

**ALLEN COUNTY, OHIO
GENERAL FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006 and 2005**

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



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February 15, 2007

Allen County Elected Officials, Allen County Residents and Members of the News Media and Departments

Dear Financial Statement Readers:

The General Fund financial statements and schedules for the twelve month period ended December 31, 2006, are included here for your examination. 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 one of my primary duties as county auditor is to provide information so that users can make informed decisions.

In essence, this is the earning report for the county. You see, Allen County is a fairly large corporation. We do not issue stock or pay dividends, but we are responsible for providing basic services efficiently- preferably not in competition with the private sector. The General Fund accounts for all financial resources that are not required to be accounted for in a separate fund.

The General Fund is of primary interest to the public and the management of Allen County because it keeps the doors to the courthouse open.

We began 2006 with a carryover cash balance of \$3,032,391. The revenues and other financing sources provided cash of \$25,439,273 which is an increase of 6.1% over 2005. This is primarily a result of increased sales tax revenue, interest income and transfers in. Our spending and other financing uses totaled \$26,394,669 which is an increase of 6.5% over 2005. This is attributable to an increase in salaries and fringe benefits and transfers out. In other words, we spent \$955,396 more than we brought in. The carryover balance remaining at the end of 2006 is \$2,076,995.

These statements simply and objectively express the transactions that occurred in 2006, 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 on this date. They do not include revenues and expenditures in any other funds. Please take the time to read the notes to the financial reports for more explanations relating to these statements. As auditor, I will continue to monitor our finances closely for changes that might impact your county 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
FOR THE YEAR ENDED
DECEMBER 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 Year Ended December 31, 2006 and December 31, 2005

	2006	2005	Variance Over (Under)
Revenues:			
Local taxes:			
Real estate taxes	\$2,267,438	\$3,068,297	(\$800,859)
Personal property taxes	807,768	921,212	(113,444)
House trailer tax	14,586	13,496	1,090
Rollback reimbursement	436,561	206,720	229,841
County sales tax	12,274,760	11,643,062	631,698
Property transfer tax and conveyance fees	550,969	343,053	207,916
Local government fund	1,613,029	1,593,566	19,463
Local government assistance fund	325,921	323,999	1,922
Total local taxes	18,291,032	18,113,405	177,627
Other revenues:			
Fees	1,623,893	1,584,676	39,217
Licenses	8,866	4,173	4,693
Interest	1,972,279	1,181,626	790,653
Sales and rents	361,059	515,683	(154,624)
Miscellaneous and reimbursements	1,504,541	1,388,861	115,680
Courts	775,127	724,701	50,426
Detention Center	59,099	55,839	3,260
Total other revenues	6,304,864	5,455,559	849,305
Total General Fund revenue	24,595,896	23,568,964	1,026,932
Expenditures:			
Salaries	12,854,732	12,357,017	497,715
Insurance	2,598,218	2,492,603	105,615
Public employees retirement (PERS)	1,834,230	1,742,375	91,855
Medicare	148,566	136,891	11,675
Unemployment	1,568	3,328	(1,760)
Materials and supplies	1,583,344	1,414,751	168,593
Services	4,920,639	4,597,280	323,359
Equipment	96,479	82,395	14,084
Grants to other county depts.	807,049	906,958	(99,909)
Total expenditures	24,844,825	23,733,598	1,111,227
Excess of revenues over (under) expenditures	(248,929)	(164,634)	(84,295)
Other financing sources (uses):			
Sale of fixed assets	0	14,580	(14,580)
Other financing uses	(25,383)	0	(25,383)
Transfer in	624,000	100,000	524,000
Transfer out	(1,474,461)	(817,268)	(657,193)
Advance in	219,377	274,415	(55,038)
Advance out	(50,000)	(230,000)	180,000
Total other financing sources (uses)	(706,467)	(658,273)	(48,194)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(955,396)	(822,907)	(132,489)
Beginning fund balance, January 1, 2006 and 2005	3,032,391	3,855,298	(822,907)
Ending fund balance, December 31, 2006 and 2005	2,076,995	3,032,391	(955,396)
Outstanding encumbrances	(299,086)	(313,057)	13,971
Unencumbered fund balance, December 31, 2006 and 2005	\$1,777,909	\$2,719,334	(\$941,425)

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, 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	635,000	807,768	172,768	127.21%
House trailer tax	14,000	14,586	586	104.19%
Rollback reimbursement	437,000	436,561	(439)	99.90%
County sales taxes	12,275,000	12,274,760	(240)	100.00%
Property transfer taxes and conveyance fees	530,600	550,969	20,369	103.84%
Local government fund	1,614,000	1,613,029	(971)	99.94%
Local government assistance	327,000	325,921	(1,079)	99.67%
Total local taxes	<u>17,971,600</u>	<u>18,291,032</u>	<u>319,432</u>	<u>101.78%</u>
Other revenues:				
Fees	1,571,000	1,623,893	52,893	103.37%
Licenses	8,300	8,866	566	106.82%
Interest	1,800,000	1,972,279	172,279	109.57%
Sales and rents	362,887	361,059	(1,828)	99.50%
Miscellaneous and reimbursements	1,498,235	1,504,541	6,306	100.42%
Court revenues	755,000	775,127	20,127	102.67%
Detention center	61,000	59,099	(1,901)	96.88%
Transfers in	600,000	624,000	24,000	104.00%
Advances in	219,000	219,377	377	
Total other revenues	<u>6,875,422</u>	<u>7,148,241</u>	<u>272,819</u>	<u>103.97%</u>
Total General Fund revenues	<u>\$24,847,022</u>	<u>\$25,439,273</u>	<u>\$592,251</u>	<u>102.38%</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, 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	\$13,057,608	\$12,854,732	\$202,876	98.45%
Insurance	2,635,835	2,598,218	37,617	98.57%
Public employees retirement	1,853,639	1,834,230	19,409	98.95%
Medicare	157,617	148,566	9,051	94.26%
Unemployment	5,000	1,568	3,432	31.36%
Materials and supplies	1,631,003	1,589,148	41,855	97.43%
Services	5,617,555	5,204,397	413,158	92.65%
Capital outlay for equipment	133,821	106,003	27,818	79.21%
Grants to other county depts.	908,704	807,049	101,655	88.81%
Transfers out	1,532,867	1,474,461	58,406	96.19%
Advances out	50,000	50,000	0	100.00%
Other financing uses	25,647	25,383	264	98.97%
Total expenditures	<u>\$27,609,296</u>	<u>\$26,693,755</u>	<u>\$915,541</u>	<u>96.68%</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, 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 twelve month period which covers the period January 1, 2006 through December 31, 2006. This statement shows a comparison of receipts and expenditures for those two periods. Comparative financial statements provide more information for management to make decisions and give the readers a better understanding of how we contrast with last year and previous years.

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. These budget estimates have been revised throughout the year in accordance with accounting and legal requirements.

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 and near year end to comply with financial reporting and legal requirements. A description of the major revenue accounts and explanations for 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. 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.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Year Ended December 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. The reimbursement for the loss is also included in this account balance. The primary reason for the loss is that the county reallocated a portion of its personal property tax in order to gain the maximum amount of personal property tax reimbursement during the phase out period up through 2017. We have received 12.3% less in 2006 than in 2005. 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. It is not a major source of revenue.

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 in 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 2006 in the General Fund is up compared to what was received in 2005. However, in 2006, the County is allocating more sales tax revenues into this fund. It should be noted that gross countywide sales tax revenues went down in 2006 by \$41,302, a decrease of .29%. A primary reason is the sales tax base has broadened to include more transactions that are subject to the sales tax. This revenue source is affected by market and non-economic conditions and is a primary indicator of business activity. This account is watched closely because of its volatility and importance to our county.

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 although this allocation can change during the year.

Local government funds are received from the State of Ohio. This is a volatile revenue source since the state often considers reducing it to stabilize their budget. After much contentious debate during the state budget hearings, this allocation was frozen for the next state biennium, which covers 2006-2007. We received slightly more than the frozen amount, but it was insignificant.

Fees are generated from significant 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. These are the primary fees generated.

Licenses primarily consist of revenues from the sale of cigarette and vendors licenses which are not a significant revenue source.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Year Ended December 31, 2006

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 \$790,653 in 2006 which is an increase of 66.9% from 2005.

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. Fewer buildings were rented this past year and the old childrens home (Allen Acres) rent was not paid into this fund.

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. This account also includes Federal reimbursements from the federal National School Lunch program and is used to offset the Juvenile Detention Center food costs.

Transfers in went up by \$524,000.

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 (the amount available) 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.

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 and these changes do occur. Expenditures did not exceed the appropriations.

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 have increased 4.03 percent in 2006. Salaries and fringe benefits account for about 70% of General Fund expenditures.

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. In 2006, insurance costs are up 4.24 percent as compared to 2005.

Allen County, Ohio
Notes and Explanations to Quarterly Financial Reports
For the Year Ended December 31, 2006

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 16.8% 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. Medicare costs will continue to increase as current employees retire (who did not usually pay Medicare) and new employees are hired.

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. Fortunately, this has not significantly affected families or the county.

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. Spending is up by 11.9% this year.

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 here have increased by 7%.

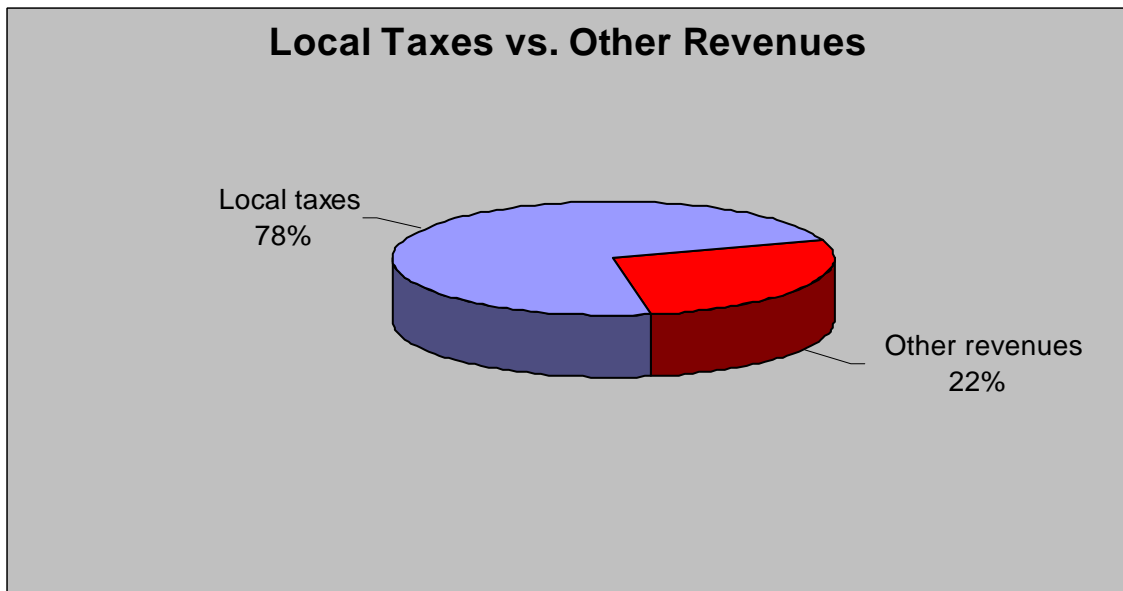
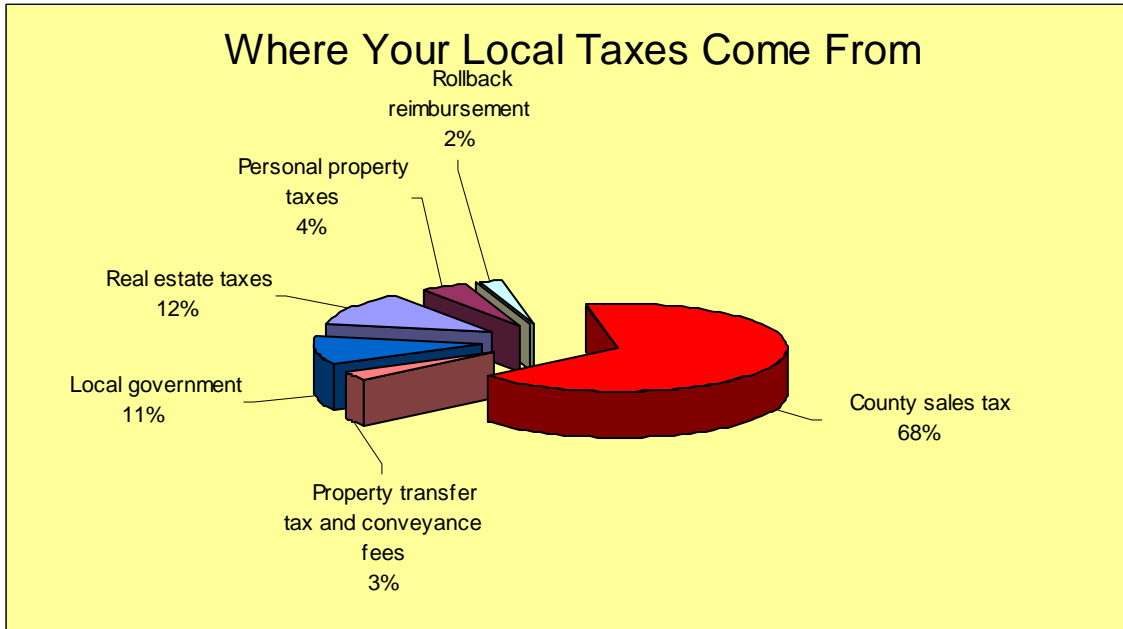
Capital outlay accounts are used to record the purchase of equipment or other assets purchased through the General Fund. Most long lived assets are purchased in other funds. However, this account has increased by 17%.

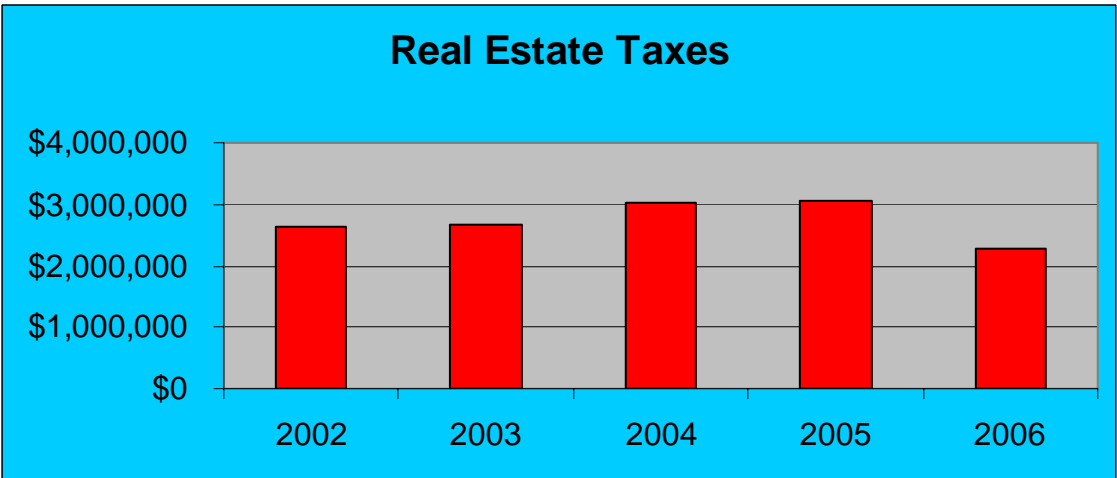
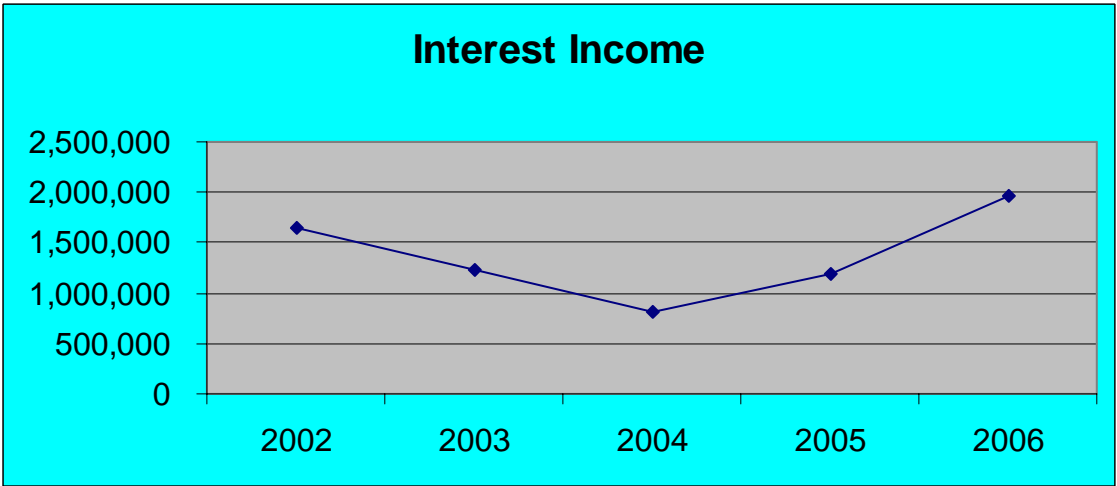
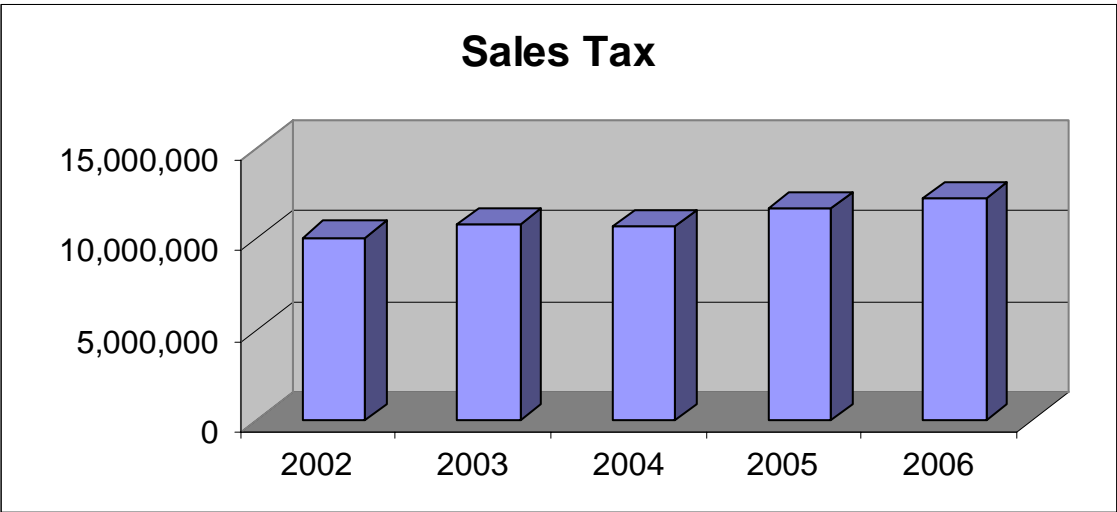
Grants to other county departments include payments made to the Regional Planning Commission, Regional Transit Authority, and Board of Health, veteran services, Airport Authority, Court of Appeals, Crime Victim Services, agricultural-related organizations and others to assist in the funding of their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

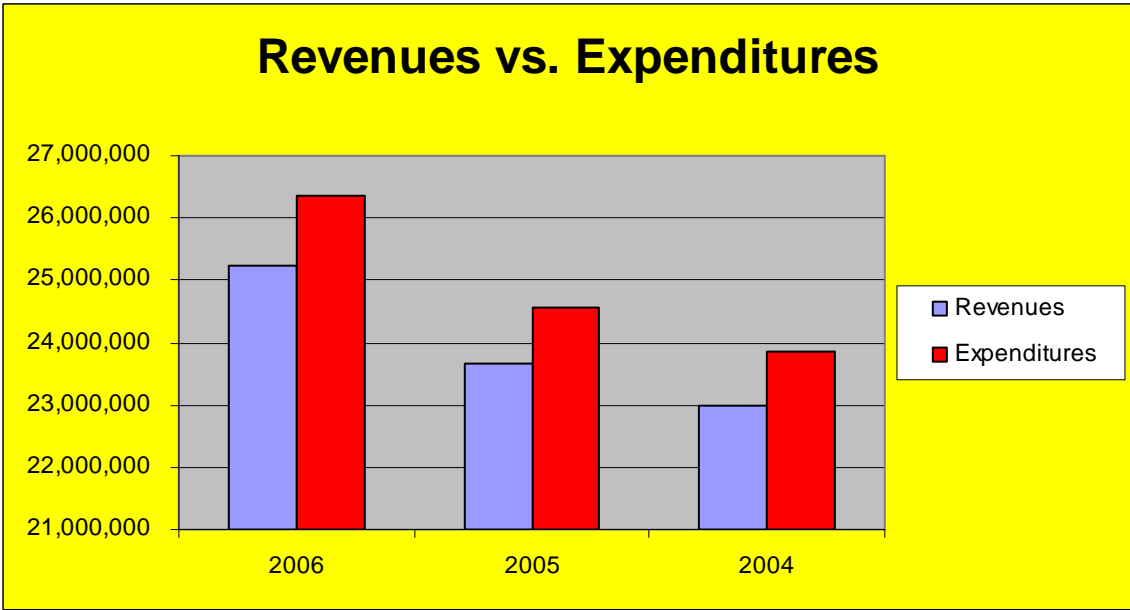
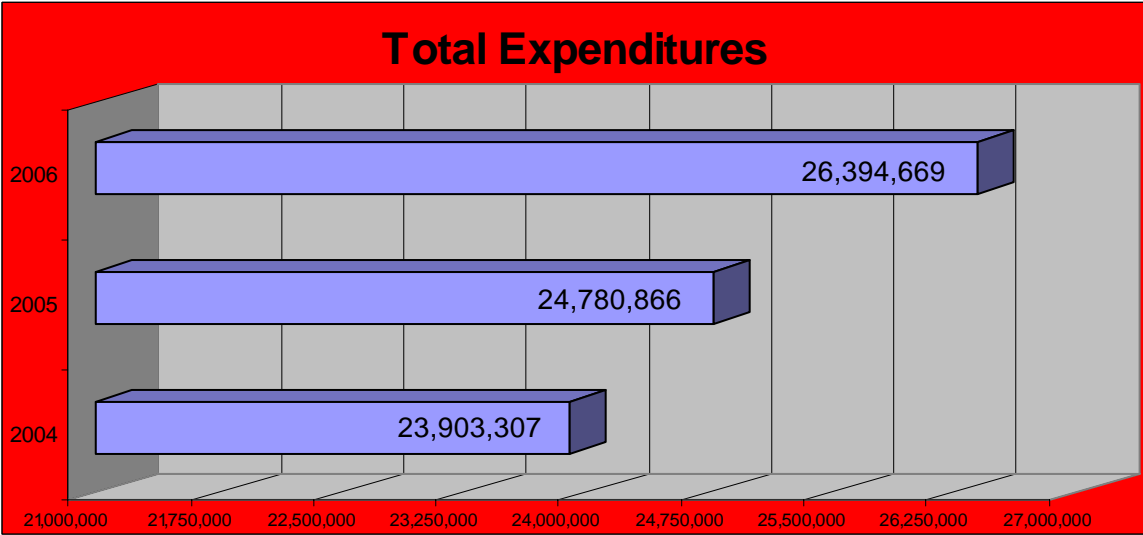
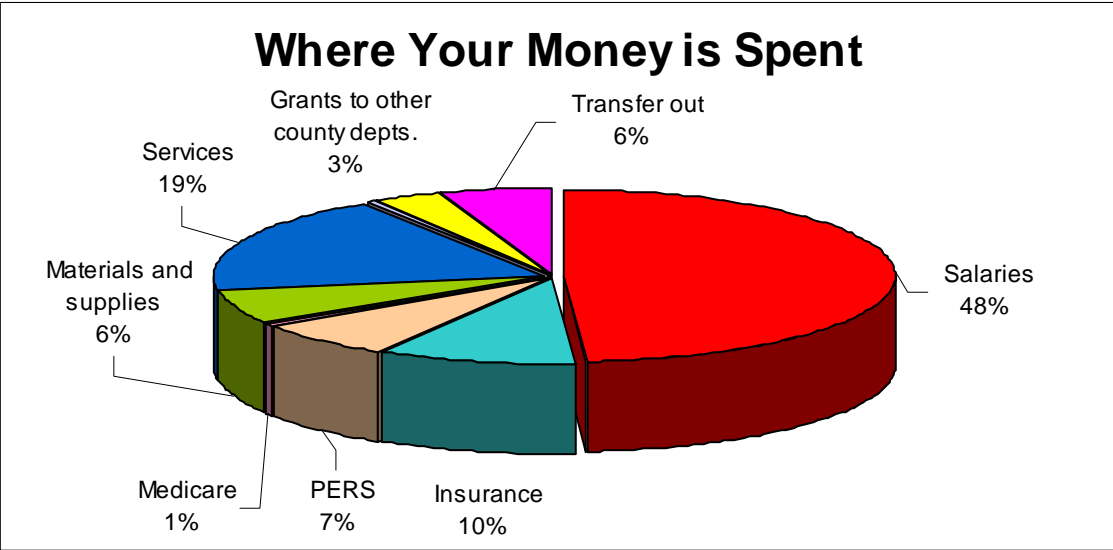
Transfers out primarily consist of the payment of the county's mandated share of public assistance to the County Department of Job and Family Services and also are used to subsidize other funds. The county's share to the Department of Job and Family Services this year totaled \$549,736 and other transfers out totaled \$924,725. Total transfers increased by more than 80% this year.

Graphs

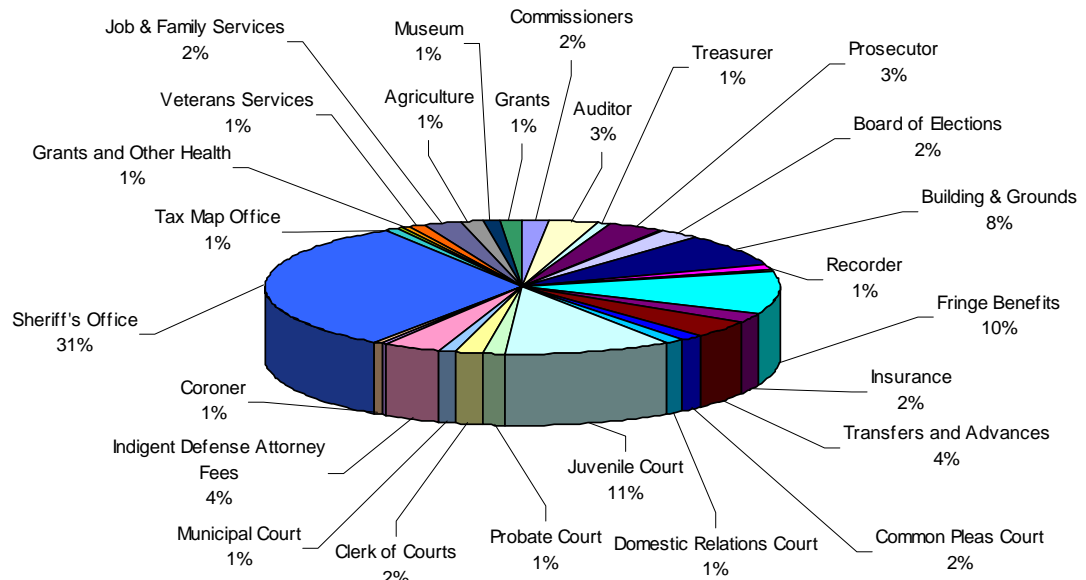
The graphs below depict a few of the main items of the County's General Fund revenue and expenditures. All amounts are for the year ended December 31, 2006.







Expenditures by Departments



Expenditures By Department
General Fund
For the Year Ended December 31, 2006

General Legislative & Executive	
Commissioners	\$419,161
Allen County Law Library	25,817
Auditor	799,097
Treasurer	214,311
Prosecutor	899,509
Board of Revision	248
Bureau of Inspection	70,357
Board of Elections	626,846
Building & Grounds	2,145,680
Recorder	316,845
Taxes & Special Assessments	91,406
Fringe Benefits (All General Fund Employees)	2,738,483
Insurance	618,974
Transfers	924,725
Advance	50,000
Total General Legislative & Executive	<u>9,941,459</u>
Judicial	
Court of Appeals	32,395
Common Pleas Court	432,866
Domestic Relations Court	269,784
Juvenile Court	2,845,074
Probate Court	312,839
Clerk of Courts	489,351
Municipal Court	240,378
Indigent Defense Attorney Fees	967,424
Grant	89,422
Total Judicial	<u>5,679,533</u>
Public Safety	
Regional Planning Grant	84,795
Coroner	161,147
Sheriff's Office	8,298,690
Total Public Safety	<u>8,544,632</u>
Public Works	
Tax Map Office	156,609
Ditches	17,961
Grants	159,637
Total Public Works	<u>334,207</u>
Health	
Children's Services Attorney	56,023
Tuberculosis Care	11,131
Grant	136,690
Total Health	<u>203,844</u>
Human Services	
Veterans Services	333,579
Job & Family Services Mandate	549,736
Total Human Services	<u>883,315</u>
Conservation & Recreation	
Agriculture	394,821
Museum	307,257
Grants	105,601
Total Conservation & Recreation	<u>807,679</u>
Total General Fund Expenditures	<u><u>\$26,394,669</u></u>