

ALLEN COUNTY, OHIO
GENERAL FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2003 and 2002

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

**ALLEN COUNTY, OHIO
2003 AND 2002 YEAR END FINANCIAL STATEMENTS**

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Carol Desenberg, Chief Deputy Auditor

January 30, 2004

Allen County Commissioners and Elected Officials
Allen County Residents and the News Media
Lima, OH 45801

Dear Financial Statement Users:

Enclosed is the General Fund financial information for the fourth quarter and the year ended December 31, 2003 and 2002, for Allen County, Ohio. The concept of accountability requires that government bodies report financial information to the public, their elected representatives and other users who make decisions based on this information. The Government Accounting Standards Board in their *Concepts Statement 1* state, "Accountability is the cornerstone of all financial reporting in government and is the paramount objective from which all other objectives must flow." I steadfastly believe this and put my beliefs into action by issuing this report for you.

Our General Fund beginning (carryover) balance increased by \$641,180 from January 2002 to January 2003. Revenues in 2003 exceeded those in the prior year by \$718,870 and the county spent \$406,899 less in real dollars in 2003, despite having one additional employee payroll obligation (the 27th payroll). Other financing sources and uses, which are unusual and generally nonrecurring transactions, were in a negative position by \$1,519,913 because the General Fund was not subsidized by other funds in 2003. However, the increased revenues and decreased expenditures led to an improvement in the results of our operations of \$247,036. The combined effect of these transactions was to increase our General Fund cash balance from \$4,455,717 to \$4,702,753.

These statements simply and objectively express the transactions that have occurred during the period covered. Please read the informative notes to the financial reports for further explanations of the statements. We will continue to monitor our finances and report them timely to you.

If I can be of additional assistance, feel free to call or email me.

Sincerely,

A handwritten signature in black ink that reads "Ben E. Diepenbrock".

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 Year Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>	Variance Over (Under)
Revenues:			
Local taxes:			
Real estate taxes	\$2,660,957	\$2,624,692	\$36,265
Personal property taxes	1,112,716	1,198,155	(85,439)
House trailer tax	14,519	14,078	441
Rollback reimbursement	349,656	348,381	1,275
County sales tax	10,851,217	10,094,964	756,253
Property transfer tax	432,449	243,499	188,950
Conveyance fees	2,185	1,757	428
Local government fund	1,603,520	1,508,849	94,671
Local government assistance fund	325,837	309,904	15,933
Total local taxes	<u>17,353,056</u>	<u>16,344,279</u>	<u>1,008,777</u>
Other revenues:			
Fees	1,745,806	1,625,241	120,565
Licenses	12,168	10,839	1,329
Interest	1,229,272	1,655,672	(426,400)
Sales and rents	581,779	636,465	(54,686)
Miscellaneous and reimbursements	1,351,349	1,301,622	49,727
Courts	551,204	535,715	15,489
Detention Center	119,572	107,365	12,207
Federal grants	35,396	43,534	(8,138)
Total other revenues	<u>5,626,546</u>	<u>5,916,453</u>	<u>(289,907)</u>
Total General Fund revenue	<u>22,979,602</u>	<u>22,260,732</u>	<u>718,870</u>
Expenditures:			
Salaries	11,750,806	11,778,967	(28,161)
Insurance	1,935,898	2,202,236	(266,338)
Public employees retirement (PERS)	1,608,586	1,684,360	(75,774)
Medicare	121,022	118,064	2,958
Unemployment	7,875	8,933	(1,058)
Materials and supplies	1,375,926	1,254,734	121,192
Services	4,547,933	4,573,480	(25,547)
Equipment	115,039	80,210	34,829
Grants to other county depts.	777,148	946,148	(169,000)
Total expenditures	<u>22,240,233</u>	<u>22,647,132</u>	<u>(406,899)</u>
Excess of revenues over (under) expenditures	739,369	(386,400)	1,125,769
Other financing sources (uses):			
Transfer in	80,000	1,060,887	(980,887)
Transfer out	(565,133)	(535,297)	(29,836)
Advance in	0	508,490	(508,490)
Advance out	(7,200)	(6,500)	(700)
Total other financing sources (uses)	<u>(492,333)</u>	<u>1,027,580</u>	<u>(1,519,913)</u>
Excess of revenues and other financing source over expenditures and other financing uses	247,036	641,180	(394,144)
Beginning fund balance, January 1, 2003 and 2002	<u>4,455,717</u>	<u>3,814,537</u>	<u>641,180</u>
Ending fund balance, December 31, 2003 and 2002	<u>4,702,753</u>	<u>4,455,717</u>	<u>247,036</u>
Outstanding encumbrances	<u>(295,662)</u>	<u>(231,085)</u>	<u>(64,577)</u>
Unencumbered fund balance, December 31, 2003 and 2002	<u>\$4,407,091</u>	<u>\$4,224,632</u>	<u>\$182,459</u>

See accompanying notes and explanations to the year end financial reports.

This is an unaudited financial statement.

Allen County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
General Fund
For the Fourth Quarter Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>	<u>Variance Over (Under)</u>
Revenues:			
Local taxes:			
Real estate taxes	\$0	\$109,103	(\$109,103)
Personal property taxes	822,281	862,812	(40,531)
House trailer tax	0	375	(375)
Rollback reimbursement	173,421	392	173,029
County sales tax	2,641,705	2,861,193	(219,488)
Property transfer tax	67,701	57,742	9,959
Conveyance fees	328	378	(50)
Local government fund	381,815	273,539	108,276
Local government assistance fund	76,622	76,283	339
Total local taxes	<u>4,163,873</u>	<u>4,241,817</u>	<u>(77,944)</u>
Other revenues:			
Fees	379,731	457,189	(77,458)
Licenses	2,050	2,100	(50)
Interest	367,490	354,264	13,226
Sales and rents	121,994	230,434	(108,440)
Miscellaneous and reimbursements	433,847	738,896	(305,049)
Courts	122,735	134,214	(11,479)
Detention Center	30,942	54,935	(23,993)
Federal grants	7,385	12,684	(5,299)
Total other revenues	<u>1,466,174</u>	<u>1,984,716</u>	<u>(518,542)</u>
Total General Fund revenue	<u>5,630,047</u>	<u>6,226,533</u>	<u>(596,486)</u>
Expenditures:			
Salaries	3,084,318	2,642,505	(441,813)
Insurance	491,836	507,568	15,732
Public employees retirement (PERS)	433,667	436,483	2,816
Medicare	32,277	26,548	(5,729)
Unemployment	2,983	334	(2,649)
Materials and supplies	457,188	309,023	(148,165)
Services	1,088,915	1,031,540	(57,375)
Equipment	86,534	23,595	(62,939)
Grants to other county depts.	106,627	98,675	(7,952)
Total expenditures	<u>5,784,345</u>	<u>5,076,271</u>	<u>(708,074)</u>
Excess of revenues over (under) expenditures	(154,298)	1,150,262	(1,304,560)
Other financing uses:			
Transfer out	<u>(172,239)</u>	<u>(85,362)</u>	<u>(86,877)</u>
Excess of revenues over (under) expenditures and other financing uses	(326,537)	1,064,900	(1,391,437)
Beginning fund balance, October 1, 2003 and 2002	<u>5,029,290</u>	<u>3,390,812</u>	<u>1,638,478</u>
Ending fund balance, December 31, 2003 and 2002	<u>4,702,753</u>	<u>4,455,712</u>	<u>247,041</u>
Outstanding encumbrances	<u>(295,662)</u>	<u>(231,085)</u>	<u>(64,577)</u>
Unencumbered fund balance, December 31, 2003 and 2002	<u>\$4,407,091</u>	<u>\$4,224,627</u>	<u>\$182,464</u>

See accompanying notes and explanations to the year end financial reports.

This is an unaudited financial statement.

Allen County, Ohio
Schedule of Estimated and Actual Revenues
General Fund
Budget and Actual-Cash Basis
For the Year Ended December 31, 2003

	Annual Budgeted Revenues	Total Receipt for 2003	Variance Over (Under)	% Received To Date
Revenues:				
Local taxes:				
Real estate taxes	\$2,660,957	\$2,660,957	\$0	100.00%
Personal property taxes	1,086,605	1,112,716	26,111	102.40%
House trailer tax	13,500	14,519	1,019	107.55%
Rollback reimbursement	349,095	349,656	561	100.16%
County sales taxes	10,851,217	10,851,217	0	100.00%
Property transfer taxes	430,297	432,449	2,152	100.50%
Conveyance fees	1,500	2,185	685	145.67%
Local government fund	1,603,520	1,603,520	0	100.00%
Local government assistance	325,837	325,837	0	100.00%
Total local taxes	<u>17,322,528</u>	<u>17,353,056</u>	<u>30,528</u>	<u>100.18%</u>
Other revenues:				
Fees	1,785,948	1,745,806	(40,142)	97.75%
Licenses	10,830	12,168	1,338	112.35%
Interest	1,229,272	1,229,272	0	100.00%
Sales and rents	636,586	581,779	(54,807)	91.39%
Miscellaneous and reimbursements	1,162,466	1,351,349	188,883	116.25%
Court revenues	524,282	551,204	26,922	105.14%
Detention center	102,822	119,572	16,750	116.29%
Federal grants	28,995	35,396	6,401	122.08%
Transfers in	80,000	80,000	0	100.00%
Total other revenues	<u>5,561,201</u>	<u>5,706,546</u>	<u>145,345</u>	<u>102.61%</u>
Total General Fund revenues	<u><u>\$22,883,729</u></u>	<u><u>\$23,059,602</u></u>	<u><u>\$175,873</u></u>	<u><u>100.77%</u></u>

See accompanying notes and explanations to year end financial reports.

This is an unaudited financial statement.

Allen County, Ohio
Schedule of Expenditures Compared to Appropriations
General Fund
Budget and Actual-Cash Basis
For the Year Ended December 31, 2003

	<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	\$11,933,756	\$11,750,806	\$182,950	98.47%
Insurance	2,207,830	1,935,898	271,932	87.68%
Public employees retirement	1,689,821	1,608,586	81,235	95.19%
Medicare	132,501	121,022	11,479	91.34%
Unemployment	12,863	7,875	4,988	61.22%
Materials and supplies	1,398,625	1,382,121	16,504	98.82%
Services	5,167,906	4,813,221	354,685	93.14%
Capital outlay for equipment	128,545	115,039	13,506	89.49%
Grants to other county depts.	808,405	801,327	7,078	99.12%
Transfers out	635,498	565,133	70,365	88.93%
Advances out	47,200	7,200	40,000	15.25%
Other miscellaneous	2,500	0	2,500	0.00%
Total expenditures	<u>\$24,165,450</u>	<u>\$23,108,228</u>	<u>\$1,057,222</u>	<u>95.63%</u>

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

This is an unaudited financial statement.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Year Ended December 31, 2003

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.

The *Statement of Cash Receipts, Disbursements and Changes in Fund Balance* shows the actual cash receipts and expenditures for the period January 1, 2003 through December 31, 2003 and 2002, shows a comparison of receipts and expenditures for those 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 2003, 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 2003 estimated revenues and does not include prior year carryover balances that are available to appropriate. Estimated revenues were revised near year end to comply with financial reporting and legal requirements. A description of the major revenue accounts and explanations for the third quarter 2003 are included below.

The revenues in the General Fund are estimated by 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. Both settlements have been received by the county and the county collected 1% more in 2003 than in 2002.

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. It is received by the county primarily in June and October after it is collected from the businesses. The house trailer tax is collected on trailers that are taxed like real estate.

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. \$349,656 was collected in 2003.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Year Ended December 31, 2003

Sales tax is derived from the 1% additional tax on sales in the county. It is paid into the state by business owners and then sent back to the county about two months later. Sales taxes received in 2003 are \$756,253 more than received in 2002, an increase of 7%. 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.

Local government funds are received from the State of Ohio. This is a volatile revenue source since the state is considering reducing this to stabilize their budget. The actual allocation was changed in the second half of this year and the account will be closely monitored in the future.

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 2003, 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 decreased by \$426,400 from 2002, due primarily to a decrease in interest rates paid on investments.

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 revenues are derived 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 comes primarily from the federal National School Lunch program and is used to offset the Juvenile Detention Center food costs.

Transfers in are \$980,887 lower in 2003, because transfers were made from other funds to subsidize the General Fund in 2002. The transfers were from the rental of the county home in 2002 and not anticipated in 2003.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Year Ended December 31, 2003

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 2002, which do not need to be reappropriated, and the current year appropriations. The actual expenditures and encumbrances column shows the amount spent and obligated (encumbered) in 2003, 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 2002 and the current appropriations for 2003. 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 for appropriation.

Ohio law states that current year expenditures and encumbrances cannot exceed the appropriations referred to above. Appropriations were 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 70% of General Fund expenditures. One additional pay period (a 27th) is included in salaries in 2003.

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 \$266,338 lower in the General Fund in 2003, partially because of a contribution made in 2002 by the county to offset higher than usual claims in 2001.

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 13.55% of salaries paid. The county pays 16.7% of the gross salary for law enforcement employees as a fringe benefit.

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.

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.

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. Expenditures in 2003 are \$25,547 less than the previous year.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Year Ended December 31, 2003

Capital outlay is used to record the purchase of equipment or other assets purchased through the General Fund.

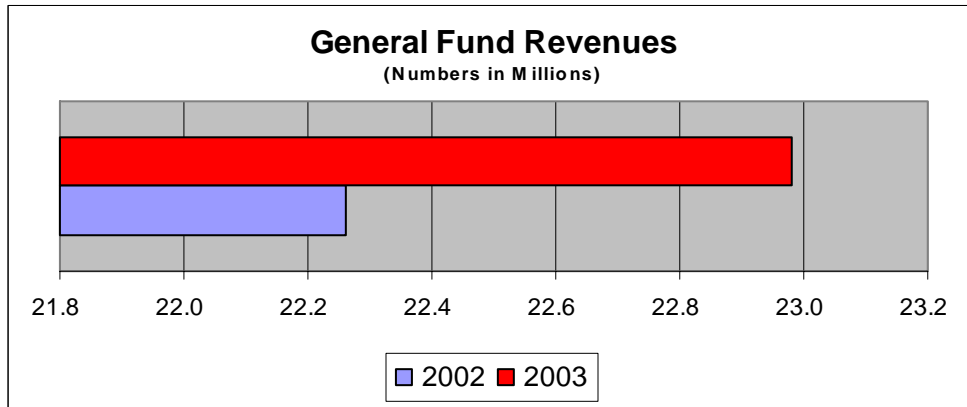
Grants to other county departments include payments made to the Regional Planning Commission, Regional Transit Authority, Board of Health, veteran services, Allen County Airport Authority and other organizations to assist in the funding of their operations. These are \$169,000 lower than in 2002.

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. \$494,380 was the county's share to Department of Job and Family Services this year.

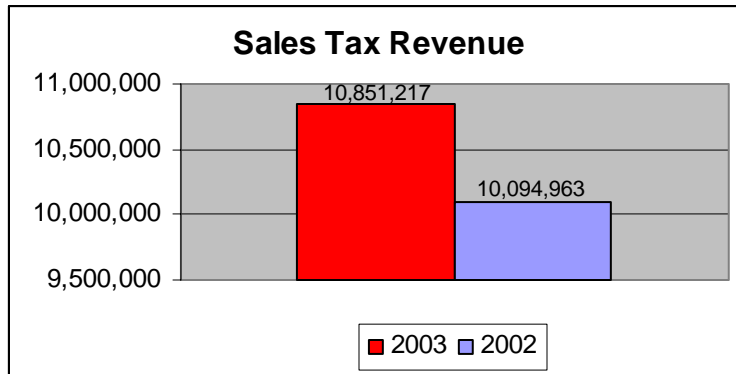
GRAPHS

Allen County, Ohio
Graphs to Quarterly Financial Reports
For the Year Ended December 31, 2003

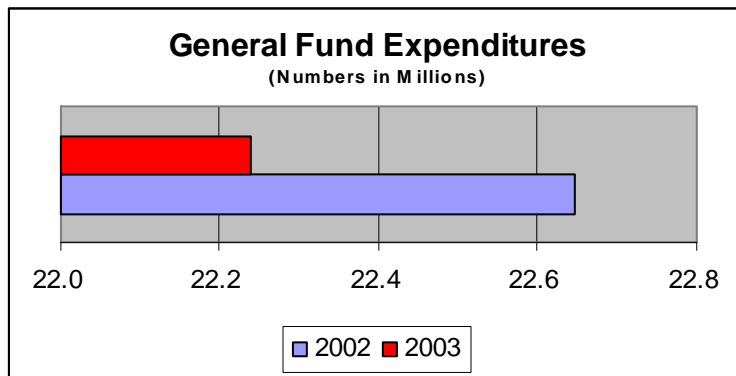
The graph below depicts total revenues collected for 2003 and 2002.



The Sales Tax Revenue Graph show the amount of sales tax collected in the General Fund for 2003 and 2002.

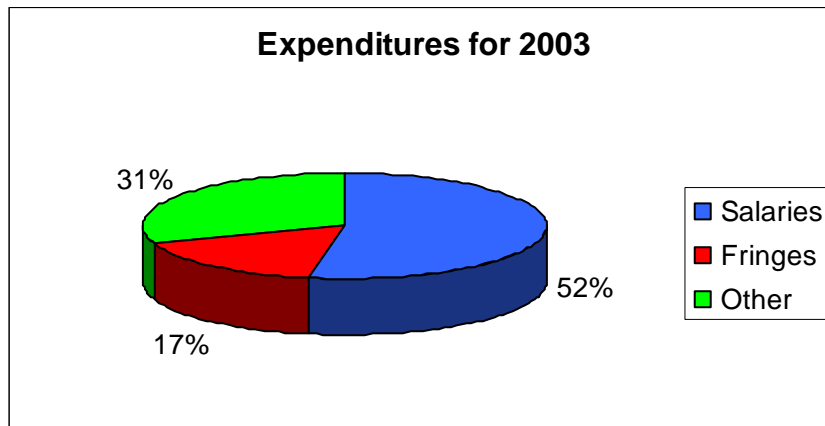


The graph below depicts total expenditures paid for 2003 and 2002.

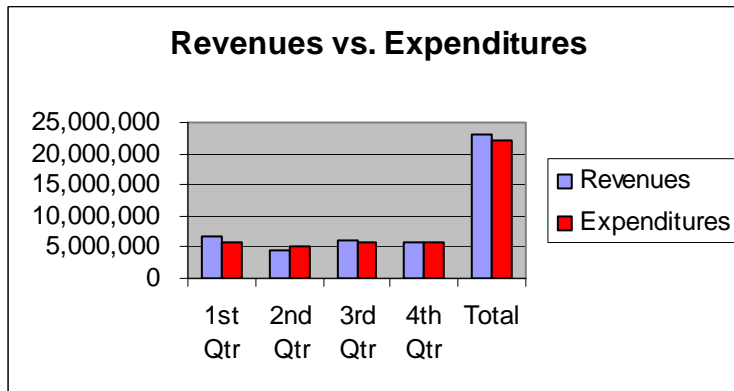


Allen County, Ohio
 Graphs to Quarterly Financial Reports
 For the Year Ended December 31, 2003

The following graph shows percentage of General Fund expenditures by major category.



The next graph depicts General Fund revenues collected compared to General Fund expenditures made by quarter and the total for 2003.



The last graph depicts Other Financing Sources and Uses for 2003 and 2002. These items tend to be one time transactions that do not repeat from year to year.

