

Crawford County Financial Forecast Dated December 23, 2010 Summary

Background

County governments in Ohio are not required by law to prepare multi-year budgets or to do any sort of long-range financial forecasting. In fact, multi-year budgeting is prohibited by state law and unlike school districts, county governments are not required to prepare any reports on long-term financial forecasting. As such, in order to do any type of long-term financial forecasting, the County had to create a model that could be incorporated into the annual budget process used by the Board of County Commissioners. Accordingly, the Board of County Commissioners contracted with Auditor of State Mary Taylor in 2009, to help the county build a sustainable forecasting model for the County General Fund which was used in 2010. For 2010, the County Auditor had the primary responsibility for compiling the financial forecast utilizing the forecasting model provided by the Auditor of State in 2009 and utilizing the relevant assumptions provided by the Board of County Commissioners and the various County officials. The County Auditor has recommended to the Board of County Commissioners that the forecasting model be incorporated into the annual budgetary process, beginning in June of 2011, so that annual budgetary requests can be considered in conjunction with projected operating revenues and cash reserves.

Using the Financial Forecast Report

The financial forecast model incorporates a summary of significant assumptions that are used to forecast future revenues and expenditures and is based on input from the various county officials and the Board of County Commissioners as to what relevant financial assumptions should be used to forecast future revenues and expenditures. Background information in the notes was compiled from data and processes provided by the Auditor of State as to the procedures the County should use in the preparation of the financial forecast. Also, included in the forecast model is the financial detail for each office or department along with an outline of the major functions and responsibilities of that office.

The *Schedule of Revenues, Expenditures, and Changes in Fund Balance* in the forecast provide a combined financial statement for six years; three years of actual revenues and expenditures and three years of projected revenues and expenditures and were compiled from the assumptions provided by the Board of Commissioners and other county officials. For more information on the process and the assumptions used, please refer to the actual Financial Forecast Report dated December 23, 2010.

Financial Highlights

- Overall operating revenues of the County are projected to decline in 2011 due in large part to a projected decline in interest revenue because of lower interest rates associated with the global economy.
- Sales tax revenue is projected to remain flat from 2010 as a result of a 2009 sales tax audit by the State Department of Taxation that identified overpayments made to the State of Ohio which are required to be repaid to the company in 2010 and 2011.

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- Intergovernmental revenues such as local government funds and property rollbacks and homestead reimbursement credits paid by the State of Ohio are projected based on State law and current distribution formulas. However, if the State of Ohio should discontinue these payments, approximately \$1,400,000 in annual revenue (16% of the total General Fund revenue) could be lost by the County in 2011 and after.
- General Fund operating expenditures are projected to decline by approximately 21% over the next two years due to a criminal justice levy approved by the voter which requires the costs associated with the Sheriff's road patrol to be paid from a special revenue fund.
- From 2007 to 2010, the operating expenditures for the General Fund decreased by 5.56% and other financing sources and uses, including operating transfers out, increased by 27%.
- Operating transfers from the County General Fund to other funds of the County are made to pay for debt service obligations of the County General Fund, to meet grant matching requirements and to provide operating subsidies for various programs within the County. For a detailed listing of the operating transfers made from the County General Fund and the projected operating transfers to be made from the County General Fund in 2011 and 2012, see page 8 of the Financial Forecast.
- Salary and benefit costs have remained constant since 2010 and represent approximately 67% of the total operating expenditures projected in 2011.
- The General Fund year-end cash balance has decreased from \$2,846,144 in 2007 to a projected \$1,498,784 in 2010 but is forecasted to increase by 2012 to \$2,884,205. This projected increase in cash is due in large part to the passage of the Criminal Justice Services Levy that removes all costs associated with the Sheriff's Road Patrol from the General Fund and because operating expenditures in the General Fund are projected to decline during the forecast period.
- The General Fund year-end cash balance is offset with a reserve for outstanding debt associated with the County Administration Building because this debt was issued to replenish the cash reserves of the General Fund to offset a projected cash deficit for the year end 2004. Due to the nature of this debt, when the Board of County Commissioners determine the annual budgets of the County General Fund, the outstanding debt obligation plus interest owed for the \$2,000,000 is reserved. As such, the actual cash reserves of the County General Fund are determined after considering this outstanding debt obligation.