

**ALLEN COUNTY, OHIO  
GENERAL FUND  
FINANCIAL STATEMENTS FOR THE  
NINE MONTH PERIOD ENDING  
SEPTEMBER 30, 2006 and 2005**

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



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November 28, 2006

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

Dear Financial Statement Users:

The General Fund financial statements and schedules for the nine month period ended September 30, 2006, are integrated herein. 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 I prepare this report.

Our beginning (carryover) General Fund balance declined by \$822,908 (or 21.3%) from January 2005 to January 2006. Our revenues, transfers in and advances increased by \$1,161,600 (or 6.3%) primarily due to an increase in interest income and sales tax. Expenditures increased by \$1,873,646 (10.2%) because of an increase in salaries and benefits, services and transfers out. 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 \$1,534,954 which is a decline of 38.07% from the third quarter of 2005, when the cash fund balance was reasonably large.

These statements simply and objectively express the transactions that occurred in the third quarter in the General Fund only. Because the presentation of the statements is on the cash basis, they do not consider future plans, assets or actual liabilities that exist at this point in time. They show only the bare, cold accounting transactions so 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 financial transactions 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  
GENERAL FUND  
FINANCIAL STATEMENTS  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2006 AND 2005**

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Allen County, Ohio  
Statement of Cash Receipts, Disbursements and Changes in Fund Balance  
General Fund  
For the Nine Month Period Ended September 30, 2006 and 2005

	2006	2005	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
<b>Local taxes:</b>			
Real estate taxes	\$2,267,438	\$3,068,297	(\$800,859)
Personal property taxes	320,829	393,344	(72,515)
House trailer tax	14,586	13,496	1,090
Rollback reimbursement	436,561	206,720	229,841
County sales tax	9,317,994	8,776,448	541,546
Transfer and conveyance fees	420,584	251,336	169,248
Local government fund	1,229,350	1,214,041	15,309
Local government assistance fund	248,897	247,809	1,088
<b>Total local taxes</b>	<b>14,256,239</b>	<b>14,171,491</b>	<b>84,748</b>
<b>Other revenues:</b>			
Fees	1,268,114	1,234,281	33,833
Licenses	5,941	4,023	1,918
Interest	1,472,070	841,199	630,871
Sales and rents	299,087	422,970	(123,883)
Miscellaneous and reimbursements	1,026,324	929,055	97,269
Courts	584,694	496,940	87,754
Detention Center	51,756	71,888	(20,132)
Federal grants	0	31,759	(31,759)
<b>Total other revenues</b>	<b>4,707,986</b>	<b>4,032,115</b>	<b>675,871</b>
<b>Total General Fund revenue</b>	<b>18,964,225</b>	<b>18,203,606</b>	<b>760,619</b>
<b>Expenditures:</b>			
Salaries	9,440,862	9,035,117	405,745
Insurance	1,997,231	1,897,910	99,321
Public employees retirement (PERS)	1,485,072	1,338,162	146,910
Medicare	107,954	98,870	9,084
Unemployment	1,568	1,243	325
Materials and supplies	1,195,771	1,012,624	183,147
Services	3,818,089	3,390,370	427,719
Equipment	62,680	39,958	22,722
Grants to other county depts.	798,031	786,874	11,157
<b>Total expenditures</b>	<b>18,907,258</b>	<b>17,601,128</b>	<b>1,306,130</b>
<b>Excess of revenues under expenditures</b>	<b>56,967</b>	<b>602,478</b>	<b>(545,511)</b>
<b>Other financing sources (uses):</b>			
Transfer in	524,000	100,000	424,000
Transfer out	(1,285,459)	(537,943)	(747,516)
Advance in	219,377	242,396	(23,019)
Advance out	(50,000)	(230,000)	180,000
<b>Total other financing sources (uses)</b>	<b>(592,082)</b>	<b>(425,547)</b>	<b>(166,535)</b>
<b>Excess of revenues and other financing sources under expenditures and other financing uses</b>	<b>(535,115)</b>	<b>176,931</b>	<b>(712,046)</b>
<b>Beginning fund balance, January 1, 2006 and 2005</b>	<b>3,032,390</b>	<b>3,855,298</b>	<b>(822,908)</b>
<b>Ending fund balance, September 30, 2006 and 2005</b>	<b>2,497,275</b>	<b>4,032,229</b>	<b>(1,534,954)</b>
<b>Outstanding encumbrances</b>	<b>(1,541,069)</b>	<b>(2,025,502)</b>	<b>484,433</b>
<b>Unencumbered fund balance, September 30, 2006 and 2005</b>	<b>\$956,206</b>	<b>\$2,006,727</b>	<b>(\$1,050,521)</b>

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 Nine Month Period Ended September 30, 2006

	Annual Budgeted Revenues	Total Receipt for 2006	Variance Over (Under)	% Received To Date
Revenues:				
Local taxes:				
Real estate taxes	\$2,139,000	\$2,267,438	\$128,438	106.00%
Personal property taxes	759,000	320,829	(438,171)	42.27%
House trailer tax	14,000	14,586	586	104.19%
Rollback reimbursement	317,000	436,561	119,561	137.72%
County sales taxes	12,900,000	9,317,994	(3,582,006)	72.23%
Transfer and conveyance fees	367,000	420,584	53,584	114.60%
Local government fund	1,614,000	1,229,350	(384,650)	76.17%
Local government assistance	327,000	248,897	(78,103)	76.12%
Total local taxes	<u>18,437,000</u>	<u>14,256,239</u>	<u>(4,180,761)</u>	<u>77.32%</u>
Other revenues:				
Fees	2,310,000	1,268,114	(1,041,886)	54.90%
Licenses	5,300	5,941	641	112.09%
Interest	1,300,000	1,472,070	172,070	113.24%
Sales and rents	392,887	299,087	(93,800)	76.13%
Miscellaneous and reimbursements	1,540,935	1,026,324	(514,611)	66.60%
Court revenues	265,000	584,694	319,694	220.64%
Detention center	61,000	51,756	(9,244)	84.85%
Transfers in	100,000	524,000	424,000	524.00%
Advances in	50,000	219,377	169,377	438.75%
Total other revenues	<u>6,025,122</u>	<u>5,451,363</u>	<u>(573,759)</u>	<u>90.48%</u>
Total General Fund revenues	<u><u>\$24,462,122</u></u>	<u><u>\$19,707,602</u></u>	<u><u>(\$4,754,520)</u></u>	<u><u>80.56%</u></u>

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 Nine Month Period Ended September 30, 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	\$13,041,406	\$9,440,862	\$3,600,544	72.39%
Insurance	2,635,835	1,997,231	638,604	75.77%
Public employees retirement	1,835,492	1,485,072	350,420	80.91%
Medicare	157,381	107,954	49,427	68.59%
Unemployment	5,000	1,568	3,432	31.36%
Materials and supplies	1,540,460	1,441,240	99,220	93.56%
Services	5,695,454	4,851,792	843,662	85.19%
Capital outlay for equipment	120,887	101,312	19,575	83.81%
Grants to other county depts.	833,888	833,888	0	100.00%
Transfers out	1,472,867	1,472,867	0	100.00%
Advances out	50,000	50,000	0	100.00%
Total expenditures	<u>\$27,388,670</u>	<u>\$21,783,786</u>	<u>\$5,604,884</u>	<u>79.54%</u>

This is an unaudited financial statement.

Appropriations include prior year carryover plus current year appropriations.  
Actual expenditures also include encumbrances (commitments against appropriations).

Prepared by Allen County Auditor

Allen County, Ohio  
Notes and Explanations to Quarterly Financial Reports  
For the Nine Month Period Ended September 30, 2006

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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).

These notes are presented to explain in more detail what is included on the face of the financial statements. This information explains what is included in certain accounts for example and the statements are best read in conjunction with these notes. These notes also explain the accounting and budgetary requirements under Ohio law and county policy.

The financial statements and schedules presented are for the General Fund only. As the primary operating fund of the county, the General Fund keeps the doors to the courthouse open and providing general governmental services. It accounts for all receipts and expenditures that are not legally required to be accounted for in a separate fund. The General Fund includes such departments as the commissioners, auditor, treasurer, sheriff, recorder, clerk of courts, the courts, prosecutor, coroner and others.

The *Statement of Cash Receipts, Disbursements and Changes in Fund Balance* shows the actual cash receipts and expenditures for the first nine months which covers the period January 1, 2006 through September 30, 2006. This statement also shows a comparison of receipts and expenditures for 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. Comparative financial statements make more sense.

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.

The original General Fund budget for 2006 was estimated as follows:

January 1, 2006 unencumbered carryover fund balance of \$	3,032,390
Estimated revenues for 2006	<u>24,462,122</u>
Available to appropriate	27,494,512
Appropriations for 2006	<u>26,834,170</u>
Unappropriated balance	<u>\$ 660,342</u>

This budget has not changed materially as of the end of the third quarter. Budgetary changes will occur in November and December as we draw closer to year end. At that point, we can make the revisions based upon knowing the trends for the current year. Actual revenues are projected to be greater than the original estimates and expenditures will not be quite as high as budgeted.

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 cash (carryover) balances that are available. Estimated revenues are revised near year end to comply with financial reporting and legal requirements. A description of the major revenue accounts and explanations are included below.

Allen County, Ohio  
Notes and Explanations to Quarterly Financial Reports  
For the Nine Month Period Ended September 30, 2006

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The revenues in the General Fund are estimated based upon the source from which they are received and are classified in this manner. We also review prior year history as a basis to estimate. 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 26.1% less in 2006 than in 2005. The primary reason is that the county reallocated a portion of its real estate tax in order to gain the maximum amount of personal property tax reimbursement during the phase out period up through 2017. 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.

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. We have received \$72,515 less in 2006 than in 2005, using the same scenario as mentioned above for real estate taxes. This allocation of one-third also extends the reimbursement during the personal property phase out period which ends in 2017.

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, resulting in an additional \$1.7 million in reimbursements over seven years. No new revenue source has been promised to the county once the phase-out is complete.

The house trailer tax is collected on trailers that are taxed like real estate. This account is immaterial to the General Fund.

Rollback reimbursements are received from the state of Ohio 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. Sales taxes received in the General Fund in 2006 are 6.17% more than we received in 2005. It should be noted that gross sales tax revenues (before allocation to other funds) are down in 2006 by \$131,455 or 1.2%. 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. Two dollars is placed in the General Fund and the rest is distributed by the commissioners to other funds. These are up by 67% this year based upon increased real estate activity.

Local government funds are received from the State of Ohio. This is an important revenue source that was the subject of scrutiny in the last state of Ohio budget. The actual allocation was changed in the second half of 2005 and the account will be closely monitored in the future. We have received 1.7% more than in the previous year. This revenue source is frozen until at least June 30, 2007.

Allen County, Ohio  
Notes and Explanations to Quarterly Financial Reports  
For the Nine Month Period Ended September 30, 2006

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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 and from other departments.

Licenses primarily consist of a small amount of revenues from the sale of cigarette and vendors licenses. More vendors' licenses were issued after July of 2005, 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 \$630,871 which is an increase of 75% 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.

Miscellaneous revenues are derived primarily from election expenses and reimbursements from other sources. This source increased by \$97,269 which is an increase of 10.47%.

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. The center also receives Federal grant revenue which comes primarily from the Federal National School Breakfast and Lunch program and is used to offset the Juvenile Detention Center food costs.

Transfers in, which are like revenues, are \$424,000 more than 2005 due to receiving payments from other county departments. Advances are substantially the same as the prior 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 in the General Fund.

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. See page five of these notes.

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.

Allen County, Ohio  
Notes and Explanations to Quarterly Financial Reports  
For the Nine Month Period Ended September 30, 2006

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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 (the employer share of Medicare, retirement costs, and insurance) account for about 65% of General Fund expenditures. Salaries are up this year by 4.49%.

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 5.83% 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 13.70% of salaries paid. The county pays 16.93% of the gross salary for law enforcement employees as a fringe benefit. The employee's share of OPERS increased by one-half percent to 9% of their gross income. The county share of OPERS is up by 10.98% based upon the timing of the payments to OPERS.

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. These expenditures are up by 18.09% 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 on this line item has increased by 12.62 percent primarily because of increases in indigent defense and liability insurance.

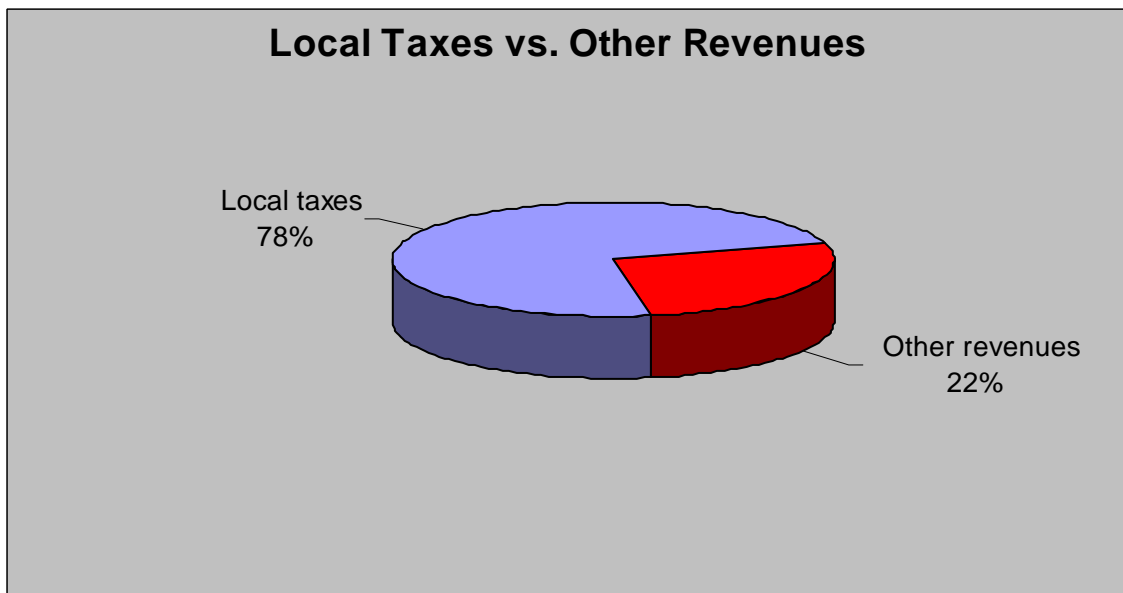
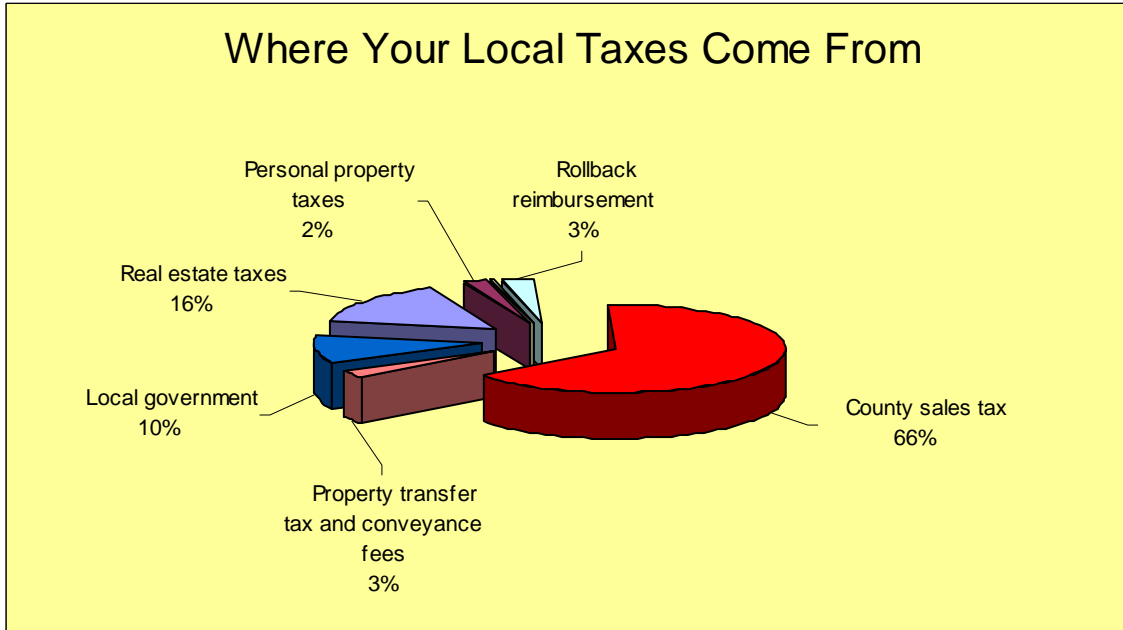
Capital outlay is used to record the purchase of equipment or other assets purchased through the General Fund. Most county purchases of general fixed assets are made from the Building and Repair Fund for vehicles and computer equipment so this account is immaterial to the fund.

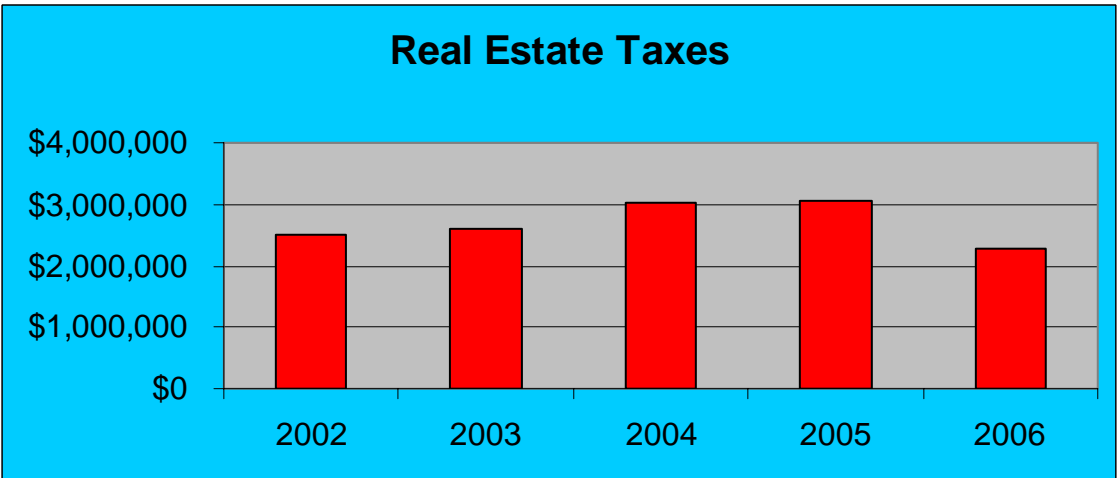
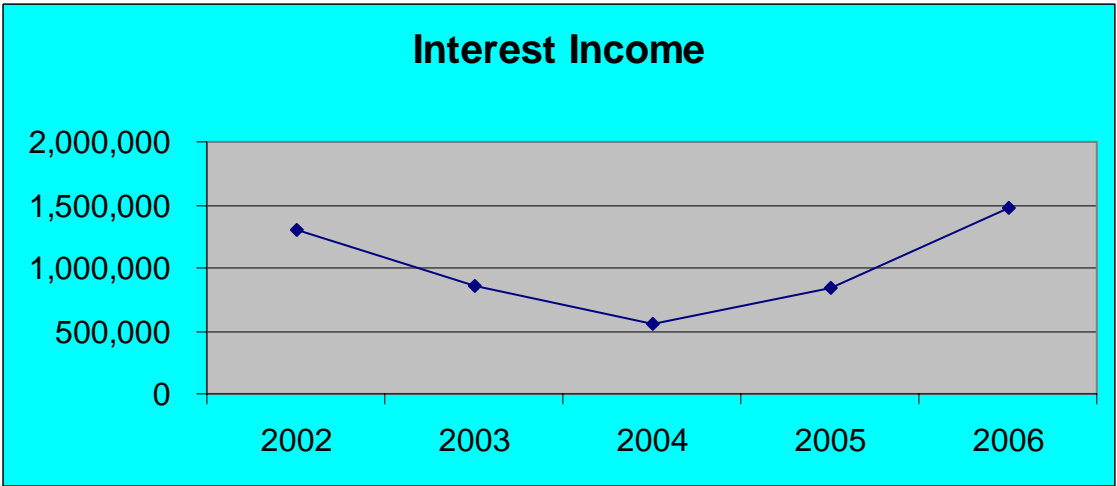
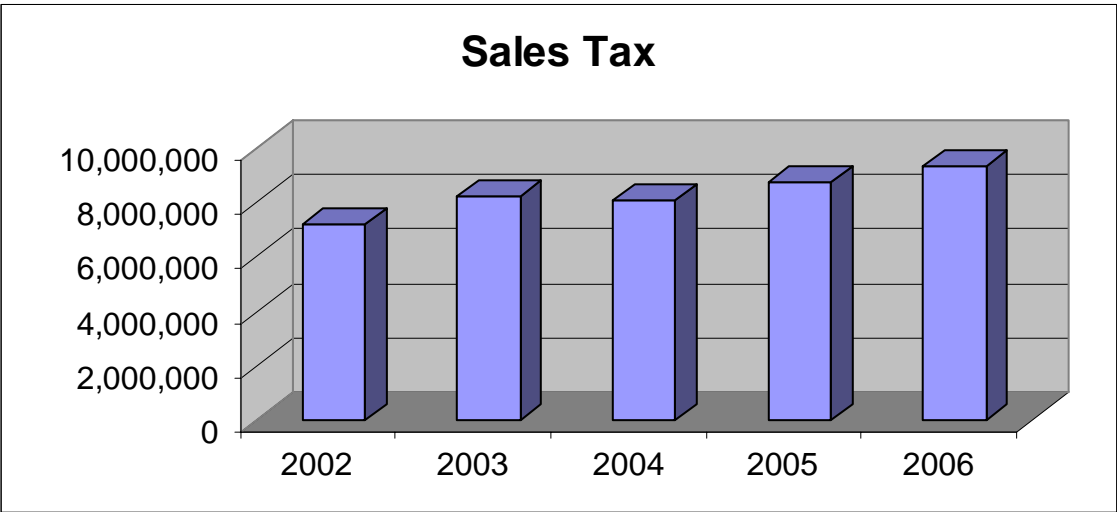
Grants to other county departments include payments made to the Regional Planning Commission, Regional Transit Authority, and Board of Health, veteran services, Airport Authority, Court of Appeals, Crime Victim Services, agricultural-related organizations and others to assist in the funding of their operations. Expenditures for these accounts have increased 1.42%.

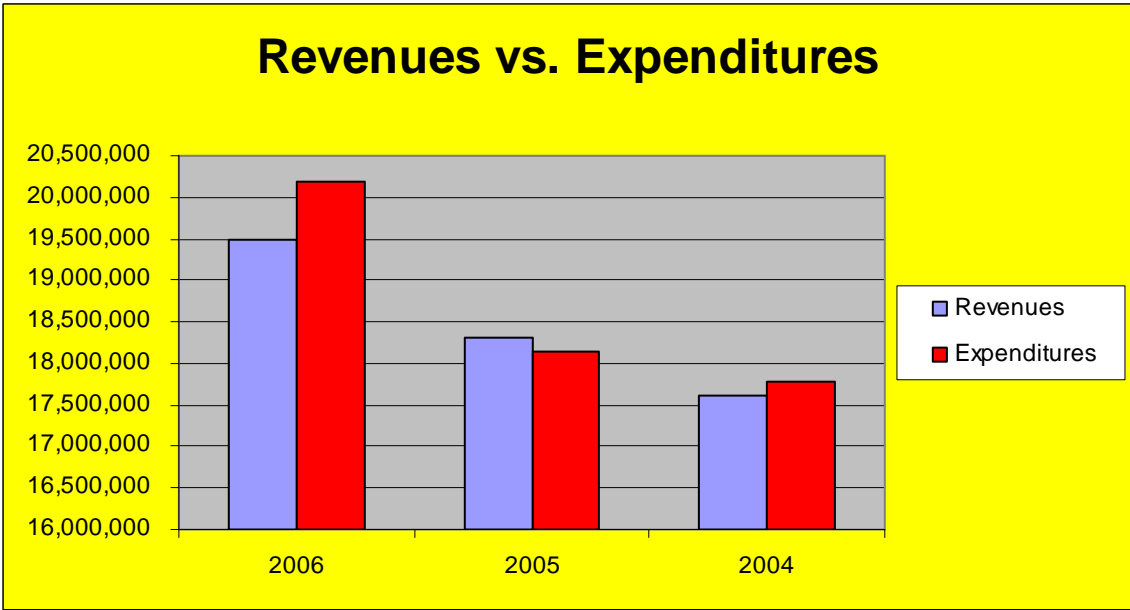
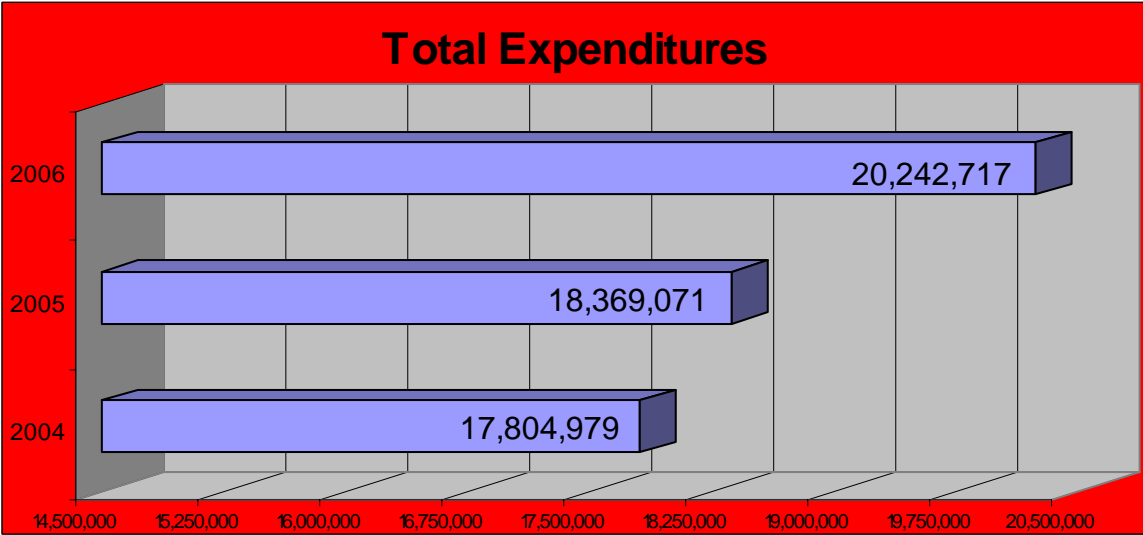
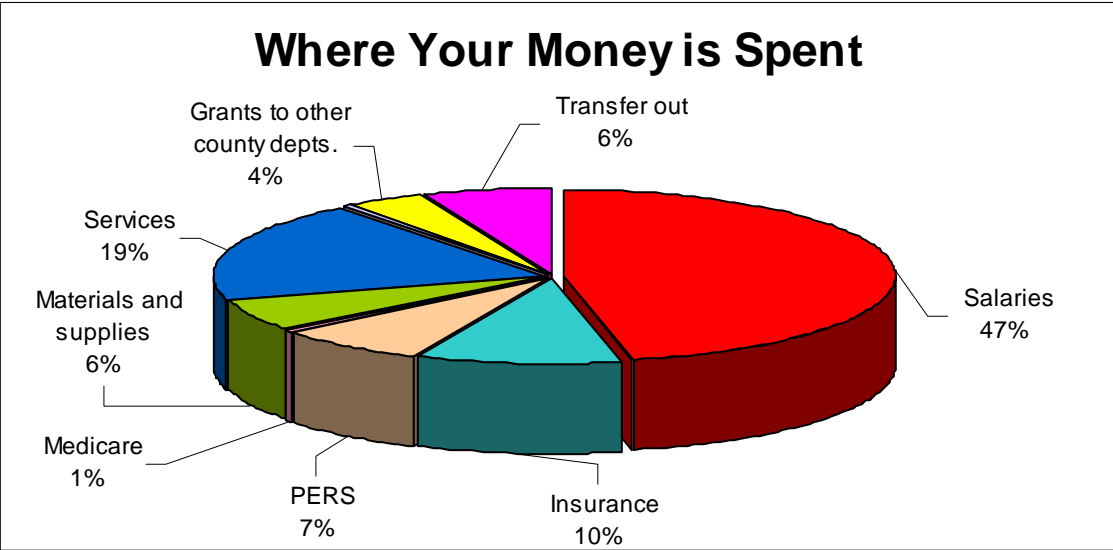
Transfers out, which are like expenditures, consist of the payment of the county's mandated share of public assistance to the County Department of Job and Family Services and payments to subsidize other departments. Through this nine month period, the county transferred \$420,734 to the DJFS with an additional commitment in the last quarter of the year of \$187,708 for a total commitment of \$608,442. Transfers to all other departments was \$864,725.

# Graphs

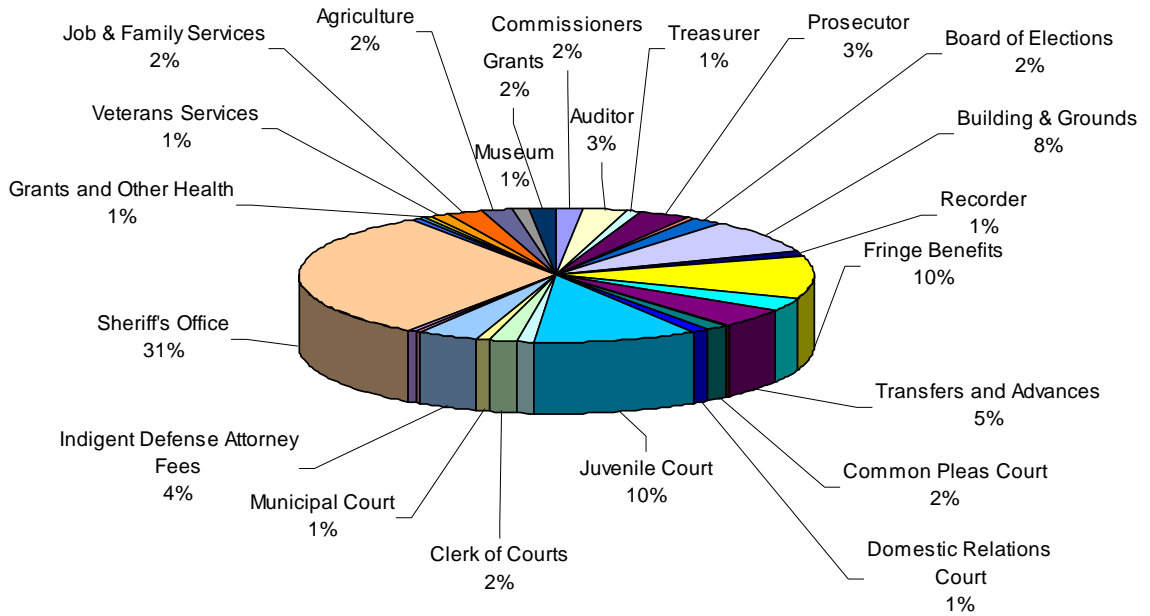
The graphs below depict a few of the main items of the County's General Fund revenue and expenditures. All amounts are for the period of January through September.







# Expenditures by Departments



Expenditures By Department  
General Fund  
For the Nine Month Period Ended September 30, 2006

General Legislative & Executive	
Commissioners	\$309,673
Allen County Law Library	18,985
Auditor	560,950
Treasurer	167,719
Prosecutor	685,607
Board of Revision	9
Bureau of Inspection	48,833
Board of Elections	418,498
Building & Grounds	1,657,864
Recorder	233,582
Taxes & Special Assessments	53,733
Fringe Benefits (All General Fund Employees)	2,098,234
Insurance	600,719
Transfers	864,725
Advance	50,000
Total General Legislative & Executive	<u>7,769,131</u>
Judicial	
Court of Appeals	32,395
Common Pleas Court	308,243
Domestic Relations Court	189,073
Juvenile Court	2,099,345
Probate Court	232,838
Clerk of Courts	349,797
Municipal Court	177,244
Indigent Defense Attorney Fees	758,266
Grant	88,922
Total Judicial	<u>4,236,123</u>
Public Safety	
Regional Planning Grant	80,256
Coroner	110,125
Sheriff's Office	6,243,987
Total Public Safety	<u>6,434,368</u>
Public Works	
Tax Map Office	107,858
Ditches	895
Grants	141,390
Total Public Works	<u>250,143</u>
Health	
Children's Services Attorney	41,448
Tuberculosis Care	9,965
Grant	101,825
Total Health	<u>153,238</u>
Human Services	
Veterans Services	252,117
Job & Family Services Mandate	420,734
Total Human Services	<u>672,851</u>
Conservation & Recreation	
Agriculture	394,724
Museum	226,538
Grants	105,601
Total Conservation & Recreation	<u>726,863</u>
Total General Fund Expenditures	<u><u>\$20,242,717</u></u>