FINANCIAL CONDITION
VAN WERT COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004

Auditor of State
Betty Montgomery

FINANCIAL CONDITION
VAN WERT COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition
Van Wert County
121 East Main Street
Van Wert, Ohio 45891

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Van Wert County, (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Motor Vehicle Gas Tax, Human Services, Thomas Edison, and Brumback Library Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

September 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Van Wert County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

The County's total net assets increased $579,148 during 2004. Net assets of governmental activities increased $463,615 (less than two percent), mainly due to an Issue II grant received for the resurfacing of County roads. Net assets of business-type activities increased by $115,533 (14%), due to a transfer from the general fund of $10,900, capital contributions of $42,800 for assets purchased from the Recycle Ohio Grant Special Revenue Fund and the construction of a recycling building.

The General Fund transfers out equaled $653,748. Out of total transfers out, $119,726 in transfers was for debt service obligations; $523,122 was for human services operations; and $10,900 was to subsidize the recycling fund.

Business-type operations reflected operating income, since charges for services kept up with expenses, while business-type unrestricted net assets are $355,951.

Capital assets used in governmental activities increased $898,806. A large portion of this was due to the Issue II road resurfacing of County roads.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand Van Wert County's financial situation as a whole and also give a detailed view of the County's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets and the Statement of Activities

The analysis of the County as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine if Van Wert County is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes to those net assets. This change informs the reader whether the County's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the County's financial well being. Some of these factors include the County's tax base, and the condition of capital assets.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two kinds of activities.

> **Governmental Activities** – Most of the County's services are reported here including general government, public safety, public works, health, human services, economic development and assistance, and intergovernmental.
>
> **Business-Type Activities** – These services include recycling. Service fees for this operation are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

FUND FINANCIAL STATEMENTS

The analysis of the County's major funds begins on page 10. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Van Wert County's major funds are General, Motor Vehicle and Gas Tax, Human Services, Thomas Edison, Brumback Library, Towne Center Capital Improvement and Recycling. The County chose to present the Human Services Fund as a major fund since the fund was close to meeting the necessary requirements and may meet them next year. The County chose to present the Brumback Library as a major fund due to the unique nature of the fund.

Governmental Funds – Most of the County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund – When the County charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated previously, the Statement of Net Assets looks at the County as a whole. The following table provides a summary of the County's net assets for 2004 compared to 2003.

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	$20,246,685	$16,086,808	$397,300	$387,192	$20,643,985	$16,474,000
Capital Assets	17,129,171	16,230,365	673,958	560,676	17,803,129	16,791,041
Total Assets	37,375,856	32,317,173	1,071,258	947,868	38,447,114	33,265,041
Liabilities						
Current and Other Liabilities	9,200,038	4,314,248	33,375	20,468	9,233,413	4,334,716
Long-Term Liabilities:						
Due Within One Year	697,399	731,326	6,352	6,670	703,751	737,996
Due in More Than One Year	3,024,397	3,281,192	96,622	101,354	3,121,019	3,382,546
Total Liabilities	12,921,834	8,326,766	136,349	128,492	13,058,183	8,455,258
Net Assets						
Invested in Capital Assets, Net of Related Debt	14,339,539	13,240,392	578,958	560,676	14,918,497	13,801,068
Restricted	8,173,619	7,853,333	0	0	8,173,619	7,853,333
Unrestricted	1,940,864	2,896,682	355,951	258,700	2,296,815	3,155,382
Total Net Assets	$24,454,022	$23,990,407	$934,909	$819,376	$25,388,931	$24,809,783

Total assets of governmental activities increased $5.1 million from prior year. Equity in Pooled Cash and Cash Equivalents increased $3.4 million. Also a major factor in the increase is increases in capital asset for monies spent on resurfacing County roads that was made possible through an Issue II grant.

Current liabilities of governmental activities increased by $4.8 million. This increase was the result of issuing bond anticipation notes for the Towne Center Improvements. Long-term liabilities of governmental activities decreased as payments were made on the various debt obligations.

Total net assets increased $.6 million. Net assets of the County's governmental activities increased by $.5 million, with unrestricted net assets decreasing $1 million. The County transferred $.7 million to other funds reducing equity in pooled cash and cash equivalents in the general fund.

The net assets of the County's business-type activities increased by $115,533, while also reporting operating income during 2004. Net assets of business-type activities increased by 14%, partly due to a transfer from the general fund of $10,900, capital contributions of $42,800 for assets purchased from the Recycle Ohio Grant Special Revenue Fund and the construction of a recycling building.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

The following table shows the changes in net assets for 2004 compared with 2003:

	Governmental Activities		Business-Type Activities		Total	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Revenues:						
Program Revenues:						
Charges for Services	$3,444,540	$3,507,946	$488,970	$456,220	$3,933,510	$3,964,166
Operating Grants, Contributions and Interest	10,346,370	9,521,227	0	0	10,346,370	9,521,227
Capital Grants and Contributions	465,000	82,884	0	0	465,000	82,884
Total Program Revenues	14,255,910	13,112,057	488,970	456,220	14,744,880	13,568,277
General Revenues:						
Property and Other Taxes	2,909,677	2,893,579	0	0	2,909,677	2,893,579
Permissive Sales Tax	3,576,390	3,490,105	0	0	3,576,390	3,490,105
Grants and Entitlements	1,200,112	1,154,734	0	0	1,200,112	1,154,734
Other	494,304	523,600	50,068	0	544,372	523,600
Total General Revenues	8,180,483	8,062,018	50,068	0	8,230,551	8,062,018
Total Revenues	22,436,393	21,174,075	539,038	456,220	22,975,431	21,630,295
Program Expenses:						
General Government						
Legislative and Executive	4,507,199	4,329,120	0	0	4,507,199	4,329,120
Judicial	1,372,596	1,295,053	0	0	1,372,596	1,295,053
Public Safety	3,020,114	3,063,224	0	0	3,020,114	3,063,224
Public Works	3,014,088	3,102,127	0	0	3,014,088	3,102,127
Health	91,434	91,430	0	0	91,434	91,430
Human Services	8,277,445	8,769,499	0	0	8,277,445	8,769,499
Economic Development and Assistance	840,735	500,540	0	0	840,735	500,540
Intergovernmental	933,438	305,891	0	0	933,438	305,891
Interest and Fiscal Charges	82,074	61,942	0	0	82,074	61,942
Recycling	0	0	477,205	443,907	477,205	443,907
Total Expenses	22,139,123	21,518,826	477,205	443,907	22,616,328	21,962,733
Excess (Deficiency) Before Extraordinary Item and Transfers	297,270	(344,751)	61,833	12,313	359,103	(332,438)
Extraordinary Item	220,045	187,153	0	39,628	220,045	226,781
Transfers	(53,700)	(45,000)	53,700	45,000	0	0
Increase (Decrease) in Net Assets	$463,615	($202,598)	$115,533	$96,941	$579,148	($105,657)

Governmental Activities

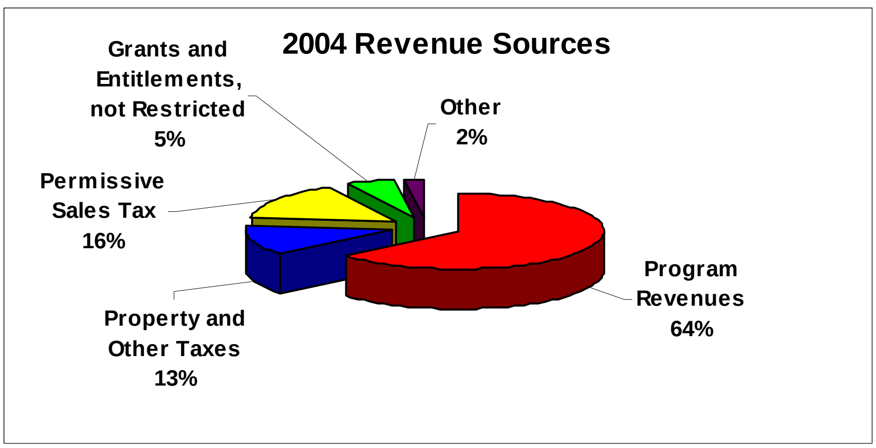
Operating grants and contributions and interest, capital grants and contributions and entitlements not restricted to specific programs make up 54% of total revenues for 2004. The major recipients of intergovernmental program revenues were the Motor Vehicle and Gas Tax, Human Services, Thomas Edison, and Brumback Library Funds, as well as the Children's Services and CSEA Special Revenue Funds. An increase of $.02 per gallon in gas tax and an Issue II grant for 2004 in the amount of $465,000 were part of the reasons for the increase in operating grants and contributions and capital grants and contributions.

The County's direct charges to users of governmental services made up around 15% of total governmental revenues for 2004. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

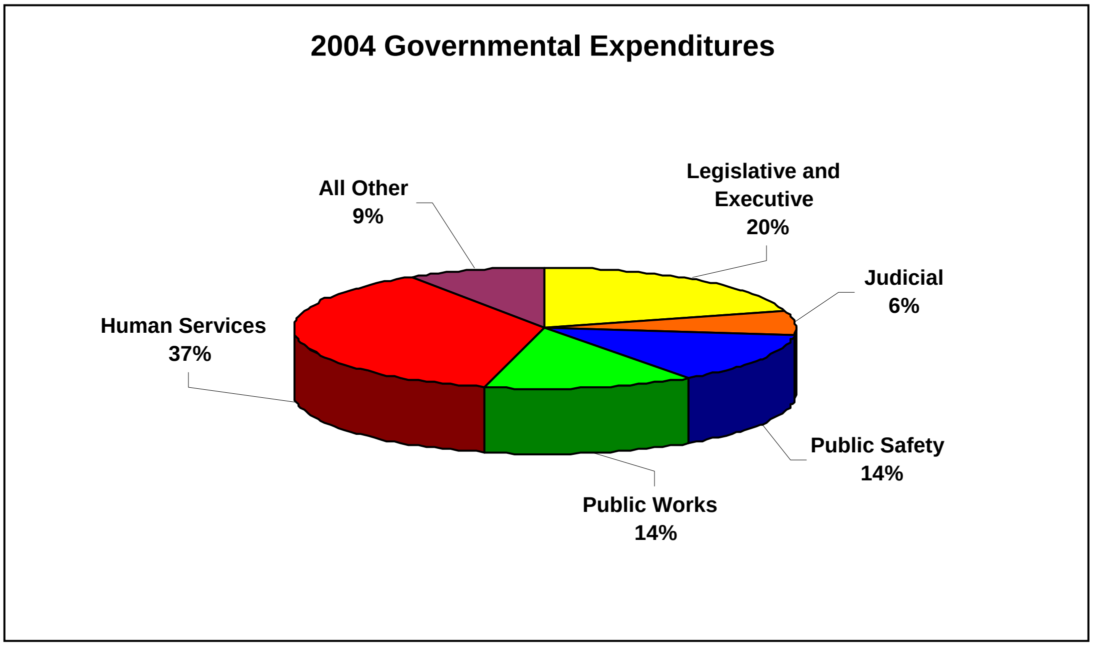
Permissive sales tax is the second largest source of revenue for the County. The County received $3,576,390 during 2004 or about 16% of total revenues. Permissive sales tax revenue increased approximately $86,000 from the prior year.

Property and other taxes have remained stable from 2003 to 2004. During 2004, a few of the County's employers went through reorganization and downsizing. However, other companies expanded and new businesses were added to the economic base.

The County Commissioners rely on general revenues, especially taxes, to close the gap between program revenues and expenses to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.



Governmental expenditures increased $.6 million. This increase is due to intergovernmental expenditures increasing. The County has entered into an agreement with the City of Van Wert for improvements to Towne Center. Expenditures for this project have been recorded as Intergovernmental expenditures.

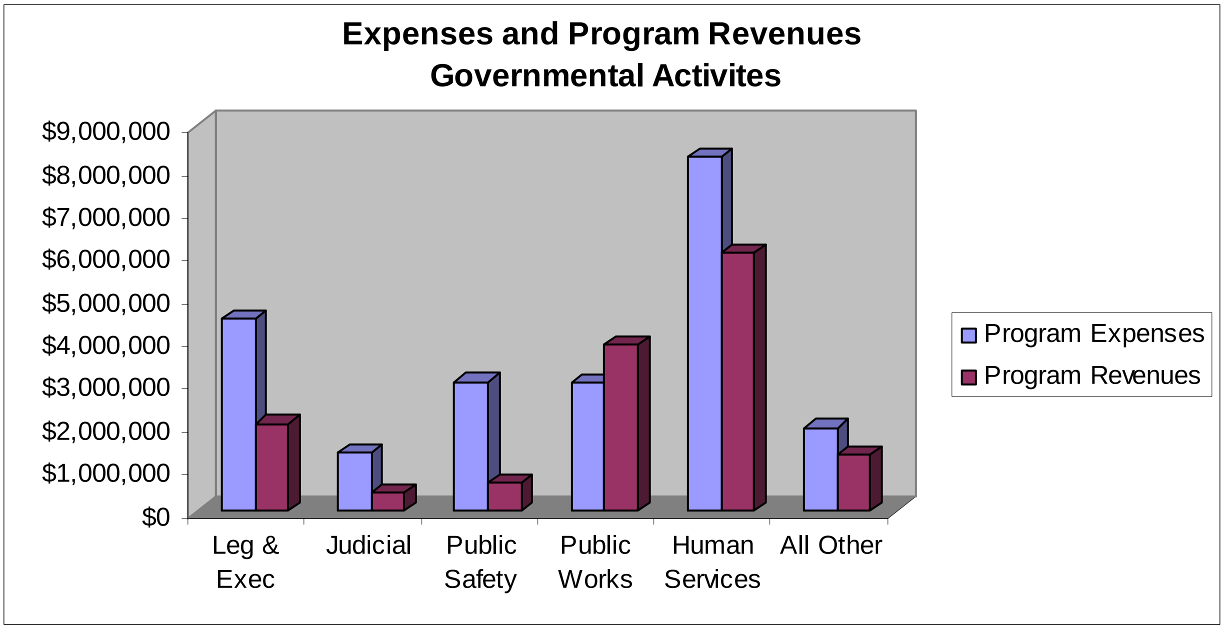


The legislative and executive expenses of the County rely heavily on general revenues to support the program. $2.5 million of legislative and executive expenses were covered by general revenues.

For public safety, the net cost of services of $2.4 million indicates the general fund, permissive sales tax, and property tax levy support the operation of the Sheriff's Department and the Jail. To help reduce the tax burden and increase program revenues, the County is actively pursuing contracts for the housing of prisoners from other entities outside the County.

The $2.4 million in net cost of services for human services demonstrates the cost of services that are not supported from State and federal sources. As such, the taxpayers have approved property tax levies for the Thomas Edison Fund and the County Home, Senior Citizens and Tri-County Mental Health Special Revenue Funds.

The increase of $.02 per gallon in the gas tax along with the revenues received for gasoline excise tax and motor vehicle license tax enable the County to cover its expenses for Public Works.



Business-Type Activities

The net assets for business-type activities increased by $115,533 during 2004. Charges for services were the largest revenue source, accounting for over 91% of total business-type activities revenues.

Capital assets increased in part due to the construction of a recycling center. The County received a capital contribution during 2004 from the governmental funds that increased capital assets and invested in capital assets, net of related debt.

The County strives to control operation expenses for business-type activities in order to maintain stability in charges for services.

Other revenue increased due to a settlement agreement reached on behalf of the Van Wert County Solid Waste Management District with Maharg, Incorporated. The agreement terms state that the County will receive semi-annual payments over a three year period totaling $50,000.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

Information about the County's major governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of $22.3 million and expenditures of $23.4 million. The General fund balance decreased by $587,718. During 2004, permissive sales tax revenue increased by more than $79,000. Within the General Fund, revenues exceeded expenditures by $47,005. Transfers to other funds such as the Capital Improvement funds, Debt Service funds, other Special Revenue funds and the Enterprise fund totaled $653,748. The funds transferred were used for capital assets, improvements, repairs, debt and support of special revenue programs, especially human services.

After encumbrances of $26,032, unreserved undesignated fund balance equals $1,457,292, which is available for spending at the County's discretion. The remaining $68,059 fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year or a variety of other restricted purposes. While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the State or federal government.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 20% of total General Fund expenditures.

The Motor Vehicle and Gas Tax fund balance increased $252,909. The increase of $.02 per gallon in gas tax along with a decrease of approximately $1 million in expenditures from last year helped swing the change in fund balance from 2003 to 2004 from ($705,439) to $252,909. Fund balance at December 31, 2004, was $1,456,385 million of which $61,439 is encumbrances to be used for various equipment purchases. The Human Services fund balance decreased $29,740. Fund balance at December 31, 2004, was ($17,016). The Thomas Edison fund balance increased $40,993. Fund balance at December 31, 2004, was $636,373. The Brumback Library fund balance increased $21,540, while fund balance at year-end was $334,901. This was primarily due to revenues exceeding expenditures causing an inflow of cash to the fund during 2004. Finally, new in 2004 the Towne Center Capital Improvement Fund shows a fund balance of ($689,061). The County issued $5,000,000 for this project in notes during 2004. This fund balance deficit will be eliminated when bonds are issued or the notes are paid off.

Enterprise Fund

The enterprise fund reflects an operating income for 2004. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. The County Commissioners has set fees with the intention of funding operating costs and debt service.

The statement of cash flows has a net cash increase of $11,864. This occurred due a transfer in of $10,900 from the General Fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Major Funds Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. Before the budget is adopted the County Commissioners review detailed budget worksheets of each function within the General Fund and then adopts the budget at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses).

During 2004, there were numerous revisions to the General Fund budget. The net effect of the revisions was an increase in the appropriations of $115,783. This represents a mere 1% increase from original appropriations. Original General Fund budgeted revenues were also adjusted slightly, less than 1% increase.

The increase in estimated receipts in the Motor Vehicle and Gas Tax Fund is due to an increase in the gas tax of $.02 per gallon. These additional revenues allowed the County to increase its appropriations for capital outlay projects.

Human Services anticipated receipts decreased from what was originally estimated due to a decrease in entitlements and grants from the Ohio Department of Job and Family Services. As a result of this decrease, appropriations were decreased to avoid a negative fund balance.

Thomas Edison decreased it appropriations $185,649 in part due to lower than anticipated health insurance costs.

Estimated revenues in the Brumback Library fund increased $24,000 resulting from an increase in donations allowing the library to purchase some additional equipment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	$114,700	$114,700	$0	$0	$114,700	$114,700
Land Improvements	20,399	20,399	0	0	20,399	20,399
Buildings	13,942,189	11,731,203	329,731	233,251	14,271,920	11,964,454
Machinery and Equipment	368,849	382,701	119,721	67,264	488,570	449,965
Furniture and Fixtures	73,023	82,902	3,312	4,407	76,335	87,309
Vehicles	1,441,177	1,322,535	221,194	255,754	1,662,371	1,578,289
Infrastructure	1,168,834	185,630	0	0	1,168,834	185,630
Construction in Progress	0	2,390,295	0	0	0	2,390,295
	$17,129,171	$16,230,365	$673,958	$560,676	$17,803,129	$16,791,041

The majority of the increase to governmental capital assets was the increase in infrastructure due to the receipt of an Issue II grant to resurface County roads. The largest increases to business-type capital assets were for the addition of a recycling building. See Note 8 of the notes to the basic financial statements for more detailed capital asset information.

Long-Term Debt

At December 31, 2004, Van Wert County had $3,141,785 in long-term debt outstanding.

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-Type Activities	
	2004	**2003**	**2004**	**2003**
Special Assessment Notes	$344,429	$509,334	$0	$0
General Obligation Notes	2,650,995	2,815,279	95,000	100,000
Capital Leases	51,361	77,355	0	0
	$3,046,785	$3,401,968	$95,000	$100,000

Special Assessment notes will be paid with special assessment revenue. Special assessment debt decreased as a result of scheduled payments.

All general obligation note issues will be paid through the General Fund, Motor Vehicle and Gas Tax Fund, and debt service funds with property tax revenues, airport monies, and transfers from various funds. The Recycling Fund's note is paid from operating revenues of the recycling enterprise operation.

Obligations under capital lease will be paid from the Thomas Edison Special Revenue Fund.

The County's overall legal debt margin was $7,038,027 as of December 31, 2004. The more restrictive unvoted legal debt margin was $1,804,934 as of the same date. See Note 16 of the notes to the basic financial statements for more detailed information.

CONTACTING THE COUNTY AUDITOR'S OFFICE

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nancy Dixon, County Auditor, Van Wert County, 121 East Main Street, Van Wert, Ohio 45891.

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FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31,2004

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets			
Equity in Pooled Cash and Cash Equivalents	$9,628,373	$180,406	$9,808,779
Cash and Cash Equivalents in Segregated Accounts	34,979		34,979
Cash and Cash Equivalents with Fiscal Agents	3,632		3,632
Accrued Interest Receivable	21,752		21,752
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	289,118	236,983	526,101
Permissive Sales Tax Receivable	582,214		582,214
Due from Other Governments	4,858,530		4,858,530
Internal Balances	20,331	(20,331)	
Prepaid Items	183,837	242	184,079
Supplies Inventory	321,552		321,552
Property and Other Taxes Receivable	3,268,122		3,268,122
Loans Receivable	326,916		326,916
Special Assessments Receivable	563,837		563,837
Investments in Segregated Accounts	143,492		143,492
Nondepreciable Capital Assets	135,099		135,099
Depreciable Capital Assets, Net	16,994,072	673,958	17,668,030
Total Assets	37,375,856	1,071,258	38,447,114
Liabilities			
Accounts Payable	314,738	4,680	319,418
Accrued Salaries Payable	181,437	3,961	185,398
Contracts Payable	106,429	11,005	117,434
Contracts Payable Retainage	3,632	8,350	11,982
Due to Other Governments	271,503	5,341	276,844
Notes Payable	5,000,000		5,000,000
Accrued Interest Payable	27,085	38	27,123
Compensatory Time Payable	57,324		57,324
Deferred Revenue	3,237,890		3,237,890
Long-Term Liabilities:			
Due Within One Year	697,399	6,352	703,751
Due in More Than One Year	3,024,397	96,622	3,121,019
Total Liabilities	12,921,834	136,349	13,058,183
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,339,539	578,958	14,918,497
Restricted for:			
Other Purposes	7,883,297		7,883,297
Debt Service	290,322		290,322
Unrestricted	1,940,864	355,951	2,296,815
Total Net Assets	$24,454,022	$934,909	$25,388,931

See accompanying notes to the basic financial statements.

Component Units				
Thomas Edison Center	Van Wert Housing Services, Inc.	Thomas Edison Endowment	Van Wert County Port Authority	Van Wert County Airport Authority
			$15,314	
105,136	5,202	35,593		197,379
36,506	16	8,213		
				10,611
245	2,944			
300				4,433
		1,547,694		
	48,646		204,454	542,927
106,966	449,751		3,328	88,788
249,153	506,559	1,591,500	223,096	844,138
7,103	7,962			
				1,307
	15,671			12,072
	115,342			182,881
7,103	138,975			196,260
106,966	367,384		207,782	436,762
135,084	200	1,591,500	15,314	211,116
$242,050	$367,584	$1,591,500	$223,096	$647,878

FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants, Contributions and Interest**	**Capital Grants and Contributions**
Governmental Activities				
General Government:				
Legislative and Executive	$4,507,199	$1,019,179	$1,017,787	
Judicial	1,372,596	223,726	193,294	
Public Safety	3,020,114	308,498	359,904	
Public Works	3,014,088	458,403	2,980,171	465,000
Health	91,434	56,526		
Human Services	8,277,445	1,351,091	4,560,790	
Economic Development and Assistance	840,735	20,647	1,234,424	
Intergovernmental	933,438			
Interest and Fiscal Charges	82,074	6,470		
Total Governmental Activities	22,139,123	3,444,540	10,346,370	465,000
Business-Type Activity				
Recycling	477,205	488,970		
Total Primary Government	$22,616,328	$3,933,510	$10,346,370	$465,000
Component Units				
Thomas Edison Center	$483,629	$255,259	$235,567	
Van Wert Housing Services, Inc.	98,073	96,084	2,500	
Thomas Edison Endowment	13,604		73,540	
Van Wert County Port Authority	20,489	2,520		
Van Wert County Airport Authority	325,824	297,038		185,655
Total Component Units	$941,619	$650,901	$311,607	$185,655

General Revenues
Property and Other Taxes Levied for:
General Purposes
Thomas Edison
Other Purposes
County Permissive Motor Vehicle License Taxes Levied for Public Works
Permissive Sales Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Investment Earnings
Other
Extraordinary Item-Insurance Settlement from Tornado Damage
Transfers

Total General Revenues, Extraordinary Item, and Transfers

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units				
Governmental Activities	Business-Type Activity	Total	Thomas Edison Center	Van Wert Housing Services, Inc.	Thomas Edison Endowment	Van Wert County Port Authority	Van Wert County Airport Authority
($2,470,233)		($2,470,233)					
(955,576)		(955,576)					
(2,351,712)		(2,351,712)					
889,486		889,486					
(34,908)		(34,908)					
(2,365,564)		(2,365,564)					
414,336		414,336					
(933,438)		(933,438)					
(75,604)		(75,604)					
(7,883,213)		(7,883,213)					
	$11,765	11,765					
(7,883,213)	11,765	(7,871,448)					
			7,197				
				511			
					59,936		
						(17,969)	
							156,869
			7,197	511	59,936	(17,969)	156,869
937,852		937,852					
1,221,185		1,221,185					
646,884		646,884					
103,756		103,756					
3,576,390		3,576,390					
1,200,112		1,200,112					
395,409		395,409	894	4	88,180		23
98,895	50,068	148,963					
220,045		220,045					
(53,700)	53,700						
8,346,828	103,768	8,450,596	894	4	88,180		23
463,615	115,533	579,148	8,091	515	148,116	(17,969)	156,892
23,990,407	819,376	24,809,783	233,959	367,069	1,443,384	241,065	490,986
$24,454,022	$934,909	$25,388,931	$242,050	$367,584	$1,591,500	$223,096	$647,878

FINANCIAL CONDITION
VAN WERT COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Motor Vehicle and Gas Tax	Human Services
Assets			
Equity in Pooled Cash and Cash Equivalents	$1,144,760	$1,022,298	$44,511
Cash and Cash Equivalents in Segregated Accounts	1,602		296
Cash and Cash Equivalents with Fiscal Agents			
Investments in Segregated Accounts			
Receivables:			
Property and Other Taxes	972,461	7,502	
Permissive Sales Tax	582,214		
Accounts (Net, where applicable, of Uncollectible Accounts)	196,972	9,244	785
Special Assessments			
Interfund	27,203	46,585	24,216
Accrued Interest	17,272		
Due from Other Governments	526,652	1,497,217	121,058
Prepaid Items	117,815	210	20,374
Supplies Inventory	11,978	249,773	1,295
Loans Receivable	31,000		
Total Assets	$3,629,929	$2,832,829	$212,535
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	$47,278	$62,583	$25,096
Contracts Payable			
Contracts Payable Retainage			
Accrued Salaries Payable	64,560	19,922	26,805
Due to Other Governments	89,585	27,010	19,642
Notes Payable			
Accrued Interest Payable			
Interfund Payable	2,700		
Deferred Revenue	1,900,455	1,266,929	158,008
Total Liabilities	2,104,578	1,376,444	229,551
Fund Balances			
Reserved for Encumbrances	26,032	61,439	2
Reserved for Loans Receivable	26,000		
Reserved for Unclaimed Monies	16,027		
Unreserved:			
Undesignated, Reported in:			
General Fund	1,457,292		
Special Revenue Funds (Deficit)		1,394,946	(17,018)
Debt Service Funds			
Capital Projects Funds (Deficit)			
Total Fund Balances (Deficit)	1,525,351	1,456,385	(17,016)
Total Liabilities and Fund Balances	$3,629,929	$2,832,829	$212,535

See accompanying notes to the basic financial statements.

Thomas Edison	Brumback Library	Towne Center Capital Improvement	Other Governmental Funds	Total Governmental Funds
$661,226	$76,892	$4,312,126	$2,366,560	$9,628,373
	27,158		5,923	34,979
			3,632	3,632
	143,492			143,492
1,543,344			744,815	3,268,122
				582,214
728	41		81,348	289,118
			563,837	563,837
				98,004
		4,480		21,752
415,865	516,881		1,780,857	4,858,530
3,868	37,842		3,728	183,837
			58,506	321,552
			295,916	326,916
$2,625,031	$802,306	$4,316,606	$5,905,122	$20,324,358
$77,336	$3,708		$98,737	$314,738
			106,429	106,429
			3,632	3,632
26,109	8,589		35,452	181,437
32,315	9,401		68,869	246,822
		5,000,000		5,000,000
		5,667		5,667
2,029			72,944	77,673
1,850,869	445,707		2,938,931	8,560,899
1,988,658	467,405	5,005,667	3,324,994	14,497,297
65,640			139,933	293,046
			251,860	277,860
				16,027
				1,457,292
570,733	334,901		2,124,895	4,408,457
			13,843	13,843
		(689,061)	49,597	(639,464)
636,373	334,901	(689,061)	2,580,128	5,827,061
$2,625,031	$802,306	$4,316,606	$5,905,122	$20,324,358

FINANCIAL CONDITION
VAN WERT COUNTY

RECONCILIATION OF TOTAL GOVERMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total Governmental Fund Balances		$5,827,061
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.		17,129,171
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	172,138	
Permissive Sales Tax	282,902	
Intergovernmental	4,094,521	
Charges for Services	51,048	
Licenses and Permits	119	
Fines and Forfeitures	109,417	
Special Assessments	536,056	
Other	76,808	
Total		5,323,009
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(24,681)
Some liabilities, including notes payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest	(21,418)	
General Obligation Notes	(2,650,995)	
Special Assessment Notes	(344,429)	
Capital Leases	(51,361)	
Compensatory Time Payable	(57,324)	
Compensated Absences	(675,011)	
Total		(3,800,538)
Net Assets of Governmental Activities		$24,454,022

See accompanying notes to the basic financial statements.

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FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Motor Vehicle and Gas Tax	Human Services
Revenues			
Property and Other Taxes	$920,550	$103,756	
Permissive Sales Tax	3,569,427		
Intergovernmental	1,413,576	3,074,878	1,645,862
Charges for Services	731,919	124,727	
Licenses and Permits	2,187		
Fines and Forfeitures	113,696	105,539	
Special Assessments			
Interest	390,389	9,669	2
Other	247,792		
Total Revenues	7,389,536	3,418,569	1,645,864
Expenditures			
Current:			
General Government:			
Legislative and Executive	2,798,216		
Judicial	1,288,009		
Public Safety	2,524,399		
Public Works	35,500	2,717,728	
Health	19,595		
Human Services	252,382		1,718,940
Conservation and Recreation	106,000		
Capital Outlay	73,406	328,534	
Intergovernmental	245,024		
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	7,342,531	3,046,262	1,718,940
Excess of Revenues Over (Under) Expenditures	47,005	372,307	(73,076)
Other Financing Sources (Uses)			
Sale of Fixed Assets	19,025	19,000	
General Obligation Notes Issued			
Transfers In			43,336
Transfers Out	(653,748)	(358,443)	
Total Other Financing Sources (Uses)	(634,723)	(339,443)	43,336
Extraordinary Items			
Insurance Settlement from Tornado Damage		220,045	
Net Change in Fund Balances	(587,718)	252,909	(29,740)
Fund Balances Beginning of Year - Restated (Note3)	2,113,069	1,203,476	12,724
Fund Balances (Deficit) End of Year	$1,525,351	$1,456,385	($17,016)

See accompanying notes to the basic financial statements.

Thomas Edison	Brumback Library	Towne Center Capital Improvement	Other Governmental Funds	Total Governmental Funds
$1,184,970			$637,463	$2,846,739
				3,569,427
1,674,234	932,642		3,004,225	11,745,417
88,579	3,810		1,628,753	2,577,788
			63,008	65,195
	10,731		29,573	259,539
			347,378	347,378
	17,443	5,020	10,494	433,017
7,839	35,119		152,358	443,108
2,955,622	999,745	5,020	5,873,252	22,287,608
	941,288		518,961	4,258,465
			84,326	1,372,335
			320,827	2,845,226
			138,397	2,891,625
			62,565	82,160
2,900,239			3,426,250	8,297,811
			461,338	567,338
	36,917	688,414	1,281,316	2,408,587
				245,024
25,994			348,447	374,441
3,461		5,667	64,064	73,192
2,929,694	978,205	694,081	6,706,491	23,416,204
25,928	21,540	(689,061)	(833,239)	(1,128,596)
			1,754	39,779
			19,258	19,258
88,152			1,031,042	1,162,530
(73,087)			(88,152)	(1,173,430)
15,065			963,902	48,137
				220,045
40,993	21,540	(689,061)	130,663	(860,414)
595,380	313,361		2,449,465	6,687,475
$636,373	$334,901	($689,061)	$2,580,128	$5,827,061

FINANCIAL CONDITION
VAN WERT COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balances - Total Governmental Funds		($860,414)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amount are:		
Capital Outlay	1,642,504	
Depreciation	(703,919)	
Excess of Capital Outlay Over Depreciation Expense		938,585
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(39,779)
Some revenues that will not be collected for several months after the County's year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amount this year:		
Property and Other Taxes	62,938	
Permissive Sales Tax	6,963	
Intergovermental	221,344	
Charges for Services	(103,127)	
Licenses and Permits	119	
Fines and Forfeitures	24,882	
Special Assessments	(136,973)	
Other	72,639	
		148,785
Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:		
General Obligation Note Prinicpal Payments	183,542	
Special Assessment Note Principal Payments	164,905	
Capital Lease Principal Payments	25,994	
Total		374,441
The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net assets, the debt is reported as a liability.		
General Obligagation Notes		(19,258)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Accrued Interest	(8,882)	
Compensatory Time Payable	3,887	
Compensated Absences	(117,500)	
Early Retirement Incentive	53,039	
Due to Other Governments	(9,289)	
Total		(78,745)
Change in Net Assets of Governmental Activities		$463,615

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues				
Property and Other Taxes	$920,500	$920,340	$920,269	($71)
Permissive Sales Tax	3,286,000	3,294,000	3,546,407	252,407
Intergovernmental	1,381,465	1,411,271	1,399,750	(11,521)
Charges for Services	744,016	683,626	727,443	43,817
Licenses and Permits	2,500	2,500	2,187	(313)
Fines and Forfeitures	121,500	114,099	112,244	(1,855)
Interest	400,700	400,700	387,734	(12,966)
Other	182,300	236,222	255,593	19,371
Total Revenues	7,038,981	7,062,758	7,351,627	288,869
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,326,287	3,242,293	2,920,256	322,037
Judicial	1,367,698	1,384,823	1,296,300	88,523
Public Safety	2,715,973	2,684,708	2,571,918	112,790
Public Works	30,805	33,732	32,783	949
Health	51,781	49,869	20,510	29,359
Human Services	232,698	256,017	254,082	1,935
Economic Development and Assistance	16,000	106,000	106,000	
Intergovernmental	59,802	114,400	114,382	18
Capital Outlay	262,390	281,723	281,024	699
Total Expenditures	8,063,434	8,153,565	7,597,255	556,310
Excess of Revenues Under Expenditures	(1,024,453)	(1,090,807)	(245,628)	845,179
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	4,000	19,000	19,025	25
Advances In			224,541	224,541
Advances Out			(224,541)	(224,541)
Transfers - Out	(719,310)	(744,962)	(653,748)	91,214
Total Other Financing Sources (Uses)	(715,310)	(725,962)	(634,723)	91,239
Net Change in Fund Balance	(1,739,763)	(1,816,769)	(880,351)	936,418
Fund Balance Beginning of Year	1,763,337	1,763,337	1,763,337	
Prior Year Encumbrances Appropriated	129,448	129,448	129,448	
Fund Balance End of Year	$153,022	$76,016	$1,012,434	$936,418

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL MOTOR VEHICLE AND GAS TAX FUND FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property and Other Taxes	$90,500	$90,500	$103,239	$12,739
Intergovernmental	2,591,000	2,653,900	3,020,650	366,750
Charges for Services	57,000	122,000	126,547	4,547
Fines and Forfeitures	90,000	90,000	104,487	14,487
Interest	11,000	11,000	11,832	832
Total Revenues	2,839,500	2,967,400	3,366,755	399,355
Expenditures				
Current:				
Public Works	3,191,771	3,175,486	2,973,010	202,476
Capital Outlay	100,000	446,468	430,917	15,551
Total Expenditures	3,291,771	3,621,954	3,403,927	218,027
Excess of Revenues Under Expenditures	(452,271)	(654,554)	(37,172)	617,382
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets			19,000	19,000
Transfers Out		(358,443)	(358,443)	
Total Other Financing Sources (Uses)		(358,443)	(339,443)	19,000
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(452,271)	(1,012,997)	(376,615)	636,382
Extraordinary Item		185,000	395,045	210,045
Net Change in Fund Balance	(452,271)	(827,997)	18,430	846,427
Fund Balance at Beginning of Year	664,161	664,161	664,161	
Prior Year Encumbrances Appropriated	223,550	223,550	223,550	
Fund Balance at End of Year	$435,440	$59,714	$906,141	$846,427

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL HUMAN SERVICES FUND FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$2,146,940	$1,748,282	$1,748,282	
Fines and Forfeitures	100			
Total Revenues	2,147,040	1,748,282	1,748,282	
Expenditures				
Current:				
Human Services	2,209,534	1,817,983	1,816,910	1,073
Excess of Revenues Under Expenditures	(62,494)	(69,701)	(68,628)	1,073
Other Financing Sources (Uses)				
Advances In			100,000	100,000
Advances Out			(100,000)	(100,000)
Transfers - In	43,336	43,336	43,336	
Total Other Financing Sources (Uses)	43,336	43,336	43,336	
Net Change in Fund Balance	(19,158)	(26,365)	(25,292)	1,073
Fund Balance at Beginning of Year	11,018	11,018	11,018	
Prior Year Encumbrances Appropriated	15,676	15,676	15,676	
Fund Balance at End of Year	$7,536	$329	$1,402	$1,073

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES N FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL THOMAS EDISON FUND FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Revenues				
Property and Other Taxes	$1,204,000	$1,209,854	$1,209,854	
Intergovernmental	1,632,309	1,503,454	1,585,913	82,459
Charges for Services	70,500	70,500	89,692	19,192
Other	12,500	7,835	7,839	4
Total Revenues	2,919,309	2,791,643	2,893,298	101,655
Expenditures				
Current:				
Human Services	3,648,011	3,389,258	3,228,022	161,236
Excess of Revenues Under Expenditures	(728,702)	(597,615)	(334,724)	262,891
Other Financing Sources (Uses)				
Transfers In			88,152	88,152
Transfers Out		(73,104)	(73,087)	17
Total Other Financing Sources (Uses)		(73,104)	15,065	88,169
Net Change in Fund Balance	(728,702)	(670,719)	(319,659)	351,060
Fund Balance at Beginning of Year	555,144	555,144	555,144	
Prior Year Encumbrances Appropriated	183,707	183,707	183,707	
Fund Balance at End of Year	$10,149	$68,132	$419,192	$351,060

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL BRUMBACK LIBRARY FUND FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	$925,000	$925,000	$931,782	$6,782
Charges for Services	3,000	3,000	3,797	797
Fines and Forfeitures	12,000	12,000	10,703	(1,297)
Other	6,667	30,667	34,637	3,970
Total Revenues	946,667	970,667	980,919	10,252
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,030,321	1,023,553	964,510	59,043
Capital Outlay	8,000	38,000	36,917	1,083
Total Expenditures	1,038,321	1,061,553	1,001,427	60,126
Net Change in Fund Balance	(91,654)	(90,886)	(20,508)	70,378
Fund Balance at Beginning of Year	92,468	92,468	92,468	
Prior Year Encumbrances Appropriated	3,103	3,103	3,103	
Fund Balance at End of Year	$3,917	$4,685	$75,063	$70,378

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
DECEMBER 31, 2004

	Recycling
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$180,406
Accounts Receivable	236,983
Prepaid Items	242
Total Current Assets	417,631
Non-current Assets:	
Depreciable Capital Assets, Net	673,958
Total Assets	1,091,589
Liabilities	
Current Liabilities:	
Accounts Payable	4,680
Accrued Salaries Payable	3,961
Contracts Payable	11,005
Due to Other Governments	5,341
Retainage Payable	8,350
Interfund Payable	20,331
Accrued Interest Payable	38
Compensated Absences Payable	4,852
Note Payable	1,500
Total Current Liabilities	60,058
Long-Term Liabilities:	
Compensated Absences Payable	3,122
Note Payable	93,500
Total Long-Term Liabilities	96,622
Total Liabilities	156,680
Net Assets	
Invested in Capital Assets	578,958
Unrestricted	355,951
Total Net Assets	$934,909

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS ENTERPRISE FUND FOR THE YEAR ENDED DECEMBER 31, 2004

	Recycling
Operating Revenues	
Charges for Services	$488,970
Other	68
Total Operating Revenues	489,038
Operating Expenses	
Personal Services	283,136
Contractual Services	94,745
Materials and Supplies	44,103
Depreciation	53,542
Total Operating Expenses	475,526
Operating Income	13,512
Non-Operating Revenues (Expense)	
Other Non-Operating Revenue	50,000
Interest and Fiscal Charges	(1,679)
Income Before Capital Contribution and Transfers	61,833
Transfers In	10,900
Capital Contributions	42,800
Change in Net Assets	115,533
Net Assets Beginning of Year	819,376
Net Assets End of Year	$934,909

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Recycling
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	$520,644
Cash Payments for Employee Services and Benefits	(288,596)
Cash Payments to Suppliers	(100,380)
Net Cash Provided by Operating Activities	131,668
Cash Flows from Noncapital Financing Activities	
Transfers In	10,900
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(124,024)
Note Principal Payments	(5,000)
Note Interest Payments	(1,680)
Net Cash Used for Capital and Related Financing Activities	(130,704)
Net Increase in Cash and Cash Equivalents	11,864
Cash and Cash Equivalents Beginning of Year	168,542
Cash and Cash Equivalents End of Year	$180,406
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$13,512
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	53,542
Other Non-Operating Revenue	15,000
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	16,606
Decrease in Prepaid Items	(2)
Decrease in Accounts Payable	(1,037)
Decrease in Accrued Salaries Payable	(5,647)
Increase in Contracts Payable	11,005
Increase in Due to Other Governments	237
Increase in Retainage Payable	8,350
Increase in Interfund Payable	20,152
Decrease in Compensated Absences Payable	(50)
Net Cash Provided by Operating Activities	$131,668

Non-Cash Transaction:
During 2004, the Recycling Fund had a capital contribution for capital assets from the Recycle Ohio Special Revenue Fund of $42,800.

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
VAN WERT COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	$1,254,516
Cash and Cash Equivalents in Segregated Accounts	251,381
Investments	20,000
Receivables:	
Property and Other Taxes	19,253,462
Accounts (Net, where applicable, of Uncollectible Accounts)	148,805
Special Assessments	113,766
Due from Other Governments	1,341,297
Supplies Inventory	88,628
Total Assets	22,471,855
Liabilities	
Due to Other Governments	21,223,181
Undistributed Monies	1,248,674
Total Liabilities	$22,471,855

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Van Wert County (the County) was created during 1820 but was not organized until 1837. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a joint Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budgeting and taxing authority, contracting body and the chief administrators of public services for the County, including each of these departments.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Van Wert County, this includes the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, the Lincolnway Home, the Van Wert County Veterans Services, Van Wert County Election Board and all departments and activities that are directly operated by the elected County officials. Van Wert County Brumback Public Library is included as part of the primary government.

Van Wert County Brumback Public Library

The Brumback Library was constructed and donated to Van Wert County per the will of the late J. S. Brumback and a contract made between the heirs of the estate and the Van Wert County Commissioners during 1898. The Library was established as a free public library for the benefit of the citizens of Van Wert County at that time. The law was enacted under Section 891a Revised Statute. The Statute provides: "Any County accepting such a bequest, donation or gift shall be bound to faithfully carry out the agreement so made to provide and maintain such a library." It is therefore the legal duty of the Board of County Commissioners to faithfully comply with the terms of the contract and maintain and operate the library as a County Library.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the organization’s budget, the levying of its taxes or the issuance of its debt.

Blended Component Unit

The Library Enrichment Foundation of the Brumback Library is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government.

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Library Enrichment Foundation of the Brumback Library - The Library Enrichment Foundation of the Brumback Library was formed for the purpose of supporting and promoting charitable, educational, scientific, and literary purposes of the Brumback Library. Membership in the Foundation consists solely of the Trustees of the Brumback Library and the Director of the Brumback Library. The board of the Foundation and the Brumback Library are the same. The Brumback Library is part of the primary government, and the primary government may affect the activities, programs and projects of the Foundation; therefore, it would be misleading to exclude the Library Enrichment Foundation of the Brumback Library from the financial statements of the primary government. The Foundation is considered a component unit and blended with the primary government.

Discretely Presented Component Units

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component units: the Thomas Edison Center, Van Wert Housing Services, Inc., the Thomas Edison Endowment, the Van Wert County Port Authority, and the Van Wert County Airport Authority. They are reported separately to emphasize that they are legally separate from the County. Condensed financial information for the component units is presented in Note 18.

Thomas Edison Center - The Thomas Edison Center is a legally separate, not-for-profit corporation, served by a board appointed by the Van Wert County Board of MRDD. The workshop, under contractual agreement with the Van Wert County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped individuals in Van Wert County. The Van Wert County Board of MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings, and professional staff to supervise and train clients of the Thomas Edison Center. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Van Wert County, the workshop is reflected as a component unit of Van Wert County. Separately issued financial statements can be obtained from the Thomas Edison Center at P.O. Box 604, Van Wert, Ohio 45891.

Van Wert Housing Services, Inc. - The Van Wert Housing Services, Inc. is a legally separate not-for-profit corporation served by a board appointed by the Van Wert County Board of MRDD. The corporation, under contractual agreement with the Van Wert County Board of MRDD, has agreed to acquire, manage and maintain residential properties. The Van Wert County Board of MRDD makes grants available to assist in the purchase of the properties. The Van Wert County Board of MRDD is financially accountable for the Van Wert Housing Services, Inc. The Van Wert County Board of MRDD has maintained a legal interest through a note and a second mortgage on the property purchased by the corporation. In the event of default or violation of the contract terms, the Van Wert County Board of MRDD has the right to assume the mortgage and the right to insist on the transfer of title of the property. Separately issued financial statements can be obtained from the Van Wert Housing Services, Inc. at P.O. Box 604, Van Wert, Ohio 45891.

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Thomas Edison Endowment - The Thomas Edison Endowment was organized in 1975 as a not-for-profit corporation. The Van Wert County Board of MRDD authorized the formation of a foundation that would build funds over the years through donations and bequests. The foundation was established in order to receive gifts and memorial monies that are intended to provide long range support for the programs of the Thomas Edison Center. The foundation was designed so only the interest of this money would be available for use as determined by a non-profit board of directors. The Van Wert County Board of MRDD called this foundation the Thomas Edison Endowment. The Board formed a non-profit board of directors to conduct the operations of the Thomas Edison Endowment. The five board members are appointed by the Van Wert County Board of Mental Retardation and Development Disabilities.

Van Wert County Port Authority - The Van Wert County Port Authority is a legally separate organization created to maintain and operate the rail property located within the County. The Board of the Port Authority is appointed by the Van Wert County Commissioners. The Van Wert County Commissioners have potential to receive financial benefit from the Port Authority, since the County is entitled to any surplus of the Port Authority. The County is also financially accountable for the Authority. The Van Wert County Auditor is the fiscal agent for the Port Authority.

Van Wert County Airport Authority - The Van Wert County Airport Authority is a legally separate organization created by resolution of the Van Wert County Commissioners on December 20, 1974. The Board of the Airport Authority is made up of five members, each with a term of five years. The members were originally appointed by the Van Wert County Commissioners; subsequent appointments are made by the Board of Trustees of the Regional Airport Authority, subject to the approval of the Board of Van Wert County Commissioners. The County has issued debt for the Airport Authority in the County's name, making the County financially accountable for the Airport Authority.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's financial statements:

Van Wert County General Health District
Van Wert County Soil and Water Conservation District
Van Wert County Law Library
Van Wert County Park District

The County participates in certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, Related Organizations, and Insurance Pools. The County's Joint Ventures, the Van Wert County Emergency Management Agency (EMA) and the Van Wert County Regional Planning Commission (the Commission) are presented in Note 19. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Jointly Governed Organizations of the County, the Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Paulding and Van Wert Counties (Tri County Mental Health Board), the Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC), the Van Wert County Council on Aging, Inc. (the Council), the West Central Partnership, Inc. (the Partnership), and the Maumee Valley Resource Conservation and Development Area (the MV-RCD Area), are presented in Note 20.

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. The related organizations, the Van Wert County Hospital Commission (Commission) and the Local Emergency Planning Committee (LEPC) are presented in Note 21. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County. The Insurance Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool), the Midwest Employee Benefit Consortium (MEBC), and the County Commissioners' Association of Ohio Service Corporation (CCAOSC) are presented in Note 22. The Pool and the MEBC are risk-sharing pools, while the CCAOSC is an insurance purchasing pool. A risk-sharing pool is an organization formed by a group of governments to combine risks and resources and share in the cost of losses. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Van Wert County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The County has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activities and to its enterprise fund. The most significant of the County's accounting policies are described below.

A. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the County: governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - This fund accounts for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle and Gas Tax Fund – This fund is used to account for revenue derived from motor vehicle licenses, gasoline taxes and investment income. Expenditures in this fund are restricted by State law to County road and bridge repair and improvement programs. The County Engineer currently expends the majority of the revenues in this fund for road and bridge repairs and operating costs for the Engineer’s Office.

Human Services Fund - This fund is used to account for various federal and State grants as well as transfers from the General Fund used to provide public assistance to general relief recipients and to pay providers of medical assistance and certain public social services.

Thomas Edison Fund – This fund is used to account for money received from a County-wide property tax levy and several federal and State grants and subsidies for Mental Retardation and Developmental Disabilities, its operations and activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Brumback Library Fund – This fund is used to account for the operation of the Brumback Library. Revenue is received from bequests and donations and from money received from the operations of the Library.

Towne Center Capital Improvement Fund – This fund is used to account for note proceeds issued for capital infrastructure improvements to Towne Center.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

2. Proprietary Fund

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The County's only proprietary fund is an enterprise fund.

Enterprise Fund – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's major enterprise fund:

Recycling Fund – This fund is used to account for the provision of recycling service to certain residents and businesses within the County.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used by the County to account for assets held under a trust agreement for individuals, private organizations or other governments, and are therefore, not available to support the County's own programs. Agency funds are used to report resources held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees and to account for funds of the County General Health District, Soil and Water Conservation District, Family and Children First, Regional Planning Commission, County Park District, Homeland Security and Emergency Management.

4. Component Units

Component units are either legally separate organizations for which the elected officials of the County are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Component unit disclosures represent a consolidation of various fund types.

C. Measurement Focus

1. Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; the enterprise fund and agency funds also uses the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

E. Revenues - Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales tax, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). On an accrual basis, revenue from permissive sales tax is recognized in the period when the exchange transaction on which the tax is imposed occurs (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 7), accounts, interest, federal and State subsidies, grants, and State-levied locally shared taxes.

F. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2004, but were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

G. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds, except cash held in segregated accounts and held by fiscal agents, are maintained in this pool. Individual fund integrity is maintained through County records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Cash and cash equivalents that are held separately by the component units and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "cash and cash equivalents in segregated accounts."

Cash and cash equivalents that are held separately in accounts at a financial institution for retainages and not held with the County Treasurer are reported as "cash and cash equivalents with fiscal agents" and represent deposits.

Investments that are held separately by the Thomas Edison Endowment and the Library Enrichment Foundation of the Brumback Library and within the departments of the County and not held with the County Treasurer are recorded on the balance sheet as "investments in segregated accounts."

During 2004, the County invested in certificates of deposit, a repurchase agreement, and the State Treasury Asset Reserve of Ohio (STAR Ohio). The Library Enrichment Foundation of the Brumback Library invests in corporate stock.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating investment contracts such as nonnegotiable certificates of deposit and nonparticipating repurchase agreements which are reported at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County has invested funds in STAR Ohio during 2004. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

Interest income is distributed to the funds according to statutory requirements. Interest revenue of $390,389 was credited to the General Fund during 2004, which includes $329,668 assigned from other County funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

I. Receivables and Payables

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Using this criterion the County has elected to not record child support arrearages within the special revenue and agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method. A current asset is recorded for the prepaid amount at the time of purchase and reflects the expenditure/expense in the year in which services are consumed.

K. Inventory of Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when used.

Inventory consists of expendable supplies held for consumption.

L. Capital Assets

General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column of the government-wide statement of net assets and in the fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All capital assets except for land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	40-100 years
Machinery and Equipment	10-20 years
Furniture and Fixtures	10-20 years
Vehicles	3-15 years
Infrastructure	10-70 years

The County has chosen not to add retroactive infrastructure until required in 2007; therefore, the County only reports the amounts acquired after 2002.

The County's infrastructure system consists of roads and bridges. The County reported infrastructure for the first time in 2003.

M. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balances are eliminated on the government-wide statement of net assets except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

N. Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated unused sick leave for all employees after 20 years of current service with the County and employees age 60 and over with 10 years of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees will be paid. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes and capital leases are recognized as liabilities on the governmental fund financial statements when due.

P. Capital Contributions

Contributions of capital arise from outside contributions of capital assets or from grants or outside as contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business-type activities.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of a school; resident homes for the mentally retarded and developmentally disabled; the medical, financial, and social support to general relief recipients; the support and placement of children; and County road and bridge repair/improvement programs.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for recycling services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, loans receivable and unclaimed monies are recorded as a reservation of fund balance.

S. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

T. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

U. Extraordinary Item

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The County suffered tornado damage in November of 2002. The County received several insurance reimbursements in 2003 and 2004 and used the money to replace and repair capital assets that were rendered unserviceable.

V. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. Budgetary information has not been presented for the Library Enrichment Foundation of the Brumback Library (blended component unit) because it is not included in the entity for which the “appropriated budget” is adopted nor does the entity maintain separate budgetary records. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners’ authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2004.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

A. Changes in Accounting Principles

For 2004, the County has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units.” GASB Statement No. 39 provides additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. This statement had no effect on the County’s financial statements.

B. Restatement of Prior Year Net Assets

The County overstated accumulated depreciation of its governmental assets in prior year. This along with minor adjustments to loans receivable for a revolving loan program and adjustments to retainage payable caused a restatement to net assets at the beginning of the year. Net assets changed $398,831, from $23,591,576 to $23,990,407.

Fund balance at December 31, 2003, was restated for the revolving loan program and retainage payable causing fund balance of other governmental funds to increase $106,323 from $2,343,142 to $2,449,465.

4. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, presented for the General Fund, and Motor Vehicle and Gas Tax, Human Services, Thomas Edison and Brumback Library Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

5. Although not part of the appropriated budget, the Library Enrichment Foundation of the Brumback Library Special Revenue Fund is included as part of the reporting entity when preparing financial state preparing financial statements that conform with GAAP.

6. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

7. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund, and the Motor Vehicle and Gas Tax, Human Services, Thomas Edison, and the Brumback Library Special Revenue Funds are as follows:

Net Change in Fund Balance

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Thomas Edison Fund	Brumback Library Fund
GAAP Basis	($587,718)	$252,909	($29,740)	$40,993	$21,540
Adjustments:					
Revenue Accruals	43,278	124,456	102,418	(375)	(13,053)
Expenditure Accruals	(242,840)	(241,378)	(71,448)	(111,958)	(29,317)
2004 Unrecorded Cash	(16,275)	(1,048)			
2003 Unrecorded Cash	(9,396)	(222)			
Prepaid Items	48,651	(1,178)	16,587	(6,285)	7,924
Change in Fair Value of Investments-2004					(10,264)
Change in Fair Value of Investments-2003					11,257
Agency Fund Cash Allocation	(55,516)			(61,949)	
Encumbrances	(60,535)	(115,109)	(43,109)	(180,085)	(1,829)
Activity of Non-budgeted Funds					(6,766)
Budget Basis	($880,351)	$18,430	($25,292)	($319,659)	($20,508)

5. ACCOUNTABILITY

The Human Services Special Revenue Fund had a deficit fund balance of $17,016. The General Fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur. The Towne Center Capital Improvement Capital Projects Fund had a fund balance deficit at December 31, 2004, of $689,061. The deficit is the result of a bond anticipation note. The liability will be eliminated when the notes are paid off and bonds are issued.

6. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. DEPOSITS AND INVESTMENTS (Continued)

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and

10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the County had $23,163 in undeposited cash on hand which is included on the balance sheet of the County as part of "equity in pooled cash and cash equivalents". The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

A. Deposits

At year-end, the carrying amount of the County's deposits was $10,622,109 and the related bank balance was $11,303,280. Of the bank balance, $768,428 was covered by federal deposit insurance, and $10,534,852 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the County's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio, an investment fund operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

6. DEPOSITS AND INVESTMENTS (Continued)

	Primary Government			
	Category 1	**Category 3**	**Unclassified**	**Carrying/Fair Value**
STAR Ohio	$0	$0	$603,836	$603,836
Repurchase Agreement	0	151,761	0	151,761
Stock	115,910	0	0	115,910
Total	$115,910	$151,761	$603,836	$871,507

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.” Cash and cash equivalents are defined to include investments with original maturities of three months or less, and funds included within the County’s cash management pool. The reconciliation between classifications of cash and cash equivalents and investments in the basic financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Primary Government	
	Cash and Cash Equivalents/Deposits	**Investments**
GASB Statement No. 9	$11,368,601	$163,492
Cash on Hand	(23,163)	
Port Authority Component Unit	(15,314)	
Investments:		
Certificates of Deposit	47,582	(47,582)
Repurchase Agreement	(151,761)	151,761
STAR Ohio	(603,836)	603,836
GASB Statement No. 3	$10,622,109	$871,507

7. RECEIVABLES

Receivables at December 31, 2004, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), special assessments, accrued interest, interfund, intergovernmental receivables arising from grants, and loans. All receivables are considered collectible in full except Court receivables. A summary of accounts receivable for Court receivables, as well as other receivables owed to the County governmental funds is as follows:

	Common Pleas/ Juvenile/Probate Court Receivable	**Other Accounts Receivable**	**Total Accounts Receivable**
Receivable	$168,368	$180,313	$348,681
Allowance for Uncollectibles	(59,563)	(0)	(59,563)
Net Accounts Receivable	$108,805	$180,313	$289,118

7. RECEIVABLES (Continued)

For the agency funds, the total receivable for the Common Pleas Court was $162,605, with an allowance for uncollectibles of $14,904, making net accounts receivable of $147,701. The law library agency fund and the regional planning commission agency fund had receivables of $1,044 and $60, respectively, making the total agency funds receivable $148,805.

During 2004, the County signed a settlement agreement on behalf of the Van Wert County Solid Waste Management District with Maharg, Incorporated. The agreement terms state that the County will receive semi-annual payments over a three year period totaling $50,000. The County received $15,000 during 2004. The amount expected to be collected in more than one year is $5,000. The amount is credited to the Recycling Enterprise Fund.

Special assessments expected to be collected in more than one year in the Special Assessment Debt Service Fund amount to $251,886. At December 31, 2004, the amount of delinquent special assessments was $49,940.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of depreciated value for capital assets and 23 percent of true value for inventory.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

7. RECEIVABLES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2004 operations. The receivable is therefore offset by deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2004, was $8.10 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Agricultural/Residential Real Property	$326,172,140	73%
Other Real Property	49,386,420	11
Tangible Personal Property	51,385,717	11
Public Utility Personal Property	21,928,590	5
Total Assessed Value	$448,872,867	100%

B. Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the General Fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2004. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred. Sales and use tax revenue during 2004 amounted to $3,569,427 in the General Fund.

7. RECEIVABLES (Continued)

C. Due from Other Governments

A summary of intergovernmental receivables follows:

Governmental Activities:	
Boarding Fees	$11,172
Local Government	351,785
Local Government Revenue Assistance	69,449
Homestead and Rollback	158,427
Estate Tax Reimbursement	278
Election Costs	6,926
State Issue Advertising Reimbursement	4,675
Electric Deregulation Reimbursement	18,637
Motor Vehicle License Tax	542,895
Gasoline Excise Tax	536,280
Gasoline Cents per Gallon	418,041
Undivided Library	516,881
Indigent Defense Reimbursement	15,457
Ohio Job and Family Services	121,808
Child Abuse Prevention Grant	7,500
Home Weatherization Assistance Grant	21,887
Early Childhood Development Grant	13,583
Title IVE Administration and Training	12,278
Early Childhood Family Center	280,000
Bureau of Workers' Compensation Refund	6,054
See Work Contract	44
Market Development Grant	30,000
State Foundation	119,444
Thomas Edison Subsidy Payment	177,482
Title XX	12,842
Special Education Part B	16,648
Innovative Programs	80
CSEA Grant	96,545
Children's Services Grant	96,227
Youth Bureau Reclaim Ohio Grant	18,476
Community Corrections Grant	28,257
State Help Me Grow Grant	24,442
CDBG Grant	1,093,500
Federal HEAP Program	21,530
Recycle Ohio Grant	9,000
Total Intergovernmental Receivables	$4,858,530

7. RECEIVABLES (Continued)

D. Loans Receivable

The County has the following loans receivable at December 31, 2004:

Date of Issue	Description	Interest Rate	Restated Balance at 12/31/2003	Increases	Decreases	Balance at 12/31/2004	Due in One Year
1996	Airport Construction	4.64%	$38,850	$0	$2,000	$36,850	$3,000
1999	Airport Construction	4.98%	49,105	0	1,840	47,265	1,950
2001	Tractor/Mower	4.00%	12,363	8,250	12,375	8,238	4,122
2003	Airport Improvement	1.80%	108,000	0	5,400	102,600	3,000
2003	Fair Board	0.00%	0	36,000	5,000	31,000	5,000
various	Revolving Loans	various	76,590	43,570	19,197	100,963	31,984
			$284,908	$87,820	$45,812	$326,916	$49,056

The first 1996 and 1999 Airport Construction, 2001 Tractor/Mower and the 2003 Airport Improvement are with the Van Wert County Airport Authority. Two of the loans are for construction of T-hangars, the third loan is for the removal of underground fuel tanks, and the fourth loan is for the purchase of a tractor/mower. The loans are repaid yearly as principal and interest come due. The receivable for these loans is reported in the Airport Note Debt Service Fund.

The 2003 Fair Board loan was made to the Van Wert County Fair Board for improvements at the Fair grounds. The County will receive annual payments of $5,000 until the loan is repaid. The receivable for this loan is shown in the General Fund.

The Revolving Loans are due from various businesses in the local community. Van Wert County partnered with the Van Wert County Port Authority to receive a micro-enterprise CDBG grant that was loaned to various start-up businesses in the local community. The loans have various repayment terms and interest rates. The receivable for the loan is shown in the Revolving Loan Special Revenue Fund.

8. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Restated Balance at 12/31/03	Additions	Deletions	Balance at 12/31/04
Governmental Activities				
	Capital Assets, not being Depreciated:			
Land	$114,700	$0	$0	$114,700
Land Improvements	20,399	0	0	20,399
Construction in Progress	2,390,295	6,399	(2,396,694)	0
Total Assets, not being Depreciated	2,525,394	6,399	(2,396,694)	135,099
	Depreciable Capital Assets:			
Buildings	16,070,477	2,486,808	0	18,557,285
Machinery and Equipment	784,844	75,302	(36,879)	823,267
Furniture and Fixtures	170,263	0	0	170,263
Vehicles	3,588,369	461,133	(175,013)	3,874,489
Infrastructure:				
Bridges	87,920	135,150	0	223,070
Roads	98,637	874,406	0	973,043
Total Depreciable Capital Assets	20,800,510	4,032,799	(211,892)	24,621,417
Less Accumulated Depreciation:				
Buildings	(4,339,274)	(312,701)	36,879	(4,615,096)
Machinery and Equipment	(402,143)	(52,275)	0	(454,418)
Furniture and Fixtures	(87,361)	(9,879)	0	(97,240)
Vehicles	(2,265,834)	(302,712)	135,234	(2,433,312)
Infrastructure:				
Bridges	(105)	(2,339)	0	(2,444)
Roads	(822)	(24,013)	0	(24,835)
Total Accumulated Depreciation	(7,095,539)	(703,919)	172,113	(7,627,345)
Depreciable Capital Assets, Net	13,704,971	3,328,880	(39,779)	16,994,072
Governmental Activities Capital Assets, Net	$16,230,365	$3,335,279	($2,436,473)	$17,129,171

8. CAPITAL ASSETS (Continued)

	Balance at 12/31/03	Additions	Deletions	Balance at 12/31/04
Business-Type Activities				
Depreciable Capital Assets:				
Buildings	$258,449	$102,583	$0	$361,032
Machinery and Equipment	106,792	64,241	0	171,033
Furniture and Fixtures	11,357	0	0	11,357
Vehicles	383,436	0	0	383,436
Total Depreciable Capital Assets	760,034	166,824	0	926,858
Less Accumulated Depreciation:				
Buildings	(25,198)	(6,103)	0	(31,301)
Machinery and Equipment	(39,528)	(11,784)	0	(51,312)
Furniture and Fixtures	(6,950)	(1,095)	0	(8,045)
Vehicles	(127,682)	(34,560)	0	(162,242)
Total Accumulated Depreciation	(199,358)	(53,542)	0	(252,900)
Business-Type Activities Capital Assets, Net	$560,676	$113,282	$0	$673,958

Depreciation expense was charged to governmental programs as follows:

General Government	
Legislative and Executive	$132,789
Judicial	2,100
Public Safety	164,526
Public Works	240,077
Health	2,094
Human Services	161,476
Economic Development and Assistance	857
Total Depreciation Expense	$703,919

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

9. DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating, were required to contribute 8.5 percent of their annual covered salaries. Members participating who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety division contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were $729,300, $462,207and $559,333, respectively; 88 percent has been contributed for 2004 and 100 percent for 2003 and 2002.

B. State Teachers Retirement System of Ohio

For certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC plan and the DB plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions to the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years.

9. DEFINED BENEFIT PENSION PLANS (Continued)

The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service credit over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.8 and 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

9. DEFINED BENEFIT PENSION PLANS (Continued)

For the year ended December 31, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the years ended December 31, 2004, 2003, and 2002 were $31,658, $28,606, and $23,079, respectively; 99 percent has been contributed for 2004 and 100 percent for 2003 and 2002. No County employees participated in the DC and Combined Plans for 2004.

10. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan – a defined contribution plan; and the combined plan – a cost sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployement health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system is considered to be an Other Postemployment Benefit as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS.

10. POSTEMPLOYMENT BENEFITS (Continued)

The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually. The investment rate assumption for 2003 was 8%. An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were $298,820. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets are available for payment of benefits at December 31, 2003, (the latest information available) were $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were $26.9 billion and $16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. State Teachers Retirement System of Ohio

The County provides comprehensive health care benefits through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits are provided to retired teachers who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to proved health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled $2,435 for 2004.

10. POSTEMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was $3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were $268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

11. OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

County employees and elected officials may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio County Commissioners Association Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency. Beginning in 2003, the Ohio County Commissioners Association Deferred Compensation Plan allows plan participants to receive their monies for loans. The minimum loan amount is $2,500, while the maximum amount is $50,000 or 50 percent of the vested account balance, whichever is less. Two types of loans are available. The general purpose loan has a duration of one to five years. The principal residence loan has a duration of six to fifteen years. The interest rate for both loans is 2 percent over the prime rate published in the Wall Street Journal. Scheduled loan payments are made through payroll deduction, while lump sum early loan payoffs can be done by check. If a plan participant leaves employment before the loan is fully repaid, the plan participant is required to pay off the loan at the time of separation from service.

B. Early Retirement Incentive Payable

The County approved an Early Retirement Incentive plan for the Van Wert County Department of Job and Family Services. The plan began September 1, 2001, and ended on August 31, 2002. Participation in the plan was available to 8 percent of total employees in the Office who are members of OPERS. Ability to participate was based on service credit. Service credit will be purchased for the lesser of: 4 years service credit, or an amount of service credit equal to one-fifth of the total service credit of record credited to the participating employee, exclusive of the service credit purchased under this plan. To be eligible, the employee has to be eligible to retire on or before the termination date of the plan. Service credit to be purchased for the employee under the plan is included in making this determination. Also, the employee must agree to retire within 90 days after receiving notice that service credit has been purchased for the employee.

At the end of 2004, the County had two employees who had chosen to accept the early retirement incentive from this department. The County began making payments to OPERS in November 2001. These expenditures are reflected as program/function expenditures in the Human Services Fund. The liability was paid in full during 2004.

11. OTHER EMPLOYEE BENEFITS (Continued)

The County approved an Early Retirement Incentive plan for the Van Wert County Lincolnway Home. The plan began May 1, 2003, and ended on April 30, 2004. Participation in the plan was available to 5 percent of total employees in the Office who are members of OPERS. Ability to participate was based on service credit. Service credit will be purchased for the lesser of: 1 year of service credit, or an amount of service credit equal to one-fifth of the total service credit of record credited to the participating employee, exclusive of the service credit purchased under this plan. To be eligible, the employee has to be eligible to retire on or before the termination date of the plan. Service credit to be purchased for the employee under the plan is included in making this determination. Also, the employee must agree to retire within 90 days after receiving notice that service credit has been purchased for the employee.

At the end of 2004, the County had one employee who chose to accept the early retirement incentive from this department. The County made payments to OPERS in 2004. These expenditures are reflected as program/function expenditures in the County Home Special Revenue Fund. There was no liability at December 31, 2004, for this employee.

C. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Overtime hours can be accrued as compensatory time at one and one half times the amount of hours worked. All compensatory time must be used within 180 days; otherwise, it is paid out. All accumulated, unused vacation and compensatory time is paid upon separation if the employee has at least one year of service with the County.

The County's current leave policy states that all full-time employees working eighty hours in active pay status are entitled to 4.6 hours of sick leave with pay for every full pay period worked. Employees working less or more than the required amount for the pay period shall receive a pro-rated share of sick leave. Any County employee who has less than 20 years of service as an employee of any office, department, commission, or board of Van Wert County, that receives at least one-half of its funding from the General Fund, will be paid for 25 percent of the value of his accrued but unused sick leave up to a maximum of 240 hours.

Any employee with 21 or more years of service with Van Wert County will be paid out 35 percent of the value of the accrued but unused sick leave up to a maximum of 600 hours. Such payment is based upon the employee's rate of pay at the time of his retirement and is paid to the employee in one lump sum payment upon retirement.

12. CONTRACTUAL COMMITMENTS

As of December 31, 2004, the County had entered into a contractual commitment in the amount of $47,040 with Proveda, Inc. for the purchase of a sort system. The commitment will be paid from the Recycling Enterprise Fund. The County had also entered into a contractual commitment for the bridge over Maddox Creek project totaling $447,467. This commitment will be paid from the Motor Vehicle Gas Tax Fund.

13. RISK MANAGEMENT

A. Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

Coverage provided by Mid West Pool Risk Management Agency, Inc. is as follows:

Liability	
(A) General, Auto, Law and Nursing Home	
Liability Combined (per occurrence - $5,000 deductible)	$2,000,000
(B) Public Official Errors and Omissions	
Liability (per occurrence - included above)	2,000,000
Aggregate	2,000,000
Employment Practices Liability	1,000,000
(C) Excess Liability, General, Liquor, Auto, Law, Public Official Liability and Miscellaneous Errors and Omissions (per occurrence and annual aggregate)	5,000,000
Property (per occurrence)	40,825,570
Flood and Earthquake (annual aggregate)	36,000,000
Crime Insurance:	
Faithful Performance	250,000
Money and Securities	250,000

The County pays all elected officials' bonds by statute. Settled claims have not exceeded coverage in the last three years. There have been no material reductions in this coverage from the prior year.

B. Health Care Benefits

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 22). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

The Brumback Library contracts with Aetna U.S. Healthcare for medical insurance and with The Guardian for dental coverage and VisionPlus for vision insurance.

The County Engineer contracts with Business Administrators and Consultants, Inc. for health care and dental coverage.

13. RISK MANAGEMENT (Continued)

C. Workers' Compensation

For 2004, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool (See Note 22). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAOSC. Each participant pays its workers' compensation premium to the State based on the rate for the CCAOSC rather than its individual rate. In order to allocate the savings derived by formation of the CCAOSC, and to maximize the number of participants in the CCAOSC, annually the CCAOSC's executive committee calculates the total savings which accrued to the CCAOSC through its formation. This savings is then compared to the overall savings percentage of the CCAOSC. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAOSC is limited to counties that can meet the CCAOSC's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAOSC. Each year, the County pays an enrollment fee to the CCAOSC to cover the costs of administering the CCAOSC.

The County may withdraw from the CCAOSC if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAOSC prior to withdrawal, and any participant leaving the CCAOSC allows representatives of the CCAOSC to access loss experience for three years following the last year of participation.

14. LEASES

Operating Leases

The County leases a fax machine for the Clerk of Courts under a non-cancelable operating lease. Total costs were $701 for the year ended December 31, 2004. This lease was paid off in 2004.

The County entered into several non-cancelable operating leases during 2004. The County leased a new copier from Xerox for 60 months. Terms of the agreement require the County to pay a base monthly charge of $130. The County leases another copier from Xerox for 60 months. The County is required to pay a base monthly charge of $203. Finally, the County entered into a lease with Perry Corporation for a third copier. The County pays a rate of $742 per month for 63 months. Total costs paid during 2004 on these leases were $536.

The following schedule is the future minimum rental payments for the non-cancelable operating leases:

14. LEASES (Continued)

For the Year Ending:	Amount
2005	$12,167
2006	12,910
2007	12,910
2008	12,910
2009	11,631
2010	3,713
	$66,241

Also during 2004, the County entered into a lease with John Deere for a 2003 John Deere Wheel Loader for five years. Under the terms of the lease, the County is required to make annual payments of $12,575.

B. Capital Leases

The County holds a lease from prior years for vehicles. The terms of the agreement provide options to purchase the vehicles. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Vehicles acquired by lease have been capitalized in the governmental activities general capital assets at amounts equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the governmental activities general long term debt. Principal payments made during 2004 totaled $25,994, in the Thomas Edison Special Revenue Fund. The vehicles have a total historical cost of $129,758, with accumulated depreciation of $40,010 as of December 31, 2004, with a book value of $89,748. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004.

Year	Amount
2005	$29,455
2006	24,545
Total	54,000
Less: Amount Representing Interest	(2,639)
Present Value of Minimum Lease Payments	$51,361

15. SHORT-TERM OBLIGATIONS

A summary of the short-term transactions for the year ended December 31, 2004, follows:

	Balance at 12/31/03	Increases	Decreases	Balance at 12/31/04
2004 Towne Center Capital Facilities Note	$0	$5,000,000	$0	$5,000,000

The note carries an interest rate of 2.55%. The note will be paid from revenues received under a City tax financing agreement entered into with the City of Van Wert on October 5th, 2004.

16. LONG-TERM OBLIGATIONS

The changes in the County's long-term obligations of the governmental activities of the County during 2004 follow:

Description	Interest Rate	Balance at 12/31/2003	Increases	Decreases	Balance at 12/31/2004	Amounts Due in One Year
General Obligation Notes						
Airport Construction	4.64%	$38,850	$0	$2,000	$36,850	$3,000
Airport Construction	2.60%	49,105	0	1,840	47,265	1,950
Tractor/Mower	3.50%	12,363	8,250	12,375	8,238	4,122
County Annex	1.95%	1,235,000	0	65,000	1,170,000	65,000
Thomas Edison Improvement	1.95%	360,000	0	40,000	320,000	40,000
Airport Improvement	1.80%	108,000	0	5,400	102,600	3,000
South Delphos Area Sewer	1.80%	66,627	0	4,427	62,200	2,000
Probate Court Computer	1.80%	50,000	0	7,700	42,300	2,000
County Annex/County Home	1.80%	495,334	11,008	24,800	481,542	12,500
Thomas Edison Improvement	1.80%	400,000	0	20,000	380,000	14,000
Total General Obligation Notes		2,815,279	19,258	183,542	2,650,995	147,572
Special Assessment Notes						
Allen Watt	1.99%	1,361	0	1,361	0	0
Cable Ditch	2.80%	5,966	0	2,029	3,937	1,989
Dog Creek	2.80%	42,512	0	15,999	26,513	15,560
Feigert Ditch	2.80%	1,370	0	384	986	309
Maddox Creek	2.80%	65,860	0	19,802	46,058	15,850
Mollenkopf/Salmon	7.07%	1,825	0	1,825	0	0
Mown Prairie #2	1.99%	7,895	0	7,895	0	0
Parker Ditch	2.80%	2,618	0	1,331	1,287	1,287
Price Ditch	2.80%	18,070	0	6,230	11,840	6,107
Pup Creek	6.68%	10,550	0	6,550	4,000	4,000
Spice Run	1.99%	9,153	0	9,153	0	0
Wallace Ditch	2.80%	1,745	0	626	1,119	613
27 Mile Creek	2.36%	210,883	0	41,587	169,296	44,500
James Adams Ditch	2.36%	934	0	248	686	245

16. LONG-TERM OBLIGATIONS (Continued)

Description	Interest Rate	Balance at 12/31/2003	Increases	Decreases	Balance at 12/31/2004	Amounts Due in One Year
Kimmett Ditch	2.36%	$32,953	$0	$6,690	$26,263	$6,604
Monkey Run Ditch	2.36%	50,847	0	10,851	39,996	10,737
Pottawatome Ditch	2.36%	14,238	0	2,167	12,071	2,221
Wortman Ditch	2.36%	515	0	138	377	136
Various Ditches	1.80%	30,039	0	30,039	0	0
Total Special Assessment Notes		509,334	0	164,905	344,429	110,158
Total Notes		3,324,613	19,258	348,447	2,995,424	257,730
Other Long-Term Obligations:						
Early Retirement Incentive		53,039	0	53,039	0	0
Compensated Absences		557,511	528,634	411,134	675,011	412,269
Capital Lease		77,355	0	25,994	51,361	27,400
Total - Other Long-Term Obligations		687,905	528,634	490,167	726,372	439,669
Total - General Long-Term Obligations		$4,012,518	$547,892	$838,614	$3,721,796	$697,399

The following table discloses the original issue amounts for the debt issued:

Issue	Amount
General Obligation Notes:	
1996 Airport Construction	$49,850
1999 Airport Construction	55,390
2001 Tractor/Mower	20,610
2002 County Annex	1,300,000
2002 Thomas Edison Improvements	400,000
2003 South Delphos Area Sewer	66,627
2003 Airport Improvement	108,000
2003 Probate Court Computer	50,000
2003 County Annex/County Home	495,334
2003 Thomas Edison Improvement	400,000

16. LONG-TERM OBLIGATIONS (Continued)

Issue	Amount
Special Assessment Notes:	
1999 Allen Watt	9,487
1999 Cable Ditch	16,700
1999 Dog Creek	191,583
1999 Feigert Ditch	8,162
1999 Maddox Creek	221,257
1999 Mollenkopf/Salmon	11,576
1999 Mown Prairie	49,189
1999 Parker Ditch	8,009
1999 Price Ditch	44,263
1999 Pup Creek	39,300
1999 Spice Run	69,134
1999 Wallace Ditch	4,289
2000 27 Mile Creek	515,870
2000 James Adams Ditch	1,880
2000 Kimmett Ditch	80,634
2000 Monkey Run Ditch	193,961
2000 Pottawatome Ditch	95,307
2000 Wortman Ditch	1,205
2003 Various Ditches	30,039

All of the notes are bond and revenue anticipation notes and they are backed by the full faith and credit of Van Wert County. All other note issues will be paid through the debt service funds from special assessments and transfers from the General Fund. The note liability is reflected as long-term since the notes are similar to serial bonds where annual payments are made each year and there is no rollover of principal from year to year. In the event that an assessed property owner fails to make payments, the County will be required to pay the related debt. All of the notes are prepayable without penalty at the option of the County at any time prior to maturity.

The compensated absences payable will be paid from the General, Motor Vehicle and Gas Tax, Human Services, Thomas Edison, Brumback Library, Youth Bureau, CSEA, County Home, Real Estate Assessment, Certificate of Title Administration, 9-1-1 Equipment and Maintenance, Community Corrections, and Combined Miscellaneous Special Revenue Funds. Obligations under capital lease will be paid from the Thomas Edison Special Revenue Fund.

Changes in the long-term obligations reported in business-type activities of the County during 2004 were as follows:

	Interest Rate	Balance at 12/31/2003	Increases	Decreases	Balance at 12/31/2004	Amounts Due in One Year
Recycling Bldg and Trucks	1.80%	$100,000	$0	$5,000	$95,000	$1,500
Compensated Absences		8,024	5,120	5,170	7,974	4,852
Totals		$108,024	$5,120	$10,170	$102,974	$6,352

The note payable for the recycling building and trucks was issued in 2003 for $100,000 and will be paid from the Recycling Enterprise Fund with operating revenues. The note is pre-payable without penalty at the option of the County at any time prior to maturity. The note will mature during 2023.

16. LONG-TERM OBLIGATIONS (Continued)

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first $100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus two and one-half percent of such valuation in excess of $300,000,000. The effects of the debt limitations at December 31, 2004, are an overall debt margin of $7,038,027 and an unvoted debt margin of $1,804,934.

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2004, were as follows:

	Governmental Activities			
	General Obligation Notes		Special Assessment Notes	
Year	Principal	Interest	Principal	Interest
2005	$147,572	$52,517	$110,158	$8,707
2006	148,696	48,533	234,271	5,750
2007	149,215	46,555	0	0
2008	153,368	42,638	0	0
2009	156,510	39,616	0	0
2010-2014	805,260	156,480	0	0
2015-2019	759,640	78,817	0	0
2020-2022	330,734	12,335	0	0
Totals	$2,650,995	$477,491	$344,429	$14,457

	Business-Type Activities	
	General Obligation Notes	
Year	Principal	Interest
2005	$1,500	$1,710
2006	1,500	1,683
2007	2,000	1,656
2008	2,000	1,620
2009	2,500	1,584
2010-2014	17,500	7,155
2015-2019	31,000	5,121
2020-2023	37,000	1,737
Totals	$95,000	$22,266

During 1996, the County issued a health care facilities revenue bond with the principal amount of $305,000 outstanding at December 31, 2004, for facilities used by the Stepping Stones Center, Inc. During 1997, the County issued three bonds. An industrial development revenue bond was authorized for Kennedy Manufacturing Company in the principal amount of $3,000,000. As of December 31, 2004, $571,825 had been issued and was still outstanding. A health care facilities revenue bond was issued for the Van Wert Area Visiting Nurses Association, with the principal amount of $1,472,500 outstanding at December 31, 2004. During 2004, $3,604,000 in Series 2004A Hospital Facilities Revenue Refunding Bonds was issued in order to refund and retire the outstanding Series 1997 bonds and Series 2000 bonds. Also during 2004, $4,750,000 in Series 2004B Hospital Facilities Revenue Refunding and Improvement Bonds were issued in order to refund and retire the outstanding Series 1991 Bonds and finance the acquisition, construction, installation, renovation and equipping the second floor of the Hospital's facilities. Payments on the Series 2004 A & B bonds will begin in 2005.

16. LONG-TERM OBLIGATIONS (Continued)

The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County. The County is not obligated in any way to pay debt charges on the bonds from any of its funds; therefore, they have been excluded entirely from the County's debt presentation. Neither is the full faith and credit or taxing power of the County pledged to make repayment.

17. INTERFUND ASSETS/LIABILITIES

Interfund balances at December 31, 2004, consisted of the following amounts and resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

	Interfund Receivable			
Interfund Payable	**General Fund**	**Motor Vehicle and Gas Tax Fund**	**Human Services Fund**	**Total**
General Fund	$36	$2,664	$0	$2,700
Thomas Edison Fund	0	2,029	0	2,029
Non-major Governmental Funds	27,167	21,561	24,216	72,944
Recycling Fund	0	20,331	0	20,331
Total	$27,203	$46,585	$24,216	$98,004

Interfund transfers for the year ended December 31, 2004, consisted of the following:

	Transfers From				
Transfers To	**General Fund**	**Motor Vehicle and Gas Tax Fund**	**Thomas Edison Fund**	**Nonmajor Governmental Funds**	**Total**
Human Services Fund	$43,336	$0	$0	$0	$43,336
Thomas Edison Fund	0	0	0	88,152	88,152
Nonmajor Governmental Funds	599,512	358,443	73,087	0	1,031,042
Recycling Fund	10,900	0	0	0	10,900
Total	$653,748	$358,443	$73,087	$88,152	$1,173,430

The General Fund transfers out equaled $653,748. Out of total transfers out, $119,726 in transfers was for debt service obligations; $523,122 was for human services operations; and $10,900 was to subsidize to the recycling fund. The Thomas Edison Capital Projects transferred money to the Thomas Edison Capital Projects Fund from the construction project back upon completion of the project. Motor Vehicle and Gas Tax Special Revenue Fund transferred money to the Issue II fund for the County share of the project.

18. DISCRETELY PRESENTED COMPONENT UNITS

Summary of Significant Accounting Policies

A. Nature of Organizations

1) The Thomas Edison Center is a non-profit sheltered workshop providing residential, vocational, habilitation and family resource services to mentally retarded and developmentally disabled adults in Van Wert County and other counties. The Thomas Edison Center is primarily funded by the Van Wert County Board of MRDD as disclosed in Note 23.

   The Thomas Edison Center is exempt under Internal Revenue Code Section 501(c)(3) from federal income tax. It is also currently exempt from federal unemployment tax and Ohio franchise, personal property, and sales taxes. The payroll of the Thomas Edison Center became subject to social security (FICA) coverage due to the Social Security Amendments of 1983.

2) Van Wert Housing Services, Inc. was organized in 1992 as a not-for-profit corporation. The purpose is to develop dwellings and provide affordable housing in Van Wert County or other counties for occupancy by disabled persons from Van Wert County. Van Wert Housing Services, Inc. is primarily funded by the Van Wert County Board of MRDD as disclosed in Note 23.

   Van Wert Housing Services, Inc. is exempt under Internal Revenue Code Section 501(c)(3) from federal income tax. It is also currently exempt from federal unemployment tax and Ohio franchise, personal property, and sales taxes. The payroll of Van Wert Housing Services, Inc. became subject to social security (FICA) coverage due to the Social Security Amendments of 1983.

3) The Thomas Edison Endowment is a not-for-profit corporation organized in 1975. The organization is classified as a public charity by the Internal Revenue Service Code Section 501(c)(3) and 509(a)(1).

4) The Port Authority is a legally separate organization created to maintain and operate the rail property located within the County.

5) The Airport Authority is a legally separate organization. It was created in 1974 by resolution of the Van Wert County Commissioners.

B. Classification of Net Assets

Unrestricted net assets are comprised of the amount upon which donors have placed no restriction on expenditure of these assets themselves or their investment income.

Temporarily restricted net assets and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted capital assets are released to unrestricted net assets and are reported in the statement of activities and changes in net assets.

18. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Permanently restricted net assets comprise those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At December 31, 2004, all of the assets of the component units are unrestricted.

C. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. All of the component units' contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Contributed services have been recognized as contributions to the extent the total amount that could have been charged for these services exceeds the amount actually charged. As of December 31, 2004, all of the component units' contributions were unrestricted.

D. Accounts Receivable

Accounts receivable are derived from sales and services with the north western Ohio area. As a result, the economic conditions of the area affect the revenue of the Thomas Edison Center, Van Wert Housing Services, Inc., and Thomas Edison Endowment. At December 31, 2004, accounts receivable, trade were reported net of a $0 allowance for doubtful accounts.

E. Inventories

Inventories are valued at the lower of cost or market using the specific identification method.

F. Capital Assets

It is the component units' policy to capitalize expenditures in excess of $500 with an estimated life of more than one year. Property, equipment, and vehicle accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives. Thomas Edison Center uses 12 years as the estimated useful life. The Van Wert Housing Services, Inc. depreciates buildings over an estimated useful life of 40 years, equipment and furnishings over an estimated useful life of 12 years, and computers over an estimated useful life of 3 years. The Port Authority depreciates its capital assets over an estimated useful life of 40 years, and 5 to 20 years for the Airport Authority. When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the statement of activities. Routine maintenance, repairs and renewals are charged to operating cost and expenses as incurred. Property and equipment additions and expenditures which materially increase values or extend useful lives are capitalized.

During the year ended December 31, 2004, depreciation expense for Thomas Edison Center, Van Wert Housing Services, Inc., Port Authority, and the Airport Authority is $15,621, $21,800, $196, and $12,037, respectively. A summary of the component units' capital assets at December 31, 2004, follows:

18. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	Thomas Edison Center	Van Wert Housing Services, Inc.	Port Authority	Airport Authority
Capital Assets not being depreciated:				
Land	$0	$48,646	$204,454	$222,216
Construction in Progress	0	0	0	320,711
Total Capital Assets, not being depreciated	0	48,646	204,454	542,927
Capital Assets Being Depreciated:				
Buildings	0	552,522	7,834	105,240
Equipment, Improvements, and Furnishings	194,524	28,542	0	117,059
Vehicles	0	3,484	0	37,510
Capital Assets Being Depreciated	194,524	584,548	7,834	259,809
Less: Accumulated Depreciation				
Buildings	0	(113,247)	(4,506)	(36,772)
Equipment, Improvements, and Furnishings	(87,558)	(19,085)	0	(115,195)
Vehicles	0	(2,465)	0	(19,054)
Accumulated Depreciation	(87,558)	(134,797)	(4,506)	(171,021)
Total Capital Assets Being Depreciated, Net	106,966	449,751	3,328	88,788
Total Capital Assets, Net	$106,966	$498,397	$207,782	$631,715

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

H. Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $5,338 for the year ended December 31, 2004, for Thomas Edison Center.

I. Deposits and Investments

Cash and cash equivalents held by the Thomas Edison Center, Van Wert Housing Services, Inc., Thomas Edison Endowment, and the Airport Authority are classified as "Cash and Cash Equivalents in Segregated Accounts," meaning any investment with an original maturity of three months or less. Cash and cash equivalents held by the Port Authority is presented in the account "Equity in Pooled Cash and Cash Equivalents" because its funds are included in the County Treasurer's cash management pool. Investments held by Van Wert Housing Services, Inc. are classified as "Investments in Segregated Accounts."

18. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

1) At year-end, the carrying amount of deposits for Thomas Edison Center was $105,136 and the bank balance was $109,032, of which $100,000 is covered by federal deposit insurance, and $9,032 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds for the not-for-profit corporation.

2) At year-end, the carrying amount of deposits for Van Wert Housing Services, Inc. was $5,202 and the bank balance was $5,222. The entire bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds for the not-for-profit corporation.

3) At year-end, the carrying amount of deposits for Thomas Edison Endowment was $35,593. The bank balance was $22,853. The entire bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds for the not-for-profit corporation. Investments consisted primarily of U.S. Government obligations, corporate obligations, and common stocks which are carried at fair value. Fair value at year-end was $1,547,694, while the cost was $1,334,509.

4) Since the County Auditor is the fiscal agent for the Port Authority, the Port Authority follows the same investment guidelines as the County Treasurer. Information concerning deposits for the Port Authority can be found in Note 6.

5) At year-end, the carrying amount of deposits for the Airport Authority was $195,532, and the bank balance was $196,307. Of the bank balance, $100,000 was covered by federal deposit insurance, and $96,307 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

   The Airport Authority follows the same investment guidelines as the County Treasurer. Investments consisted of STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004. The amount invested in STAR Ohio at year-end was $1,847.

J. Due from Other Governments

The Airport Authority had a receivable for $10,611 for federal capital grants. The grants were used to update the airport layout plan; install an automated weather observation system; and widen, expand, and construct runways, aprons, and T-hangar taxiway and was used to acquire land and construct taxiways.

18. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

K. Notes Payable

A summary of the note transactions for the component units for the year ended December 31, 2004, follows:

	Interest Rate	Balance at December 31, 2003	Increases	Decreases	Balance at December 31, 2004
Van Wert Housing Services, Inc.					
Residential Property #1	6.125%	$13,687	$0	$3,043	$10,644
Residential Property #2	6.125%	15,619	0	2,865	12,754
Residential Property #3	6.125%	4,760	0	2,398	2,362
Residential Property #4	6.50%	23,244	0	2,065	21,179
Residential Property #5	6.50%	27,457	0	1,602	25,855
Residential Property #6	6.50%	24,198	0	1,298	22,900
Residential Property #7	5.75%	36,940	0	1,621	35,319
Total		$145,905	$0	$14,892	$131,013

Terms on the Van Wert Housing Services, Inc. residential property #1 note call for a total of 55 monthly payments of $316.44 starting on July 1, 2003. Terms on the Van Wert Housing Services, Inc. residential property # 2 note call for a total of 64 monthly payments of $311.83 starting on July 1, 2003. Terms on the Van Wert Housing Services, Inc. residential property #3 note call for a total of 29 monthly payments of $218.60 starting on July 1, 2003. Terms on the Van Wert Housing Services, Inc. residential property #4 note call for a total of 112 monthly payments of $292.93 starting on July 1, 2003. Terms on the Van Wert Housing Services, Inc. residential property # 5 note call for a total of 148 monthly payments of $278.94 starting on July 1, 2003. Terms on the Van Wert Housing Services Inc, residential property #6 note call for a total of 156 monthly payments of $236.07 starting on July 1, 2003. Terms on the Van Wert Housing Services, Inc. residential property # 7 note call for a total of 180 monthly payments of $309.01 starting on November 29, 2003. All but the # 7 note were approved through Community First National Bank. The #7 note was approved through Citizens National Bank.

L. Loans Payable

A summary of the loan transactions for the component units for the year ended December 31, 2004, follows:

	Interest Rate	Balance at December 31, 2003	Increases	Decreases	Balance at December 31, 2004
Airport Authority					
Airport Hangar #1	Variable	$38,850	$0	$2,000	$36,850
Fuel Tank Removal	Variable	108,000	0	5,400	102,600
Airport Hangar #2	Variable	49,105	0	1,840	47,265
Tractor/Mower Airport Notes	Variable	12,363	8,250	12,375	8,238
Total Loans Payable		$208,318	$8,250	$21,615	$194,953

18. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

All of the Airport Authority Loans are variable rate notes. The interest rate on the loans is adjusted annually on the date that the annual payment is due. The adjusted rate is the prime rate multiplied by 65 percent. The interest rate shall never exceed the lesser of 12 percent or the maximum interest rate permitted by law. Terms on the Airport Hangar loan #1 due to the County call for a total of 20 annual payments starting on August 1, 1997, at varying amounts based on the interest rate and principal due at that time. Terms on the Fuel Tank loan due to the County call for five annual payments starting on August 2, 2001, at varying amounts based on the interest rate and principal due at that time. Terms on the Airport Hangar loan #2 due to the County call for a total of 20 annual payments starting on October 1, 2001, at varying amounts based on the interest rate and principal due at that time. Terms on the Tractor Mower Loan due to the County call one principal payment of $4,124 due December 13, 2005, and one final interest and principal payment of $4,271 on December 12, 2006. In addition, the County is due interest based on a variable interest rate.

M. Segment Information

Net working capital for Thomas Edison Center, Van Wert Housing Services, Inc., Thomas Edison Endowment, the Port Authority and the Airport Authority was $135,084, $200,$1,591,500, $15,314, and $211,116, respectively. During 2004, Thomas Edison Center, Van Wert Housing Services, Inc., and the Airport Authority purchased capital assets in the amount of $3,736, $15,669, and $81,261, respectively. Other segment information can be obtained in the financial statements.

19. JOINT VENTURES

A. Van Wert County Emergency Management Agency

The Van Wert County Emergency Management Agency (EMA) is a joint venture among Van Wert County, the City of Van Wert, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative.

During 2004, the County contributed $32,000 for the operation of the agency. The EMA is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The EMA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from the EMA located at 1300 Old Route 30, Post Office Box 602, Van Wert, Ohio 45891.

19. JOINT VENTURES (Continued)

B. Van Wert County Regional Planning Commission

The Van Wert County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Van Wert, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of thirty members of which two-thirds are elected officials. The County must be represented by the three County Commissioners, a County Health Official, the County Engineer, the County Recorder, the County Auditor, the Sheriff and the County Extension Agent. Other members include: a representative from all participating Boards of Township Trustees; the Mayor or a Council member of each participating incorporated village; two representatives from the City of Van Wert, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission are representatives from public utility, minority groups, business, industry, Ministerial Association, farm organizations, Chamber of Commerce and other representatives as deemed necessary by the Commission.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The County contributed $5,000 during 2004 for the operations of the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture.The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from the Commission located at 121 East Main, Van Wert, Ohio 45891.

20. JOINTLY GOVERNED ORGANIZATIONS

A. Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Paulding and Van Wert Counties (Tri County Mental Health Board)

The Tri County Mental Health Board is a jointly governed organization among Mercer, Paulding and Van Wert counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the County's population bears to the total population of the three counties combined. The majority of the Tri County Mental Health Board’s revenue comes from a property tax levied by the Tri County Mental Health Board. During 2004, the tax levy provided $314,292 for the operations of the organization. These monies were collected and distributed by the County on behalf of the Tri County Mental Health Board. There were no County contributions.

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio

The Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC) is a jointly governed organization between the City and the County. The general purpose of the CIC is to pursue and maintain economic development within the County. The CIC is governed by a Board of Trustees made up of fifteen members, who include: three elected or appointed officers of the City, to be designated annually by the City Council; three elected or appointed officers of the County, to be designated annually by the Board of County Commissioners; six people to be designated annually by the Board of Trustees of The Van Wert Area Chamber of Commerce; the President of the Van Wert Industrial Development Corporation (in ex officio status); and two people who are residents of the County, to be elected at the annual meeting of the members by a majority of the members listed previously. During 2004, the County contributed $20,000, a grant for Kennedy Mfg Equipment paid to the Community Improvement Corporation.

C. Van Wert County Council on Aging, Inc.

The Van Wert County Council on Aging, Inc. (the Council) is a jointly governed organization among the County, the City of Van Wert, neighboring townships, and local related organizations. The Council was formed to secure and maintain maximum independence and dignity for older persons (1) in a home environment for older persons capable of self-care with appropriate supportive services by providing such services and to remove individual and social barriers to economic and personal independence, (2) in a home-like environment for older persons not capable of self-care with adequate institutional situations by providing assistance to these institutions in developing policy. The Board of Directors consists of thirteen members, who represent, as nearly as possible, a cross section of the entire county population. Representatives of local health services, low income persons, the clergy, government officials, consumers and other concerned citizens shall be appointed to the Board. The majority of the Council's revenue comes from a property tax levied by the Council. During 2004, the tax levy provided $152,294 for the operations of the organization. These monies were collected and distributed by the County on behalf of the Council. There were no County contributions.

D. West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Auglaize, Darke, Hancock, Hardin, Mercer, Miami, Logan, Paulding, Putnam, Shelby, Union and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and locally raised money. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. The counties do not contribute any money for the operation of the Partnership.

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. Maumee Valley Resource Conservation and Development Area

The Maumee Valley Resource Conservation and Development Area (the MV-RCD Area) is a jointly governed organization among the Counties of Allen, Defiance, Fulton, Henry, Paulding, Putnam, Van Wert, and Williams. The MV-RCD Area is organized to accelerate local efforts toward improving the social and economic conditions of the area through the conservation, development and utilization of natural resources. The Executive Council consists of twenty-four members. Each county appoints three members, with a member from each of the following: Board of County Commissioners, Soil and Water Conservation District, and a member at large. The member at large may represent one of the following interests: cities and villages, township trustees, Regional Planning, business, industry, labor, Chamber of Commerce, economic development, environmental groups, league of women voters, specialty growers, farm organizations, and concerned citizens. For 2004, the County contributed $500 to the MV-RCD Area for its operation.

21. RELATED ORGANIZATIONS

A. Van Wert County Hospital Commission

The Van Wert County Hospital Commission (Commission) is a legally separate body politic. The nine board members of the Commission are appointed by the Van Wert County Commissioners: one member each from the townships of Willshire-Liberty, Harrison-Pleasant, Tully-Union, Hoaglin-Jackson, Ridge-Washington, and York-Jennings, along with three members from the City of Van Wert. The County is not able to impose its will on the Commission and no financial benefit and/or burden relationship exists. The Commission is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The Commission was organized under Ohio Revised Code 339.14. The purpose is to oversee the total operation of the Van Wert County Hospital to insure the residents of the County are receiving total care.

B. Local Emergency Planning Committee

The Local Emergency Planning Committee (LEPC) is a legally separate body politic. The fifteen committee members of the LEPC are appointed by the Van Wert County Commissioners. As near as practical, the LEPC will be comprised of an equal number of representatives from the following categories: Elected Officials, Law Enforcement, Emergency Management, Fire Fighter, First Aid/Red Cross, Health, Local Environmental, Hospital, Transportation, Broadcast or Print Media, Community Group, Facility Owner/Operator. The County is not able to impose its will on the LEPC and no financial benefit and/or burden relationship exists. The LEPC is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The LEPC was organized under the Superfund Amendments and Reauthorization Act (SARA TITLE III), United States Public Law 99-499, and the Emergency Planning and Community Right-to-Know Act (EPCRA) Section 301c. The purpose is to prepare a comprehensive and coordinated chemical emergency response plan for the County; to receive and process requests from the public for information under SARA TITLE II; to implement the LEPC rules and requirements of SARA TITLE III; and to receive and dispense funds generated by SARA TITLE III.

22. INSURANCE POOLS

A. Mid West Pool Risk Management Agency, Inc.

The Mid West Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by five counties for the purpose of establishing a risk-sharing insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by the Pool. Coverage includes comprehensive general liability, automobile liability, certain property insurance, and public officials' error and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Pool are managed by an elected board of not more than five trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

B. Midwest Employee Benefit Consortium

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties. The MEBC is responsible for the administration of the program and processing of all claims for each member. The County pays premiums to the MEBC for employee medical and life insurance benefits.

The MEBC is governed by a Board of Trustees consisting of one county commissioner from each participating member. Each participant decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

C. The County Commissioners' Association of Ohio Service Corporation

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing eligibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

23. RELATED PARTY TRANSACTIONS

Thomas Edison Center, Inc., a discretely presented component unit of Van Wert County, has entered into a contractual agreement with the Van Wert County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Van Wert County. The MRDD provides the workshop with personnel who provide habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Thomas Edison Center, Inc. The contributions and related expenses are reflected in the financial statements of the component unit. In 2004, the contributions to Thomas Edison Center, Inc. for salaries, fringes, maintenance and repairs of buildings and administrative costs were $209,345.

Van Wert Housing Services, Inc., a discretely presented component unit of Van Wert County, has entered into a contractual agreement with the Van Wert County Board of MRDD. It had agreed to acquire, manage and maintain residential properties. The MRDD makes grants available to assist in the purchase of the properties and has maintained a legal interest through a note and a second mortgage in the acquired properties. In the event of default or violation of the contract terms, the MRDD has the right to assume the mortgage and the right to insist on the transfer of title.

24. CONTINGENT LIABILITIES

Grants

The County has received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, would be immaterial.

FINANCIAL CONDITION
VAN WERT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Passed through Ohio Department of Development)				
Community Development Block Grant/State's Program	BF-03-074-1	14.228	$36,985	
	BF-02-074-1	14.228	28,939	
	BX-02--074-1	14.228	220,774	
	BM-02-074-1	14.228	4,500	
	BC-01-074-1	14.228	62,867	
Total			354,065	
(Direct and Passed through Ohio Department of Development)				
Home Investment Partnership (HOME) Program	BC-01-074-2	14.239	24,323	
Total United States Department of Housing and Urban Development			378,388	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(Passed through Ohio Department of Job and Family Services)				
Low-Income Home Energy Assistance	H04-136	93.568	36,941	
	H03-136	93.568	13,753	
	HC-03-168	93.568	15,352	
	05-HA-153	93.568	12,896	
	03-HA-153	93.568	572	
	04-HA-153	93.568	30,836	
	04-HE-253	93.568	32,190	
Total			142,540	
Children Welfare Services	N/A	93.645	24,343	
Chafee Foster Care Independent Living	N/A	93.674	224	
Promoting Safe and Stable Families	N/A	93.556	9,182	
Child Abuse and Neglect	N/A	93.669	1,913	
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)				
Medical Assistance Program - CAFS	8100012	93.778	141,008	
Medical Assistance Program - TCM	8100012	93.778	105,233	
Total			246,241	
Social Services Block Grant	MR-81 FY 04	93.667	13,108	
	MR-81 FY 05	93.667	13,429	
Total			26,537	
Total United States Department of Health and Human Services			450,980	
U.S. DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Preschool Grant	071183-PG-S1-2004	84.173	3,133	
	071183-PG-S1-2005	84.173	3,395	
Total			6,528	
Special Education Grants to States	071183-6B-SF-2004	84.027	13,258	
	071183-6B-SF-2005	84.027	4,162	
Total			17,420	
Total Special Education Cluster			23,948	

VAN WERT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
Innovative Education Program Strategies	071183-C2S1-2004	84.298	23	
	071183-C2S1-2005	84.298	9	
Total		84.298	32	
(Passed through the Ohio Department of Health)				
Special Education Grants for Infants & Families with Disabilities	81-1-001-1-EG-05	84.181	8,083	
Special Education Grants for Infants & Families with Disabilities	81-1-001-1-EG-04	84.181	29,325	
Total			37,408	
Total United States Department of Education			61,388	
UNITED STATES DEPARTMENT OF ENERGY				
(Passed through the Ohio Department of Development)				
Weatherization Assistance for Low-Income Persons	D04-136	81.042	59,994	
	D03-136	81.042	26,523	
Total			86,517	
Total United States Department of Energy			86,517	
UNITED STATES DEPARTMENT OF AGRICULTURE				
(Passed through the Ohio Department of Education)				
Nutrition Cluster:				
School Breakfast Program	140285-05PU	10.553	5,946	
National School Lunch Program	140285-LLP4	10.555	9,106	
Food Distribution	N/A	10.550		7,121
Total United States Department of Agriculture - Nutrition Cluster			15,052	7,121
UNITED STATES DEPARTMENT OF JUSTICE				
(Passed through the Ohio Office of Criminal Justice Services)				
Victim Assistance	2002-DG-D02-7364	16.592	1,415	
Total			1,415	
Visitation - Byrne Grant	2002-DG-D02-7137	16.579	30,220	
Total			30,220	
Total United States Department of Justice			31,635	
UNITED STATES ELECTION ASSISTANCE COMMISSION				
(Passed through the Ohio Secretary of State)				
Help America Vote Act of 2002/Substitute House Bill 262	04-SOS-HAVA-81	39.011	5,486	
Total United States Election Assistance Commission			5,486	
UNITED STATES DEPARTMENT OF TRANSPORTATION				
(Passed through the Ohio Department of Transportation)				
Highway Planning and Construction	PID #23094	20.205	10,480	
Direct from Federal Aviation Administration				
Airport Improvement Program	AIP 3-39-0081-0503	20.106	6,225	
	AIP 3-39-0081-0402	20.106	63,810	
	AIP 3-39-0081-0604	20.106	3,271	
Total			73,306	
Total United States Department of Transportation			83,786	
Total Federal Assistance			$1,113,232	$7,121

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2004

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C—FOOD DISTRIBUTION

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of commodities received.

NOTE D— COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by personal property and business assets. At December 31, 2004, the gross amount of loans outstanding under this program was $100,963. Delinquent amounts due are $3,634

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Auditor of State
Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Financial Condition
Van Wert County
121 East Main Street
Van Wert, Ohio 45891

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Van Wert County (the County) as of and for the year ended December 31, 2004 which collectively comprise the County's basic financial statements and have issued our report thereon dated September 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated September 14, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated September 14, 2005, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management, the Board of the County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

September 14, 2005

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Financial Condition
Van Wert County
121 East Main Street
Van Wert, Ohio 45891

To the Board of County Commissioners:

Compliance

We have audited the compliance of Van Wert County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as item 2004-001.

In a separate letter to the County's management dated September 14, 2005, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Internal Control Over Compliance
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 14, 2005.

We intend this report solely for the information and use of the audit committee, management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

September 14, 2005

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA #14.228: Community Development Block Grant CFDA #93.778: Medical Assistance Program
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2004-001

CFDA Title and Number: Community Development Block Grant, #14.228
Federal Award Number/Year: B-F-02-074-1 and B-C-01-074-1
Federal Agency: U.S Department of Housing and Urban Development
Pass-Through Agency: Ohio Department of Development

24 CFR 85.23 states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period.

Through the testing of the major federal program, Community Development Block Grant, it was noted that expenditures totaling $5,416 were made against grant B-F-02-074-1 after the period of availability of December 31, 2003 for non-administrative activities and February 29, 2004 for administrative activities. Expenditures totaling $10,128 were made against grant B-C-01-074-1 after the period of availability of September 30, 2004 for non-administrative activities and November 30, 2004 for administrative activities.

Total questioned costs issued for the Community Development Block Grant are $15,544.

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2003-001	Finding for Recovery / Repaid While Under Audit - Duplicate Payment of Invoice	Yes	
2003-002	ORC Sec. 5705.41 (D) – Prior certification of funds	No	Partially Corrected – Repeated in the Management Letter

FINANCIAL CONDITION
VAN WERT COUNTY

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	1) Complete final reports in a timely manner. 2) Train a second staff member to operate the Grants Management software program (developed by Todd Tobe while employed by ODoD) that is used for all journals, ledgers, and activities for all CDBG grants. 3) Make the appropriate adjustments through the software program, print, and include a copy with the affected grant financial records. Timely completion of reports and a second person trained in the software usage should enable the appropriate receipt and expenditure adjustments and transfers to officially be made between grants and grant fiscal years on the journals, ledgers, and activity sheets within an acceptable time frame.	Ongoing December 31, 2005 December 31, 2005	Nancy Blanke, CDBG Administrator

Auditor of State
Betty Montgomery

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FINANCIAL CONDITION

VAN WERT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 13, 2005