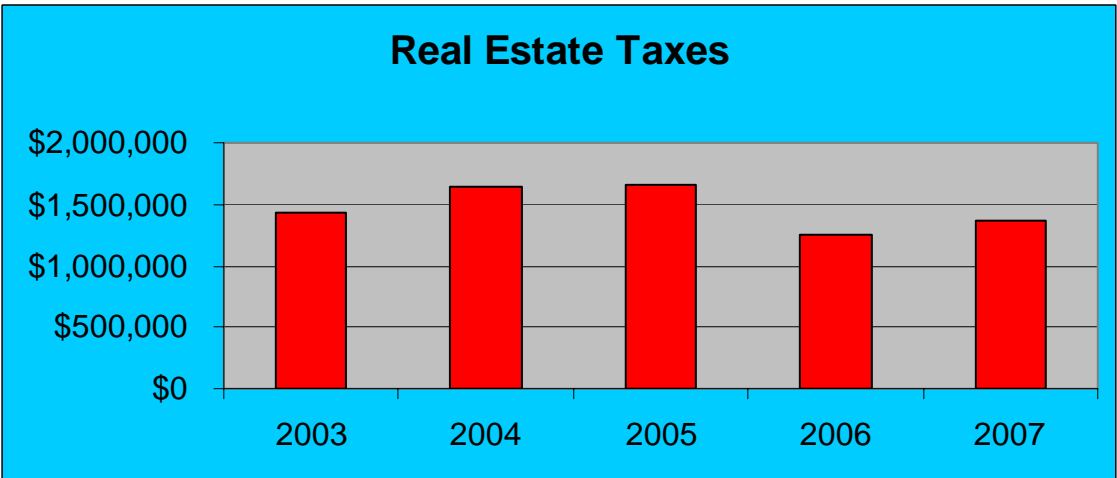
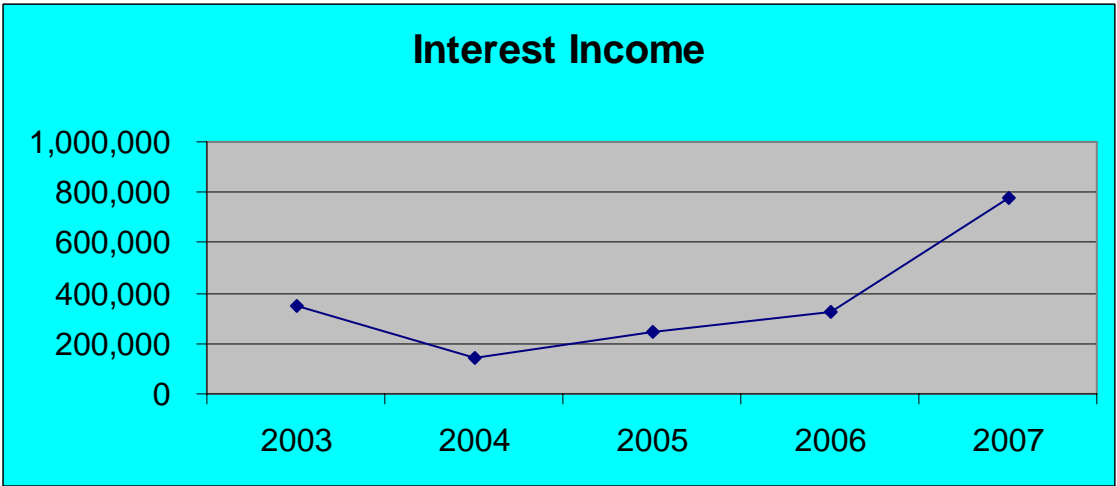
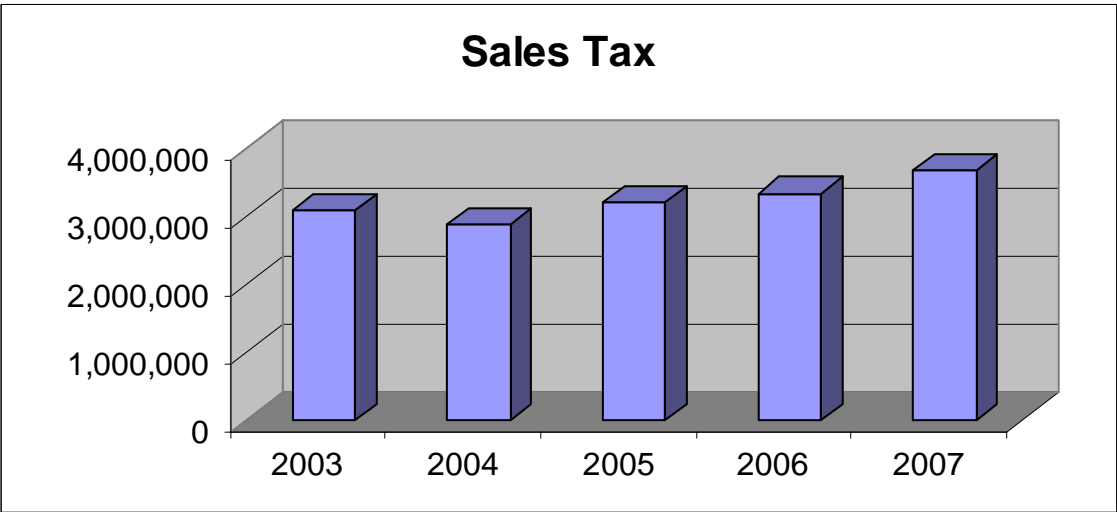
These notes to the financial statements are an integral part of the financial statements and should be read in conjunction with your review of the statements.

Citizens or other users of this information are encouraged to contact the county auditor for more information regarding this report.

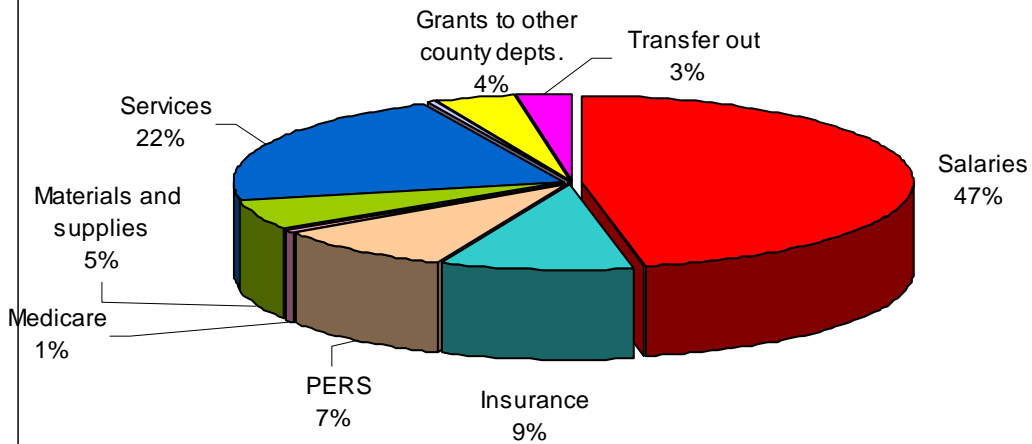
Graphs

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 March.

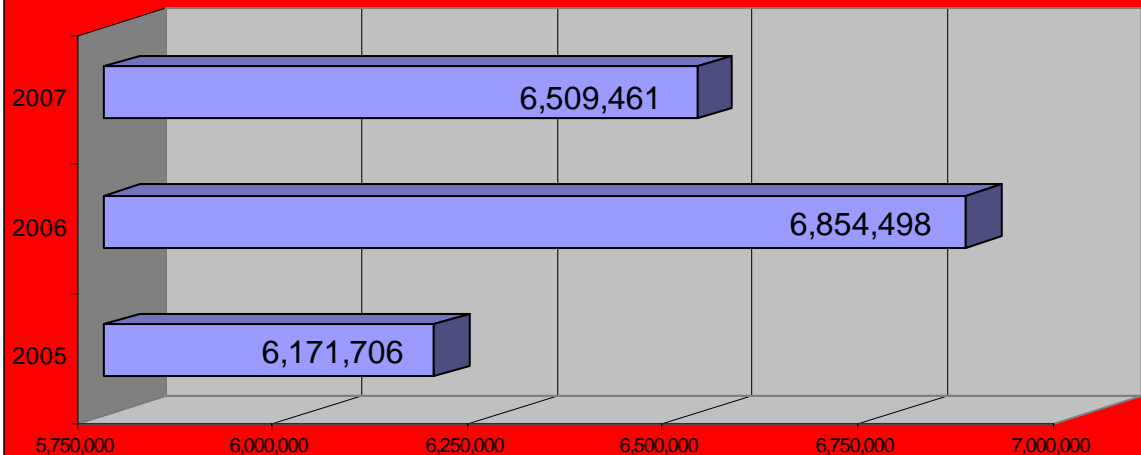




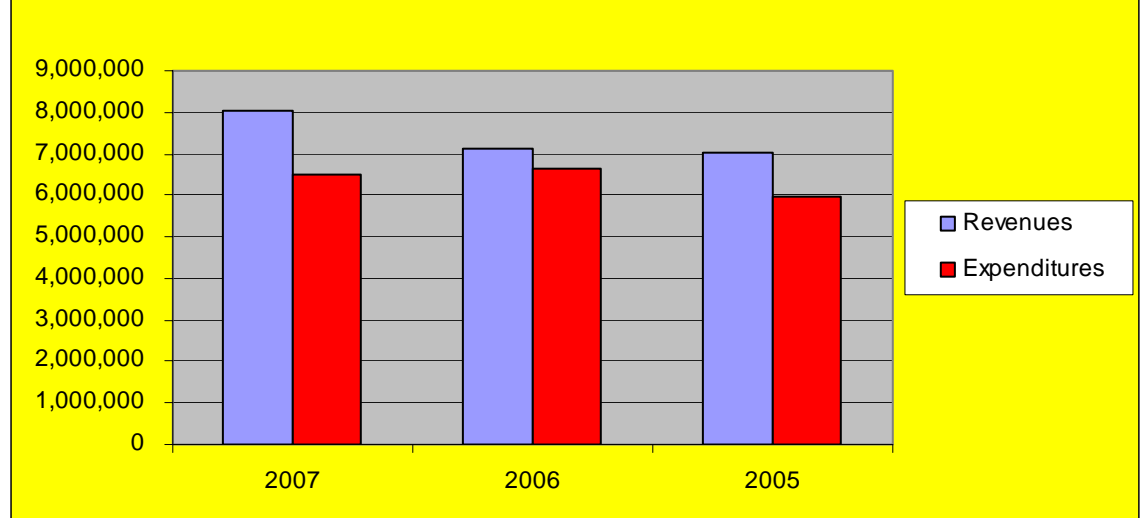
Where Your Money is Spent



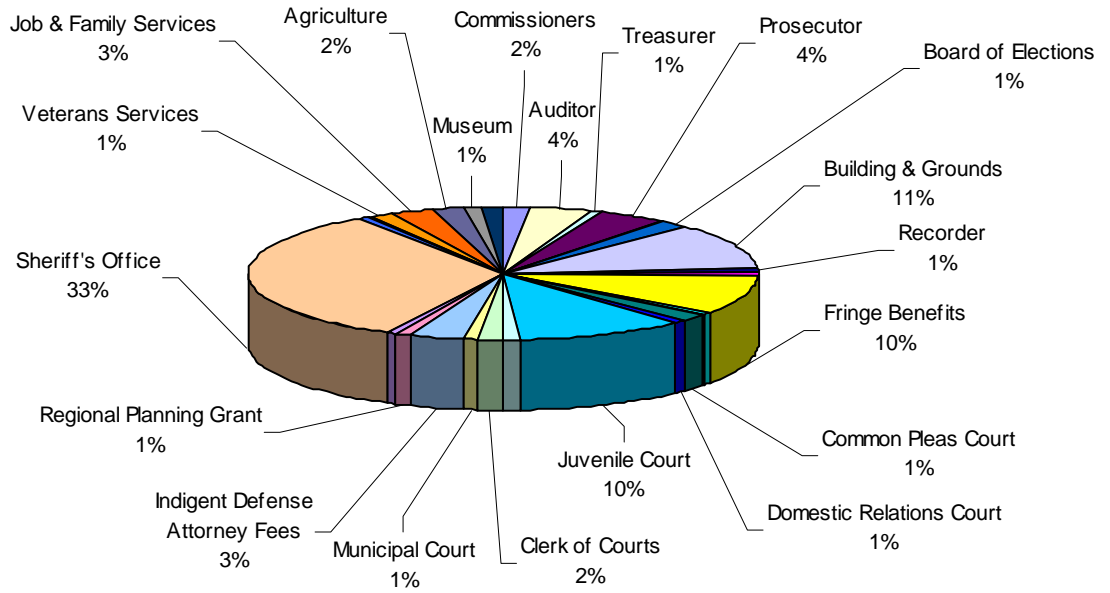
Total Expenditures



Revenues vs. Expenditures



Expenditures by Departments



Expenditures By Department
General Fund
For the Three Month Period Ended March 31, 2007

| | |
|--|---------------------------|
| General Legislative & Executive | |
| Commissioners | \$109,461 |
| Allen County Law Library | 6,753 |
| Auditor | 253,028 |
| Treasurer | 53,008 |
| Prosecutor | 262,619 |
| Bureau of Inspection | 25,558 |
| Board of Elections | 95,627 |
| Building & Grounds | 740,082 |
| Recorder | 68,854 |
| Miscellaneous | 49,744 |
| Fringe Benefits (All General Fund Employees) | 622,523 |
| Insurance | 19,007 |
| Grants | 10,360 |
| Transfers | - |
| Total General Legislative & Executive | <u>2,316,624</u> |
| Judicial | |
| Court of Appeals | 34,158 |
| Common Pleas Court | 93,517 |
| Domestic Relations Court | 66,744 |
| Juvenile Court | 674,531 |
| Probate Court | 71,058 |
| Clerk of Courts | 119,631 |
| Municipal Court | 54,577 |
| Grants | 29,723 |
| Indigent Defense Attorney Fees | 207,691 |
| Total Judicial | <u>1,351,630</u> |
| Public Safety | |
| Regional Planning Grant | 80,827 |
| Coroner | 28,263 |
| Sheriff's Office | 2,153,425 |
| Total Public Safety | <u>2,262,515</u> |
| Public Works | |
| Tax Map Office | 38,803 |
| Grants | 24,500 |
| Total Public Works | <u>63,303</u> |
| Health | |
| Children's Services Attorney | 11,372 |
| Tuberculosis Care | 1,301 |
| Grants and Other Health | 12,381 |
| Total Health | <u>25,054</u> |
| Human Services | |
| Veterans Services | 83,370 |
| Job & Family Services Mandate | 173,430 |
| Total Human Services | <u>256,800</u> |
| Conservation & Recreation | |
| Agriculture | 129,843 |
| Museum | 82,407 |
| Grants | 21,285 |
| Total Conservation & Recreation | <u>233,535</u> |
| Total General Fund Expenditures | <u><u>\$6,509,461</u></u> |