



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
VAN WERT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

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, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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 aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2003, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparison for the General, Motor Vehicle Gas Tax, Human Services, Thomas Edison and Brumback Library funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. Additionally, the County changed the capital asset capitalization as described in Note 3.

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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions 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
Auditor of State

September 14, 2004

Van Wert County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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, 2003.

FINANCIAL HIGHLIGHTS

The County's total net assets decreased \$105,657 during 2003. Net assets of governmental activities decreased \$202,598 (less than one percent), mainly due to special assessments receivable. Net assets of business-type activities increased by \$96,941 (13.42%), partly due to the increase in capital assets for the \$45,000 transfer from governmental activities. The business-type activities also had an extraordinary item of \$39,628 for State monies for the 2002 tornado damage.

The General Fund transfers out equaled \$663,071. Out of total transfers out, \$10,000 in transfers was for capital acquisitions, repairs and equipment; \$184,011 was for debt service obligations; \$41,364 was for human services operations; and \$427,696 was to subsidize various programs.

Business-type operations reflected operating income, since charges for services kept up with expenses, while business-type unrestricted net assets are \$258,700.

Capital assets used in governmental activities increased \$2,357,141. A large portion of this was due to the County Annex and Thomas Edison construction projects that were begun during 2002. The Thomas Edison construction project was still ongoing at the end of 2003.

USING THIS ANNUAL FINANCIAL REPORT

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 nonmajor funds presented in total in one column.

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Management's Discussion and Analysis
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REPORTING THE COUNTY AS A WHOLE

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.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

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, 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.

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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.

THE COUNTY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Assets				
Current and Other Assets	\$16,010,218	\$19,109,108	\$387,192	\$283,325
Nondepreciable Capital Assets	2,525,394	4,051,711		
Depreciable Capital Assets, Net	13,412,463	9,529,005	560,676	521,495
Total Assets	<u>31,948,075</u>	<u>32,689,824</u>	<u>947,868</u>	<u>804,820</u>
Liabilities				
Current and Other Liabilities	4,343,981	5,018,521	20,468	57,666
Long-Term Liabilities:				
Due Within One Year	731,326	1,300,460	6,670	20,000
Due in More Than One Year	3,281,192	2,576,669	101,354	4,719
Total Liabilities	<u>8,356,499</u>	<u>8,895,650</u>	<u>128,492</u>	<u>82,385</u>
Net Assets				
Invested in Capital				
Assets, Net of Related Debt	12,947,884	10,746,070	560,676	501,495
Restricted for:				
Other Purposes	6,813,203	7,817,179		
Debt Service	445,469	569,751		
Capital Projects	488,338	1,068,459		
Unrestricted	2,896,682	3,592,715	258,700	220,940
Total Net Assets	<u>\$23,591,576</u>	<u>\$23,794,174</u>	<u>\$819,376</u>	<u>\$722,435</u>

(Continued)

Van Wert County, Ohio
Management's Discussion and Analysis
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	Total	
	2003	2002
Assets		
Current and Other Assets	\$16,397,410	\$19,392,433
Nondepreciable Capital Assets	2,525,394	4,051,711
Depreciable Capital Assets, Net	13,973,139	10,050,500
Total Assets	<u>32,895,943</u>	<u>33,494,644</u>
Liabilities		
Current and Other Liabilities	4,364,449	5,076,187
Long-Term Liabilities:		
Due Within One Year	737,996	1,320,460
Due in More Than One Year	3,382,546	2,581,388
Total Liabilities	<u>8,484,991</u>	<u>8,978,035</u>
Net Assets		
Invested in Capital		
Assets, Net of Related Debt	13,508,560	11,247,565
Restricted for:		
Other Purposes	6,813,203	7,817,179
Debt Service	445,469	569,751
Capital Projects	488,338	1,068,459
Unrestricted	3,155,382	3,813,655
Total Net Assets	<u>\$24,410,952</u>	<u>\$24,516,609</u>

Accrued interest receivable decreased due to the decline in interest rates as well as the declining General Fund balance. Due from other governments increased mainly in the Motor Vehicle and Gas Tax Fund for increased gasoline excise tax monies. The Youth Bureau and CDBG Special Revenue Funds also expected to receive larger grants than during 2002. Permissive sales tax receivable increased around 10% due to increased sales. Special assessments receivable decreased due to payments received from property owners in 2003 along with no new assessments being levied for the year.

Accounts payable increased due to money owed for two police cruisers. The County also owed money for the purchase of a lift for the new maintenance building due to the tornado. The County also had three months of residential and transportation fees that were owed. A software conversion and installation occurred, while increased foster care expenses were owed, as well as a CDBG project.

Accrued salaries payable increased due to normal wage increases. Contracts payable decreased due to the two construction projects mentioned on page 2 that were winding down from 2002 to 2003. Due to other governments decreased since the majority of the retirement systems' liability for 2003 was only for one month. For 2002, the billings were done quarterly. The early retirement incentive payable decreased during 2003 due to payoffs and lower participation in the program for whom there were fewer employees to record a liability.

Invested in capital assets, net of related debt, increased due to the additions to buildings and construction in progress for the two projects discussed earlier. Net assets restricted for capital projects decreased since the construction projects spent most of their cash balances during 2003 that carried over from 2002. Net assets restricted for other purposes decreased due to accounts receivable in the Motor Vehicle and Gas Tax Fund that was explained earlier. The Human Services and Thomas Edison Funds also had declining cash balances due to program expenses outpacing program revenues.

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Total net assets decreased \$105,657. Net assets of the County's governmental activities decreased by \$202,598, with unrestricted net assets decreasing \$696,033. Unrestricted net assets decreased mainly due to equity in pooled cash and cash equivalents decreasing due to expenses being greater than revenues for 2003. Unrestricted net assets also decreased due to transfers out of \$663,071 that were used mainly to subsidize various programs. Transfers out increased from 2002 by over \$200,000.

The net assets of the County's business-type activities increased by \$96,941, while also reporting an operating income during 2003. The County purchased a building in 2003 that accounted for most of the increase since roughly half of the monies were transferred from the governmental funds. Current liabilities were \$37,198 less than 2002, or around 64%. The County strives to control operation expenses for business-type activities in order to maintain stability in charges for services.

Table 2 shows the changes in net assets for the year ended December 31, 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Revenues			
Program Revenues:			
Charges for Services	\$3,507,946	\$456,220	\$3,964,166
Operating Grants, Contributions and Interest	9,521,227		9,521,227
Capital Grants and Contributions	82,884		82,884
Total Program Revenues	<u>13,112,057</u>	<u>456,220</u>	<u>13,568,277</u>
General Revenues:			
Property and Other Taxes	2,893,579		2,893,579
Permissive Sales Tax	3,490,105		3,490,105
Grants and Entitlements	1,154,734		1,154,734
Other	523,600		523,600
Total General Revenues	<u>8,062,018</u>		<u>8,062,018</u>
Total Revenues	<u>21,174,075</u>	<u>456,220</u>	<u>21,630,295</u>
Program Expenses:			
General Government			
Legislative and Executive	4,329,120		4,329,120
Judicial	1,295,053		1,295,053
Public Safety	3,063,224		3,063,224
Public Works	3,102,127		3,102,127
Health	91,430		91,430
Human Services	8,769,499		8,769,499
Economic Development and Assistance	500,540		500,540
Intergovernmental	305,891		305,891
Interest and Fiscal Charges	61,942		61,942
Recycling		443,907	443,907
Total Expenses	<u>21,518,826</u>	<u>443,907</u>	<u>21,962,733</u>

(Continued)

Van Wert County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Excess (Deficiency) Before Extraordinary Item and Transfers	(344,751)	12,313	(332,438)
Extraordinary Item Transfers	187,153 (45,000)	39,628 45,000	226,781 0
Increase (Decrease) in Net Assets	<u>(\$202,598)</u>	<u>\$96,941</u>	<u>(\$105,657)</u>

For business-type activities, accounts payable decreased since during 2002, the County paid for tornado cleanup services. Notes payable increased due to a new note being issued during 2003 for constructing an addition to a county building for a recycling center that was destroyed in the 2002 tornado. The 1999 note was fully paid during 2003 for trucks, recycling bins and constructing a storage building. The County received a capital contribution during 2003 from the governmental funds that increased capital assets and invested in capital assets, net of related debt. The County also received during 2003 a State grant to help with the 2002 tornado cleanup and replacement costs. This grant is reflected as an extraordinary item just like the monies that were received in the Motor Vehicle and Gas Tax Fund. The County strives to control operation expenses for business-type activities in order to maintain stability in charges for services.

Governmental Activities

Grants and entitlements is the largest source of revenue for Van Wert County. This makes up approximately 50% of total revenues for 2003. The major recipients of intergovernmental program revenues were the Human Services, Thomas Edison, and Brumback Library Funds, as well as the Children's Services and CSEA Special Revenue Funds.

Permissive sales tax is the next largest source of revenue for the County. The County received \$3,490,105 during 2003 or about 16% of total revenues.

Property and other taxes have remained stable from 2002 to 2003. During 2003, 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's direct charges to users of governmental services made up around 17% of total governmental revenues for 2003. 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.

Human services programs accounted for approximately 41% of total expenses for governmental activities. General government legislative and executive makes up approximately 20% of total expenses. Other major program expenses for governmental activities include public safety programs, which accounted for approximately 14% of total expenses, as well as public works programs, making up another 14%.

Administration and the County Commissioners have a quality of life commitment to the citizens and businesses located in the County. With this in mind, the County Commissioners committed through final appropriations almost \$4 million for capital assets, equipment and repairs. These assets included road resurfacing and safety and road maintenance equipment and vehicles.

Business-Type Activities

The net assets for business-type activities increased by \$96,941 during 2003. Charges for services were the largest revenue source, accounting for over 84% of total business-type activities revenues.

Van Wert County, Ohio
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The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made because they are not available.

Table 3

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Current:		
General Government:		
Legislative and Executive	\$4,329,120	\$2,147,886
Judicial	1,295,053	915,058
Public Safety	3,063,224	2,424,945
Public Works	3,102,127	(265,503)
Health	91,430	34,637
Human Services	8,769,499	3,000,048
Economic Development and Assistance	500,540	(210,516)
Intergovernmental	305,891	305,891
Interest and Fiscal Charges	<u>61,942</u>	<u>54,323</u>
Total Expenses	<u>\$21,518,826</u>	<u>\$8,406,769</u>

As indicated above, citizen safety and well being is emphasized.

Charges for services, operating grants, and capital grants of approximately 62% of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 38% of revenues is used to fund the rest of the expenses. The County Commissioners rely on these general revenues, especially taxes, to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.

The \$3.0 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.

For public safety, the net cost of services of \$2.4 million indicates the general fund, permissive sales tax, and property tax levy support provided for 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.

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THE COUNTY'S 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 \$21.3 million and expenditures of \$25.3 million. The General fund balance decreased by \$778,240. During 2003, permissive sales tax revenue increased by more than \$200,000. Within the General Fund, expenditures exceeded revenues by \$125,950. Transfers to other funds such as the Capital Improvement funds, Debt Service funds, and other Special Revenue funds totaled \$663,071. The funds transferred were used for capital assets, improvements, repairs, debt and support of special revenue programs, especially human services.

After encumbrances of \$41,240, unreserved undesignated fund balance equals \$2,064,238, which is available for spending at the County's discretion. 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 27% of total General Fund expenditures.

The Motor Vehicle and Gas Tax fund balance decreased \$705,439. Fund balance at December 31, 2003, was \$1.2 million of which \$88,029 is encumbrances to be used for various equipment purchases. The Human Services fund balance decreased \$365,871. Fund balance at December 31, 2003, was \$12,724 of which \$8,642 is encumbered primarily for contractual services. The Thomas Edison fund balance decreased \$331,997. Fund balance at December 31, 2003, was \$595,380. The Brumback Library fund balance increased \$39,545, while fund balance at year-end was \$313,361. This was primarily due to revenues exceeding expenditures causing an inflow of cash to the fund in 2003.

The enterprise fund reflects an operating gain for 2003. 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 \$90,326. This occurred due to note proceeds.

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 2003, there were numerous revisions to the General Fund budget. The net effect of the revisions was a decrease in the appropriations of \$64,499. Transfers not originally appropriated accounted for an increase to this other financing use.

Original General Fund budgeted revenues were \$6,400,550. The final budgeted amount was \$6,424,354. The majority of the increase was due to a slight increase in intergovernmental estimated revenue. For most of the funds, changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in Van Wert County, allowing department managers the ability to consistently predict revenues and expenditures.

Van Wert County, Ohio
Management's Discussion and Analysis
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Land	\$114,700	\$114,700	\$0	\$0
Land Improvements	20,399	20,399	0	0
Buildings	11,650,294	8,146,053	233,251	145,354
Machinery and Equipment	343,917	268,461	67,264	77,943
Furniture and Fixtures	75,993	87,007	4,407	5,543
Vehicles	1,166,822	1,027,484	255,754	292,655
Infrastructure				
Bridges	86,664	0	0	0
Roads	88,773	0	0	0
Construction in Progress	2,390,295	3,916,612	0	0
Totals	<u>\$15,937,857</u>	<u>\$13,580,716</u>	<u>\$560,676</u>	<u>\$521,495</u>

	Total	
	2003	2002
Land	\$114,700	\$114,700
Land Improvements	20,399	20,399
Buildings	11,883,545	8,291,407
Machinery and Equipment	411,181	346,404
Furniture and Fixtures	80,400	92,550
Vehicles	1,422,576	1,320,139
Infrastructure		
Bridges	86,664	0
Roads	88,773	0
Construction in Progress	2,390,295	3,916,612
Totals	<u>\$16,498,533</u>	<u>\$14,102,211</u>

Many of the increases to buildings, machinery and equipment, and vehicles were due to the 2002 tornado damage. The increase in infrastructure was the result of its first-time inclusion as part of the financial records pursuant to GASB Statement No. 34. At year-end, the County had contractual commitments with several vendors for various projects with a total balance of \$312,096. See Note 8 of the notes to the basic financial statements for more detailed capital asset information.

Van Wert County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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Debt

At December 31, 2003, Van Wert County had \$3,501,968 in debt outstanding.

Table 4
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Special Assessment Notes	\$509,334	\$667,272	\$0	\$0
General Obligation Notes	2,815,279	2,202,404	100,000	20,000
Capital Leases	77,355	158,883	0	0
Total	\$3,401,968	\$3,028,559	\$100,000	\$20,000

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 Motor Vehicle Gas Tax, Ditch Maintenance, and Thomas Edison Special Revenue Funds.

The County's overall legal debt margin was \$6,682,299 as of December 31, 2003. The more restrictive unvoted legal debt margin was \$1,587,271 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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Van Wert County, Ohio

Statement of Net Assets

December 31, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Equity in Pooled Cash and Cash Equivalent:	\$6,202,053	\$168,542	\$6,370,595
Cash and Cash Equivalents in Segregated Account:	75,206		75,206
Cash and Cash Equivalents with Fiscal Agent:	46,250		46,250
Accrued Interest Receivable	17,276		17,276
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	441,884	218,589	660,473
Permissive Sales Tax Receivable	552,231		552,231
Due from Other Governments	4,379,594		4,379,594
Internal Balances	179	(179)	
Prepaid Items	124,412	240	124,652
Supplies Inventory	218,671		218,671
Property and Other Taxes Receivable	2,903,301		2,903,301
Loans Receivable	208,318		208,318
Special Assessments Receivable	709,040		709,040
Investments in Segregated Account:	131,803		131,803
Nondepreciable Capital Assets	2,525,394		2,525,394
Depreciable Capital Assets, Net	13,412,463	560,676	13,973,139
<i>Total Assets</i>	<u>31,948,075</u>	<u>947,868</u>	<u>32,895,943</u>
Liabilities			
Accounts Payable	589,690	5,717	595,407
Accrued Salaries Payable	437,464	9,608	447,072
Contracts Payable	63,418		63,418
Contracts Payable Retainage	80,944		80,944
Due to Other Governments	295,953	5,104	301,057
Matured Compensated Absences Payable	15,649		15,649
Accrued Interest Payable	12,536	39	12,575
Compensatory Time Payable	61,211		61,211
Deferred Revenue	2,787,116		2,787,116
Long-Term Liabilities			
Due Within One Year	731,326	6,670	737,996
Due in More Than One Year	3,281,192	101,354	3,382,546
<i>Total Liabilities</i>	<u>8,356,499</u>	<u>128,492</u>	<u>8,484,991</u>
Net Assets			
Invested in Capital Assets, Net of Related Deb Restricted for:	12,947,884	560,676	13,508,560
Other Purposes	6,813,203		6,813,203
Debt Service	445,469		445,469
Capital Projects	488,338		488,338
Unrestricted	2,896,682	258,700	3,155,382
<i>Total Net Assets</i>	<u>\$23,591,576</u>	<u>\$819,376</u>	<u>\$24,410,952</u>

See accompanying notes to the basic financial statement

Component Units				
Thomas Edison Center	Van Wert Housing Services, Inc.	Thomas Edison Endowment	Van Wert County Port Authority	Van Wert County Airport Authority
			\$33,087	
80,442	7,653	41,367		5,534
41,370	416	14,458		
				116,418
245	2,485			4,261
175				12,034
		1,387,559		
	48,646		204,454	461,666
118,851	455,882		3,524	100,825
<u>241,083</u>	<u>515,082</u>	<u>1,443,384</u>	<u>241,065</u>	<u>700,738</u>
7,124	2,108			
				1,434
	14,899			10,962
	131,006			197,356
<u>7,124</u>	<u>148,013</u>			<u>209,752</u>
118,851	358,623		207,978	354,173
115,108	8,446	1,443,384	33,087	136,813
<u>\$233,959</u>	<u>\$367,069</u>	<u>\$1,443,384</u>	<u>\$241,065</u>	<u>\$490,986</u>

Van Wert County, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
Governmental Activities					
General Government					
Legislative and Executive	\$4,329,120	\$1,097,021	\$1,084,213		(\$2,147,886)
Judicial	1,295,053	236,661	143,334		(915,058)
Public Safety	3,063,224	281,188	357,091		(2,424,945)
Public Works	3,102,127	482,204	2,885,426		265,503
Health	91,430	55,904	889		(34,637)
Human Services	8,769,499	1,301,146	4,385,421	82,884	(3,000,048)
Economic Development and Assistanc	500,540	46,203	664,853		210,516
Intergovernmental	305,891				(305,891)
Interest and Fiscal Charge:	61,942	7,619			(54,323)
<i>Total Governmental Activities</i>	<u>21,518,826</u>	<u>3,507,946</u>	<u>9,521,227</u>	<u>82,884</u>	<u>(8,406,769)</u>
Business-Type Activity					
Recycling	443,907	456,220			
<i>Total Primary Government</i>	<u>\$21,962,733</u>	<u>\$3,964,166</u>	<u>\$9,521,227</u>	<u>\$82,884</u>	<u>(8,406,769)</u>
Component Units					
Thomas Edison Center	\$379,322	\$162,948	\$220,163		
Van Wert Housing Services, Inc	143,199	86,922	56,700		
Thomas Edison Endowmen	38,319		51,848		
Van Wert County Port Authority	21,026	2,520			
Van Wert County Airport Authority	150,877	88,170		418,868	
<i>Total Component Units</i>	<u>\$732,743</u>	<u>\$340,560</u>	<u>\$328,711</u>	<u>\$418,868</u>	
General Revenues					
Property and Other Taxes Levied for					
General Purposes					
					916,146
Thomas Edison					
					1,206,049
Other Purposes					
					669,700
County Permissive Motor Vehicle License Taxes Levied for Public Worl					
					101,684
Permissive Sales Taxes Levied for General Purpose					
					3,490,105
Grants and Entitlements not Restricted to Specific Program					
					1,154,734
Gain on Sale of Capital Asset:					
					24,520
Unrestricted Investment Earning					
					470,091
Other					
					28,989
Extraordinary Item-Insurance Settlement/Grants from Tornado Damage					
					187,153
Transfers					
					(45,000)
<i>Total General Revenues, Extraordinary Item, and Transfers</i>					
					<u>8,204,171</u>
Change in Net Assets:					
					(202,598)
<i>Net Assets Beginning of Year - See Note 3</i>					
					<u>23,794,174</u>
<i>Net Assets End of Year</i>					
					<u>\$23,591,576</u>

See accompanying notes to the basic financial statemen

Net (Expense) Revenue and Changes in Net Asset						
Primary Government		Component Units				
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
	(\$2,147,886)					
	(915,058)					
	(2,424,945)					
	265,503					
	(34,637)					
	(3,000,048)					
	210,516					
	(305,891)					
	(54,323)					
	(8,406,769)					
12,313	12,313					
12,313	(8,394,456)					
		3,789				
			423			
				13,529		
					(18,506)	
						356,161
		3,789	423	13,529	(18,506)	356,161
	916,146					
	1,206,049					
	669,700					
	101,684					
	3,490,105					
	1,154,734					
	24,520					
	470,091	1,366	6	151,284		263
	28,989					
39,628	226,781					
45,000						
84,628	8,288,799	1,366	6	151,284		263
96,941	(105,657)	5,155	429	164,813	(18,506)	356,424
722,435	24,516,609	228,804	366,640	1,278,571	259,571	134,562
\$819,376	\$24,410,952	\$233,959	\$367,069	\$1,443,384	\$241,065	\$490,986

Van Wert County, Ohio
Balance Sheet
Governmental Funds
December 31, 2003

	General	Motor Vehicle and Gas Tax
Assets		
Equity in Pooled Cash and Cash Equivalent:	\$1,957,886	\$887,934
Cash and Cash Equivalents in Segregated Account:	42,031	
Cash and Cash Equivalents with Fiscal Agent:		
Investments in Segregated Account		
Receivables:		
Property and Other Taxes	952,968	6,985
Permissive Sales Tax	552,231	
Accounts (Net, where applicable of Uncollectible Accounts)	190,638	183,408
Special Assessments		
Interfund	20,238	25,459
Accrued Interest	14,266	3,010
Due from Other Government:	561,171	1,552,342
Prepaid Items	69,164	1,388
Supplies Inventory	40,465	135,830
Loans Receivable		
<i>Total Assets</i>	<u>\$4,401,058</u>	<u>\$2,796,356</u>
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	\$94,076	\$163,946
Contracts Payable		
Contracts Payable Retainage		
Accrued Salaries Payable	166,259	48,818
Due to Other Governments:	103,099	26,146
Matured Compensated Absences Payable	15,649	
Interfund Payable	3,495	397
Deferred Revenue	1,905,411	1,353,573
<i>Total Liabilities</i>	<u>2,287,989</u>	<u>1,592,880</u>
Fund Balances		
Reserved for Encumbrances:	41,240	88,029
Reserved for Loans Receivable		
Reserved for Unclaimed Monies	7,591	
Unreserved:		
Undesignated, Reported in		
General Fund	2,064,238	
Special Revenue Funds		1,115,447
Debt Service Funds		
Capital Projects Funds		
<i>Total Fund Balances</i>	<u>2,113,069</u>	<u>1,203,476</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,401,058</u>	<u>\$2,796,356</u>

See accompanying notes to the basic financial statement

Human Services	Thomas Edison	Brumback Library	Other Governmental Funds	Total Governmental Funds
\$26,693	\$825,684	\$95,572	\$2,408,284	\$6,202,053
294		21,817	11,064	75,206
			46,250	46,250
		131,803		131,803
	1,262,547		680,801	2,903,301
				552,231
	1,533		66,305	441,884
			709,040	709,040
92,603	25,786		1,559	165,645
				17,276
166,470	95,751	575,387	1,428,473	4,379,594
3,787	10,153	29,918	10,002	124,412
		1,016	41,360	218,671
			208,318	208,318
<u>\$289,847</u>	<u>\$2,221,454</u>	<u>\$855,513</u>	<u>\$5,611,456</u>	<u>\$16,175,684</u>
\$12,891	\$151,559	\$5,266	\$161,952	\$589,690
0	0	0	63,418	63,418
0	0	0	80,944	80,944
48,361	67,025	21,311	85,690	437,464
23,105	40,620	10,255	77,336	280,561
0	0	0	0	15,649
24,164	3,113	247	134,050	165,466
168,602	1,363,757	505,073	2,664,924	7,961,340
<u>277,123</u>	<u>1,626,074</u>	<u>542,152</u>	<u>3,268,314</u>	<u>9,594,532</u>
8,642	37,520	408	218,947	394,786
			197,356	197,356
				7,591
				2,064,238
4,082	557,860	312,953	1,706,677	3,697,019
			22,520	22,520
			197,642	197,642
<u>12,724</u>	<u>595,380</u>	<u>313,361</u>	<u>2,343,142</u>	<u>6,581,152</u>
<u>\$289,847</u>	<u>\$2,221,454</u>	<u>\$855,513</u>	<u>\$5,611,456</u>	<u>\$16,175,684</u>

Van Wert County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Total Governmental Fund Balances	\$6,581,152
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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	15,937,857
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds

Property and Other Taxes	109,200
Permissive Sales Tax	275,939
Intergovernmental	3,873,177
Charges for Services	154,175
Fines and Forfeitures	84,535
Special Assessments	673,029
Other	4,169

Total	5,174,224
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Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the fund:	(15,392)
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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	(12,536)
General Obligation Notes	(2,815,279)
Special Assessment Notes	(509,334)
Capital Leases	(77,355)
Compensatory Time Payable	(61,211)
Early Retirement Incentive	(53,039)
Compensated Absences	(557,511)

Total	(4,086,265)
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<i>Net Assets of Governmental Activities</i>	<u><u>\$23,591,576</u></u>
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See accompanying notes to the basic financial statements

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Van Wert County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Motor Vehicle and Gas Tax	Human Services
Revenues			
Property and Other Taxes	\$925,078	\$108,699	
Permissive Sales Tax	3,489,599		
Intergovernmental	1,295,781	2,693,388	1,607,649
Charges for Services	738,027	106,454	
Licenses and Permits	3,215		
Fines and Forfeitures	148,255	121,242	
Special Assessments			
Interest	470,091	10,420	
Other	440,361		
<i>Total Revenues</i>	<u>7,510,407</u>	<u>3,040,203</u>	<u>1,607,649</u>
Expenditures			
Current:			
General Government:			
Legislative and Executive	2,759,055		
Judicial	1,213,322		
Public Safety	2,522,308		
Public Works	328,724	2,421,280	
Health	26,155		
Human Services	242,844		2,004,044
Economic Development and Assistance	37,500		
Intergovernmental	305,891		
Capital Outlay	200,558	1,394,446	10,840
Debt Service:			
Principal Retirement		235,249	
Interest and Fiscal Charges		5,243	
<i>Total Expenditures</i>	<u>7,636,357</u>	<u>4,056,218</u>	<u>2,014,884</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(125,950)</u>	<u>(1,016,015)</u>	<u>(407,235)</u>
Other Financing Sources (Uses)			
General Obligation Notes Issued	5,669		
Special Assessment Note Issued			
Proceeds from Sale of Capital Assets	5,112	123,423	
Transfers - In			41,364
Transfers - Out	(663,071)		
<i>Total Other Financing Sources (Uses)</i>	<u>(652,290)</u>	<u>123,423</u>	<u>41,364</u>
Extraordinary Item			
Insurance Settlement from Tornado Damage		187,153	
<i>Net Change in Fund Balances</i>	<u>(778,240)</u>	<u>(705,439)</u>	<u>(365,871)</u>
<i>Fund Balances Beginning</i>			
of Year - Restated (See Note 3)	<u>2,891,309</u>	<u>1,908,915</u>	<u>378,595</u>
<i>Fund Balances End of Year</i>	<u>\$2,113,069</u>	<u>\$1,203,476</u>	<u>\$12,724</u>

See accompanying notes to the basic financial statements

<u>Thomas Edison</u>	<u>Brumback Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,223,296		\$673,253	\$2,930,326
			3,489,599
1,542,020	926,251	2,257,984	10,323,073
84,919	5,810	1,496,822	2,432,032
		62,750	65,965
	8,823	39,553	317,873
		371,339	371,339
	4,074	48,297	532,882
11,632	17,137	360,257	829,387
<u>2,861,867</u>	<u>962,095</u>	<u>5,310,255</u>	<u>21,292,476</u>
	905,029	506,656	4,170,740
		88,916	1,302,238
		476,449	2,998,757
		108,195	2,858,199
		62,707	88,862
3,017,405		3,617,512	8,881,805
		460,343	497,843
			305,891
75,495	17,521	1,713,819	3,412,679
48,011		493,331	776,591
5,551		61,808	72,602
<u>3,146,462</u>	<u>922,550</u>	<u>7,589,736</u>	<u>25,366,207</u>
<u>(284,595)</u>	<u>39,545</u>	<u>(2,279,481)</u>	<u>(4,073,731)</u>
		1,114,292	1,119,961
		30,039	30,039
		65	128,600
		669,109	710,473
<u>(47,402)</u>			<u>(710,473)</u>
<u>(47,402)</u>		<u>1,813,505</u>	<u>1,278,600</u>
			187,153
(331,997)	39,545	(465,976)	(2,607,978)
<u>927,377</u>	<u>273,816</u>	<u>2,809,118</u>	<u>9,189,130</u>
<u>\$595,380</u>	<u>\$313,361</u>	<u>\$2,343,142</u>	<u>\$6,581,152</u>

Van Wert County, Ohio
*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, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$2,607,978)

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 amounts are:

Capital Outlay	3,159,047	
Depreciation	(697,826)	
Excess of Capital Outlay over Depreciation Expense		2,461,221

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale.

Proceeds from Sale of Capital Assets	(128,600)	
Gain on Assets Sold	24,520	
		(104,080)

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 consist of:

General Obligation Note Principal Payments	507,086	
Special Assessment Note Principal Payments	187,977	
Capital Lease Principal Payments	81,528	
		776,591

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 amounts this year:

Property and Other Taxes	(36,747)	
Permissive Sales Tax	506	
Intergovernmental	372,981	
Charges for Services	(121,045)	
Fines and Forfeitures	8,554	
Special Assessments	(371,339)	
Other	4,169	
		(142,921)

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 Obligation Notes	(1,119,961)	
Special Assessment Note	(30,039)	
		(1,150,000)

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:

Decrease in Accrued Interest	10,660	
Increase in Compensatory Time Payable	(9,311)	
Decrease in Early Retirement Incentive	138,949	
Decrease in Compensated Absences	99,071	
Decrease in Due to Other Governments	325,200	
		564,569

Change in Net Assets of Governmental Activities (\$202,598)

See accompanying notes to the basic financial statements

Van Wert County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$897,000	\$897,000	\$924,456	\$27,456
Permissive Sales Tax	3,021,000	3,021,000	3,437,414	416,414
Intergovernmental	1,268,734	1,288,622	1,333,991	45,369
Charges for Services	619,416	622,119	732,500	110,381
Licenses and Permits	2,500	2,500	3,215	715
Fines and Forfeitures	104,000	104,000	125,211	21,211
Interest	350,700	350,700	494,053	143,353
Other	137,200	138,413	195,066	56,653
<i>Total Revenues</i>	<u>6,400,550</u>	<u>6,424,354</u>	<u>7,245,906</u>	<u>821,552</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,379,759	3,137,439	2,758,609	378,830
Judicial	1,309,671	1,344,949	1,225,771	119,178
Public Safety	2,516,442	2,526,491	2,450,349	76,142
Public Works	43,589	44,046	36,282	7,764
Health	49,270	48,591	29,500	19,091
Human Services	249,799	249,776	244,561	5,215
Economic Development and Assistance	37,500	37,500	37,500	0
Intergovernmental	260,754	306,533	305,891	642
Capital Outlay	180,294	267,254	207,033	60,221
<i>Total Expenditures</i>	<u>8,027,078</u>	<u>7,962,579</u>	<u>7,295,496</u>	<u>667,083</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,626,528)</u>	<u>(1,538,225)</u>	<u>(49,590)</u>	<u>1,488,635</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Notes		36,000	5,669	(30,331)
Proceeds from Sale of Capital Asset		62	5,112	5,050
Advances In			286,846	286,846
Advances Out			(286,846)	(286,846)
Transfers - Out	(694,883)	(838,321)	(663,071)	175,250
<i>Total Other Financing Sources (Uses)</i>	<u>(694,883)</u>	<u>(802,259)</u>	<u>(652,290)</u>	<u>149,969</u>
<i>Net Change in Fund Balance</i>	<u>(2,321,411)</u>	<u>(2,340,484)</u>	<u>(701,880)</u>	<u>1,638,604</u>
<i>Fund Balance Beginning of Year</i>	2,348,390	2,348,390	2,348,390	0
Prior Year Encumbrances Appropriated	117,008	117,008	117,008	0
<i>Fund Balance End of Year</i>	<u>\$143,987</u>	<u>\$124,914</u>	<u>\$1,763,518</u>	<u>\$1,638,604</u>

See accompanying notes to the basic financial statement

Van Wert County, Ohio
*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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$90,500	\$90,500	\$101,714	\$11,214
Intergovernmental	2,421,000	2,483,119	2,664,623	181,504
Charges for Services	56,000	91,000	131,553	40,553
Fines and Forfeitures	77,000	107,095	113,397	6,302
Interest	13,000	13,000	7,687	(5,313)
<i>Total Revenues</i>	<u>2,657,500</u>	<u>2,784,714</u>	<u>3,018,974</u>	<u>234,260</u>
Expenditures				
Current:				
Public Works	3,217,321	2,704,566	2,412,228	292,338
Capital Outlay	73,286	1,501,512	1,473,630	27,882
Debt Service:				
Principal Retirement	23,500	218,491	218,491	0
Interest and Fiscal Charges	8,000	8,000	4,324	3,676
<i>Total Expenditures</i>	<u>3,322,107</u>	<u>4,432,569</u>	<u>4,108,673</u>	<u>323,896</u>
<i>Excess of Revenues Under Expenditures</i>	(664,607)	(1,647,855)	(1,089,699)	558,156
Other Financing Sources				
Proceeds from Sale of Capital Assets		81,000	123,423	42,423
<i>Excess of Revenues and Other Financing Sources Under Expenditures</i>	(664,607)	(1,566,855)	(966,276)	600,579
Extraordinary Item		962,153	962,153	0
<i>Net Change in Fund Balance</i>	(664,607)	(604,702)	(4,123)	600,579
<i>Fund Balance at Beginning of Year</i>	281,006	281,006	281,006	0
Prior Year Encumbrances Appropriated	387,278	387,278	387,278	0
<i>Fund Balance at End of Year</i>	<u>\$3,677</u>	<u>\$63,582</u>	<u>\$664,161</u>	<u>\$600,579</u>

See accompanying notes to the basic financial statements

Van Wert County, Ohio
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Human Services Fund
 For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$2,028,406	\$1,567,480	\$1,567,480	\$0
Expenditures				
Current:				
Human Services	2,477,300	2,022,887	2,022,698	189
Capital Outlay	20,061	10,430	10,430	0
<i>Total Expenditures</i>	<u>2,497,361</u>	<u>2,033,317</u>	<u>2,033,128</u>	<u>189</u>
<i>Excess of Revenues Under Expenditures</i>	(468,955)	(465,837)	(465,648)	189
Other Financing Sources				
Transfers - In	40,992	41,364	41,364	0
<i>Net Change in Fund Balance</i>	(427,963)	(424,473)	(424,284)	189
<i>Fund Balance at Beginning of Year</i>	381,722	381,722	381,722	0
Prior Year Encumbrances Appropriated	53,580	53,580	53,580	0
<i>Fund Balance at End of Year</i>	<u>\$7,339</u>	<u>\$10,829</u>	<u>\$11,018</u>	<u>\$189</u>

See accompanying notes to the basic financial statement:

Van Wert County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Thomas Edison Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$1,238,300	\$1,208,300	\$1,222,318	\$14,018
Intergovernmental	1,500,859	1,247,961	1,575,147	327,186
Charges for Services	60,500	60,500	83,911	23,411
Other	11,500	12,045	11,632	(413)
<i>Total Revenues</i>	<u>2,811,159</u>	<u>2,528,806</u>	<u>2,893,008</u>	<u>364,202</u>
Expenditures				
Current:				
Human Services	3,216,602	3,191,018	3,118,182	72,836
Capital Outlay	412,662	141,196	129,196	12,000
<i>Total Expenditures</i>	<u>3,629,264</u>	<u>3,332,214</u>	<u>3,247,378</u>	<u>84,836</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(818,105)</u>	<u>(803,408)</u>	<u>(354,370)</u>	<u>449,038</u>
Other Financing Sources (Uses)				
Advances In			300,000	300,000
Advances Out			(300,000)	(300,000)
Transfers - Out	(47,402)	(47,402)	(47,402)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(47,402)</u>	<u>(47,402)</u>	<u>(47,402)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(865,507)	(850,810)	(401,772)	449,038
<i>Fund Balance at Beginning of Year</i>	809,700	809,700	809,700	0
Prior Year Encumbrances Appropriated	147,216	147,216	147,216	0
<i>Fund Balance at End of Year</i>	<u>\$91,409</u>	<u>\$106,106</u>	<u>\$555,144</u>	<u>\$449,038</u>

See accompanying notes to the basic financial statements

Van Wert County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Brumback Library Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$970,000	\$925,997	\$925,997	\$0
Charges for Services	2,000	2,000	5,810	3,810
Fines and Forfeitures	12,000	12,000	9,966	(2,034)
Other	4,050	2,050	16,117	14,067
<i>Total Revenues</i>	<u>988,050</u>	<u>942,047</u>	<u>957,890</u>	<u>15,843</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,001,381	972,718	901,294	71,424
Capital Outlay	40,245	19,229	17,706	1,523
<i>Total Expenditures</i>	<u>1,041,626</u>	<u>991,947</u>	<u>919,000</u>	<u>72,947</u>
<i>Net Change in Fund Balance</i>	(53,576)	(49,900)	38,890	88,790
<i>Fund Balance at Beginning of Year</i>	47,932	47,932	47,932	0
Prior Year Encumbrances Appropriated	<u>5,646</u>	<u>5,646</u>	<u>5,646</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2</u>	<u>\$3,678</u>	<u>\$92,468</u>	<u>\$88,790</u>

See accompanying notes to the basic financial statements

Van Wert County, Ohio
Statement of Fund Net Assets
Enterprise Fund
December 31, 2003

	Recycling
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalent:	\$168,542
Accounts Receivable	218,589
Prepaid Items	240
<i>Total Current Assets</i>	387,371
 <i>Non-current Assets:</i>	
Depreciable Capital Assets, Net	560,676
<i>Total Assets</i>	948,047
 Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	5,717
Accrued Salaries Payable	9,608
Due to Other Governments	5,104
Interfund Payable	179
Accrued Interest Payable	39
Compensated Absences Payable	5,170
Note Payable	1,500
<i>Total Current Liabilities</i>	27,317
 <i>Long-Term Liabilities:</i>	
Compensated Absences Payable	2,854
Note Payable	98,500
<i>Total Long-Term Liabilities</i>	101,354
<i>Total Liabilities</i>	128,671
 Net Assets	
Invested in Capital Assets	560,676
Unrestricted	258,700
<i>Total Net Assets</i>	\$819,376

See accompanying notes to the basic financial statement

Van Wert County, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Enterprise Fund
For the Year Ended December 31, 2003*

	Recycling
Operating Revenues	
Charges for Services	\$456,220
Operating Expenses	
Personal Services	288,466
Contractual Services	82,452
Materials and Supplies	18,638
Depreciation	53,885
<i>Total Operating Expenses</i>	443,441
<i>Operating Income</i>	12,779
Non-Operating Expense	
Interest and Fiscal Charges	(466)
<i>Income Before Capital Contributions</i>	12,313
Capital Contributions	45,000
<i>Income Before Extraordinary Item</i>	57,313
Extraordinary Item	39,628
<i>Change in Net Assets</i>	96,941
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	722,435
<i>Net Assets End of Year</i>	\$819,376

See accompanying notes to the basic financial statement

Van Wert County, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2003

	Recycling
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	\$442,486
Cash Payments for Employee Services and Benefit	(288,651)
Cash Payments to Suppliers	(134,524)
<i>Net Cash Provided by Operating Activities</i>	19,311
Cash Flows from Noncapital Financing Activities	
Insurance Reimbursemen	39,628
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Asset	(48,066)
Proceeds of Note	100,000
Note Principal Payments	(20,000)
Note Interest Payments	(547)
<i>Net Cash Provided by Capital and Related Financing Activities</i>	31,387
<i>Net Increase in Cash and Cash Equivalents</i>	90,326
<i>Cash and Cash Equivalents Beginning of Year</i>	78,216
<i>Cash and Cash Equivalents End of Year</i>	\$168,542

(Continued)

Van Wert County, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2003
(Continued)

	Recycling
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$12,779
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	53,885
Changes in Assets and Liabilities	
Increase in Accounts Receivable	(13,734)
Decrease in Prepaid Items	14
Decrease in Accounts Payable	(33,576)
Increase in Accrued Salaries Payable	381
Decrease in Due to Other Government	(3,871)
Increase in Interfund Payable	128
Increase in Compensated Absences Payable	3,305
<i>Net Cash Provided by Operating Activities</i>	\$19,311

Non-Cash Transaction:

During 2003, the Recycling Fund had a capital contribution for capital assets from the Recycle Ohio Special Revenue Fund of \$45,000

See accompanying notes to the basic financial statement

Van Wert County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,239,615
Cash and Cash Equivalents in Segregated Accounts	263,860
Investments	20,000
Receivables:	
Property and Other Taxes	17,916,707
Accounts (Net, where applicable, of Uncollectible Accounts)	85,560
Special Assessments	137,703
Due from Other Governments	1,447,133
<i>Total Assets</i>	<u><u>\$21,110,578</u></u>
Liabilities	
Due to Other Governments	\$19,933,232
Undistributed Monies	1,177,346
<i>Total Liabilities</i>	<u><u>\$21,110,578</u></u>

See accompanying notes to the basic financial statements

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Van Wert County, Ohio (The County), was created in 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.

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, 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 in 1898. The Library was established as a free public library for the benefit of the citizens of Van Wert County, Ohio, at that time. The law was enacted under Section 891a Revised Statute found on page 355 of Volume 93. 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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

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.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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.

NOTE 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.

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.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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.

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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 a County-wide property tax levy, from bequests and donations and from money received from the operations of the Library.

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

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.

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, and Emergency Management.

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.

Measurement Focus

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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.

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, 2003, but were levied to finance 2004 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.

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.

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 2003, 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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The County has invested funds in STAR Ohio during 2003. 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, 2003.

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$470,091 was credited to the General Fund during 2003, which includes \$447,984 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.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The County has chosen not to add infrastructure until required in 2007. 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:

<u>Description</u>	<u>Estimated Lives</u>
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's infrastructure system consists of roads and bridges. For 2003, the County reported infrastructure for the first time. The County only reports the amounts acquired after 2002. The County plans to phase in the prior year amounts in future years.

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".

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Capital Contributions

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

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonoperating.

Fund Balance Reserves

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.

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.

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.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 2003.

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.

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

Changes in Accounting Principles

For 2003, the County has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”, Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

The government-wide financial statements split the County's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. This statement did not apply to the County for 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The County has also implemented a new capital asset policy which increases the capitalization threshold for capital assets from \$500 to \$10,000. The reason for the change was to reduce the cost of maintaining capital asset information by significantly reducing the number of items tracked. For general capital assets, the balance at December 31, 2002, changed prior to depreciation by (\$3,461,499), from \$23,911,321 to \$20,449,822. For the enterprise fund, the balance changed by (\$49,789), from \$571,284 to \$521,495.

Restatement of Fund Balance

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the County as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Motor Vehicle And Gas Tax</u>	<u>Human Services</u>
Fund Balances, December 31, 2002	\$2,821,502	\$1,904,695	\$375,196
GASB Interpretation No. 6	15,194	4,220	3,399
Agency Fund Cash Allocation	54,613	0	0
Adjusted Fund Balance, December 31, 2002	<u>\$2,891,309</u>	<u>\$1,908,915</u>	<u>\$378,595</u>

(Continued)

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

	Thomas <u>Edison</u>	Brumback <u>Library</u>	<u>Nonmajor</u>
Fund Balances, December 31, 2002	\$837,995	\$273,078	\$2,760,212
GASB Interpretation No. 6	3,527	738	4,513
Agency Fund Cash Allocation	<u>85,855</u>	<u>0</u>	<u>44,393</u>
Adjusted Fund Balance, December 31, 2002	<u>\$927,377</u>	<u>\$273,816</u>	<u>\$2,809,118</u>

	<u>Total</u>
Fund Balances, December 31, 2002	\$8,972,678
GASB Interpretation No. 6	31,591
Agency Fund Cash Allocation	<u>184,861</u>
Adjusted Fund Balance, December 31, 2002	9,189,130
GASB 34 Adjustments:	
Capital Assets	13,580,716
Due to Other Governments	(340,592)
Accrued Interest Payable	(23,196)
Compensatory Time Payable	(51,900)
Long-Term Liabilities	(3,877,129)
Long-Term (Deferred) Assets:	
Delinquent Property Taxes	138,932
Permissive Sales Tax Receivable	275,433
Accounts/Intergovernmental/Interfund Receivable	3,858,412
Special Assessments Receivable	<u>1,044,368</u>
Governmental Activities Net Assets, December 31, 2002	<u>\$23,794,174</u>

NOTE 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).
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).

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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 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	(\$778,240)	(\$705,439)	(\$365,871)	(\$331,997)	\$39,545
Adjustments:					
Revenue Accruals	(265,379)	753,512	(40,169)	117,974	889
Expenditure Accruals	437,738	171,577	(3,209)	74,239	5,009
2003 Unrecorded Cash	(9,396)	(222)	0	0	0
2002 Unrecorded Cash	65,978	481	0	0	0
Prepaid Items	32,391	(481)	641	8,552	230
Change in Fair Value of Investments-2003	0	0	0	0	11,257
Change in Fair Value of Investments-2002	0	0	0	0	(8,337)
Agency Fund Cash Allocation	(55,704)	0	0	(86,833)	0
Encumbrances	(129,268)	(223,551)	(15,676)	(183,707)	(3,104)
Activity of Nonbudgeted Funds	0	0	0	0	(6,599)
Budget Basis	<u>(\$701,880)</u>	<u>(\$4,123)</u>	<u>(\$424,284)</u>	<u>(\$401,772)</u>	<u>\$38,890</u>

NOTE 5 – ACCOUNTABILITY

The CDBG Special Revenue Fund had a fund balance deficit at December 31, 2003, of \$10,570. The deficit is the result of fund liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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;
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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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 \$30,479 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".

Deposits

At year-end, the carrying amount of the County's deposits was \$5,921,988 and the related bank balance was \$7,479,289. Of the bank balance, \$763,848 was covered by federal deposit insurance, and \$6,715,441 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.

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.

	Primary Government			Carrying/Fair Value
	Category 1	Category 3	Unclassified	
STAR Ohio	\$0	\$0	\$361,890	\$361,890
Repurchase Agreement	0	1,760,413	0	1,760,413
Stock	105,646	0	0	105,646
Total	\$105,646	\$1,760,413	\$361,890	\$2,227,949

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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	\$7,995,526	\$151,803
Cash on Hand	(30,479)	0
Port Authority Component Unit	33,087	0
Investments:		
Certificates of Deposit	46,157	(46,157)
Repurchase Agreement	(1,760,413)	1,760,413
STAR Ohio	(361,890)	361,890
GASB Statement No. 3	\$5,921,988	\$2,227,949

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, 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 County Home resident charges, Court receivables, and Jail pay-for-stay. A summary of accounts receivable for County Home resident charges, Court receivables, and Jail pay-for-stay, as well as other receivables owed to the County governmental funds is as follows:

	County Home Resident Charges	Common Pleas/ Juvenile/Probate Court Receivable	Jail pay-for-stay	Other Accounts Receivable	Total Accounts Receivable
Receivable	\$2,398,613	\$136,341	\$90,259	\$204,942	\$2,830,155
Allowance for Uncollectibles	(2,334,176)	(51,806)	(2,289)	0	(2,388,271)
Net Accounts Receivable	\$64,437	\$84,535	\$87,970	\$204,942	\$441,884

For the agency funds, the total receivable for the Common Pleas Court was \$99,643, with an allowance for uncollectibles of \$14,083, making net accounts receivable of \$85,560.

Special assessments expected to be collected in more than one year in the Special Assessment Debt Service Fund amount to \$364,111. At December 31, 2003, the amount of delinquent special assessments was \$44,557.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 - RECEIVABLES (Continued)

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 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. 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.

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 represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, 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 2003 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, 2003, was \$8.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$318,074,220	72.34%
Other Real Property	49,621,950	11.29
Tangible Personal Property	53,060,609	12.07
Public Utility Personal Property	18,911,780	4.30
Total Assessed Value	<u>\$439,668,559</u>	<u>100.00%</u>

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 – RECEIVABLES (Continued)

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 2003. 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 in 2003 amounted to \$3,489,599 in the General Fund.

Due from Other Governments

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Indigent Defense Reimbursement	\$11,342
Boarding Fees	10,038
Local Government	375,925
Local Government Revenue Assistance	74,345
Homestead and Rollback	157,859
Estate Tax Reimbursement	888
Election Costs	22,499
State Issue Advertising Reimbursement	7,113
Motor Vehicle License Tax	675,268
Gasoline Excise Tax	384,508
Gasoline Cents per Gallon	431,832
Excess IRP Compensation	55,757
Undivided Library	575,387
Ohio Job and Family Services	109,258
Social Security Administration	400
PA Core Over/Under Draws	57,212
Home Weatherization Assistance Grant	17,615
Early Childhood Development Grant	280,000
Family Visitation Center	5,172
Engineer Charges for Services	4,977
Bureau of Workers' Compensation Refund	982
Sheriff's Pay Raise Reimbursement	1,646
Tuberculosis Reimbursement	889
CAFS/Title VI-B Reimbursements	30,462

(Continued)

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 – RECEIVABLES (Continued)

CSEA Grant	\$61,305
Children’s Services Grant	32,133
Youth Bureau Reclaim Ohio Grant	124,628
Federal Byrne Female Victim Grant	1,389
Community Corrections Grant	27,908
State Help Me Grow Grant	34,167
CDBG Grant	768,800
Federal HEAP Program	28,890
Recycle Ohio Grant	9,000
Total Intergovernmental Receivables	\$4,379,594

Loans Receivable

The County has four loans receivable 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. At December 31, 2003, the total amount of loans receivable in the Airport Note Debt Service Fund is \$208,318. This includes \$197,356 which is expected to be collected in more than one year.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	Restated Balance at 12/31/02	Additions	Deductions	Balance at 12/31/03
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	3,916,612	1,639,084	(3,165,401)	2,390,295
Total Capital Assets, not being Depreciated	4,051,711	1,639,084	(3,165,401)	2,525,394
Depreciable Capital Assets:				
Buildings	12,282,938	3,787,539	0	16,070,477
Machinery and Equipment	653,994	130,850	0	784,844
Furniture and Fixtures	170,263	0	0	170,263
Vehicles	3,290,916	580,418	(282,965)	3,588,369
Infrastructure:				
Bridges	0	87,920	0	87,920

(Continued)

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 8 – CAPITAL ASSETS (Continued)

	Restated Balance at 12/31/02	Additions	Deductions	Balance at 12/31/03
Roads	\$0	98,637	0	98,637
Total Depreciable Capital Assets	16,398,111	4,685,364	(282,965)	20,800,510
Less Accumulated Depreciation:				
Buildings	(4,136,885)	(283,298)	0	(4,420,183)
Machinery and Equipment	(385,533)	(55,394)	0	(440,927)
Furniture and Fixtures	(83,256)	(11,014)	0	(94,270)
Vehicles	(2,263,432)	(337,000)	178,885	(2,421,547)
Infrastructure:				
Bridges	0	(1,256)	0	(1,256)
Roads	0	(9,864)	0	(9,864)
Total Accumulated Depreciation	(6,869,106)	(697,826)	178,885	(7,388,047)
Depreciable Capital Assets, Net	9,529,005	3,987,538	(104,080)	13,412,463
Governmental Activities Capital Assets, Net	\$13,580,716	\$5,626,622	\$3,269,481	\$15,937,857

	Restated Balance at 12/31/02	Additions	Deductions	Balance at 12/31/03
Business-Type Activities				
Depreciable Capital Assets:				
Buildings	\$165,383	\$93,066	\$0	\$258,449
Machinery and Equipment	106,792	0	0	106,792
Furniture and Fixtures	11,357	0	0	11,357
Vehicles	383,436	0	0	383,436
Total Capital Assets at Historical Cost	666,968	93,066	0	760,034
Less Accumulated Depreciation:				
Buildings	(20,029)	(5,169)	0	(25,198)
Machinery and Equipment	(28,849)	(10,679)	0	(39,528)
Furniture and Fixtures	(5,814)	(1,136)	0	(6,950)
Vehicles	(90,781)	(36,901)	0	(127,682)
Total Accumulated Depreciation	(145,473)	(53,885)	0	(199,358)
Business-Type Activities Capital Assets, Net	\$521,495	\$39,181	\$0	\$560,676

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government	
Legislative and Executive	\$164,495
Judicial	2,101
Public Safety	161,782
Public Works	199,736
Health	2,093
Human Services	166,762
Economic Development and Assistance	857
Total Depreciation Expense	<u>\$697,826</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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.

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, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 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, 2003, 2002, and 2001 were \$462,207, \$559,333, and \$876,233, respectively; 84 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$3,846 made by the County and \$2,412 made by the plan members.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. 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 DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB 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 these active members who die before retirement may qualify for survivor benefits. 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.

For the year ended December 31, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2002, the portion used to fund pension obligations was 9.5 percent. 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, 2003, 2002, and 2001 were \$28,606, \$23,079, and \$29,935, respectively; 97 percent has been contributed for 2003 and 100 percent for 2002 and 2001. No County employees participated in the DC and Combined Plans for 2003.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$263,141. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System of Ohio

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The system is on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the year ended December 31, 2003, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$2,200 for 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the fiscal year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

NOTE 11 – OTHER EMPLOYEE BENEFITS

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 – OTHER EMPLOYEE BENEFITS (Continued)

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 2003, 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 remaining liability at December 31, 2003 for the two employees has been recorded as a long-term liability on the accrual basis of accounting on the statement of net assets. The liability will be fully paid in 2006.

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 2003, the County had one employee who chose to accept the early retirement incentive from this department. The County made payments to OPERS in 2003. These expenditures are reflected as program/function expenditures in the County Home Special Revenue Fund. There was no liability at December 31, 2003 for this employee.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 – OTHER EMPLOYEE BENEFITS (Continued)

Any employee with 21 or more years of service 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.

NOTE 12 - CONTRACTUAL COMMITMENTS

As of December 31, 2003, the County had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 12/31/2003</u>
Wortman Brothers	Office-Shop	\$327,404	\$315,000	\$12,404
Wortman Brothers	Storage Building	266,480	255,000	11,480
Sheets Associates, Inc.	Architect-Thomas Edison Building	38,868	31,295	7,573
Suever Stone Company	Repaving of Parking Lot and Alley	10,500	0	10,500
Gast Plumbing and Heating	HVAC-Annex Building	535,112	482,312	52,800
Shinn Brothers, Inc.	Annex Building Sign	11,212	0	11,212
Ron Dull Building	Solid Waste Building	183,748	91,000	92,748
Shinn Brothers	County Annex	1,218,072	1,184,954	33,118
Sidney Electric	County Annex	332,080	326,288	5,792
Schumm Plumbing & Heating	County Annex	193,481	165,665	27,816
Alexander & Bebout	Thomas Edison Early Childhood Center	1,096,784	1,067,315	29,469
Gast Plumbing & Heating	Thomas Edison Early Childhood Center	515,686	508,714	6,972
Reynolds Electrical	Thomas Edison Early Childhood Center	237,150	230,265	6,885
Schumm Plumbing & Heating	Thomas Edison Early Childhood Center	104,353	101,026	3,327
Totals		<u>\$5,070,930</u>	<u>\$4,758,834</u>	<u>\$312,096</u>

NOTE 13 - RISK MANAGEMENT

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 2003, 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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 13 - RISK MANAGEMENT (Continued)

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)	\$1,000,000
(B) Public Official Errors and Omissions Liability (per occurrence - included above)	1,000,000
Aggregate	1,000,000
(C) Excess Liability, General, Liquor, Auto, Law, Public Official Liability and Miscellaneous Errors and Omissions (per occurrence and annual aggregate)	4,900,000
Property (per occurrence)	173,142,676
Flood and Earthquake (annual aggregate)	30,000,000
Crime Insurance:	
Forgery or Alteration	225,000
Money and Securities	225,000
Employee Dishonesty	225,000

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

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.

Workers' Compensation

For 2003, 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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 13 - RISK MANAGEMENT (Continued)

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.

NOTE 14 - LEASES

Operating Leases

The County leases a fax machine for the Clerk of Courts under a noncancelable-operating lease. Total costs were \$765 for the year ended December 31, 2003. An additional \$701 will be paid in 2004 by the end of the lease term from the General Fund.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 14 – LEASES (Continued)

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 2003 totaled \$81,528, in the Motor Vehicle Gas Tax, Ditch Maintenance, and Thomas Edison Special Revenue Funds. The vehicles have a total historical cost of \$129,758, with accumulated depreciation of \$29,196 as of December 31, 2003, with a book value of \$100,562. 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, 2003.

	Year	Amount
	2004	\$29,454
	2005	29,455
	2006	24,545
Total		83,454
Less: Amount Representing Interest		(6,099)
Present Value of Minimum Lease Payments		\$77,355

NOTE 15 - SHORT-TERM OBLIGATIONS

A summary of the short-term transactions for the year ended December 31, 2003, follows:

	Balance at 12/31/02	Increases	Decreases	Balance at 12/31/03
<u>Fund Type/Fund/Issue/Interest Rate</u>				
<u>General Obligation Note:</u>				
Capital Projects Fund:				
1999 \$360,000 Human Services Building				
Construction Fund – 4%	\$90,000	\$0	\$90,000	\$0

The note was a bond and revenue anticipation note, and it was backed by the full faith and credit of Van Wert County. It was paid from government funds. The note liability was reflected in the fund which received the proceeds.

Changes in the note transactions reported in the enterprise fund during 2003 were as follows:

	Balance at 12/31/02	Increases	Decreases	Balance at 12/31/03
Note Payable:				
1999 \$80,000 Recycling Building and Trucks-3.54%				
	\$20,000	\$0	\$20,000	\$0

The note payable was paid from the Recycling Enterprise Fund with operating revenues.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the County's long-term obligations of the governmental activities of the County during 2003 follows:

	Balance at 12/31/02	Increases	Decreases	Balance at 12/31/03	Amounts Due in One Year
<u>General Obligation Notes:</u>					
Airport Improvement-3.06%	\$114,750	\$0	\$114,750	\$0	\$0
Airport Improvement-1.80%	0	108,000	0	108,000	3,000
Tractor/Mower-4.00%	16,488	0	4,125	12,363	4,122
County Engineer Building-3.50%	218,491	0	218,491	0	0
South Delphos Area Sewer-4.75%	61,000	0	61,000	0	0
South Delphos Area Sewer-1.80%	0	66,627	0	66,627	1,000
Airport Construction-4.641%	40,850	0	2,000	38,850	2,000
Airport Construction-4.98%	50,825	0	1,720	49,105	1,840
County Annex-1.95%	1,300,000	0	65,000	1,235,000	65,000
County Annex-1.80%	0	445,334	0	445,334	7,000
County Home Roof – 1.8%	0	50,000	0	50,000	2,000
Probate Court Computer – 1.8%	0	50,000	0	50,000	2,000
Thomas Edison Improvement-1.80%	0	400,000	0	400,000	12,000
Thomas Edison Improvements-1.95%	400,000	0	40,000	360,000	40,000
Total General Obligation Notes	<u>2,202,404</u>	<u>1,119,961</u>	<u>507,086</u>	<u>2,815,279</u>	<u>139,962</u>
<u>Special Assessment Notes:</u>					
Wallace Ditch-4.75%	2,382	0	637	1,745	613
Jennings Creek Ditch-5.59%	27,502	0	27,502	0	0
James Adams Ditch-5.59%	1,189	0	255	934	245
Kimmett Ditch-5.59%	40,040	0	7,087	32,953	6,604
Wortman Ditch-5.59%	657	0	142	515	136
Spice Run-4.60%	23,972	0	14,819	9,153	9,153
27 Mile Creek-5.59%	263,922	0	53,039	210,883	43,106
Allen Watt-4.60%	3,285	0	1,924	1,361	1,361

(Continued)

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

	Balance at 12/31/02	Increases	Decreases	Balance at 12/31/03	Amounts Due in One Year
Mown Prairie-4.60%	\$17,935	\$0	\$10,040	\$7,895	\$7,895
Mollenkopf/Salmon-7.07%	4,141	0	2,316	1,825	1,825
Dog Creek-4.75%	59,144	0	16,632	42,512	15,561
Pup Creek-6.68%	17,100	0	6,550	10,550	5,999
Parker Ditch-4.75%	3,966	0	1,348	2,618	1,312
Maddox Creek-4.75%	84,875	0	19,015	65,860	15,846
Price Ditch-4.75%	24,399	0	6,329	18,070	6,108
Cable Ditch-4.75%	8,299	0	2,333	5,966	1,989
Feigert Ditch-4.75%	1,744	0	374	1,370	310
Monkey Run Ditch-5.59%	62,107	0	11,260	50,847	10,737
Various Ditches-1.80%	0	30,039	0	30,039	2,000
Pottawatome Ditch-5.59%	20,613	0	6,375	14,238	2,221
Total Special Assessment Notes	<u>667,272</u>	<u>30,039</u>	<u>187,977</u>	<u>509,334</u>	<u>133,021</u>
Total Notes	<u>2,869,676</u>	<u>1,150,000</u>	<u>695,063</u>	<u>3,324,613</u>	<u>272,983</u>
Other Long-Term Obligations:					
Early Retirement Incentive					
Payable	191,988	0	138,949	53,039	21,216
Compensated Absences Payable	656,582	305,557	404,628	557,511	411,134
Obligations Under Capital Lease	158,883	0	81,528	77,355	25,993
Total – Other Long-Term Obligations	<u>1,007,453</u>	<u>305,557</u>	<u>625,105</u>	<u>687,905</u>	<u>458,343</u>
Total – General Long-Term Obligations	<u>\$3,877,129</u>	<u>\$1,455,557</u>	<u>\$1,320,168</u>	<u>\$4,012,518</u>	<u>\$731,326</u>

The following table discloses the original issue amounts for the debt issued before 2003:

Issue	Amount
General Obligation Notes:	
1999 Airport Improvement	\$135,000
2001 Tractor/Mower	20,610
2001 County Engineer Building	235,000
2000 South Delphos Area Sewer	61,000
1996 Airport Construction	49,850
1999 Airport Construction	55,390
2002 County Annex	1,300,000
2002 Thomas Edison Improvements	400,000

(Continued)

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Issue	Amount
Special Assessment Notes:	
1999 Wallace Ditch	\$4,289
2000 Jennings Creek Ditch	28,593
2000 James Adams Ditch	1,880
2000 Kimmett Ditch	80,634
2000 Wortman Ditch	1,205
1999 Spice Run	69,134
2000 27 Mile Creek	515,870
1999 Allen Watt	9,487
1999 Mown Prairie	49,189
1999 Mollenkopf/Salmon	11,576
1999 Dog Creek	191,583
1999 Pup Creek	39,300
1999 Parker Ditch	8,009
1999 Maddox Creek	221,257
1999 Price Ditch	44,263
1999 Cable Ditch	16,700
1999 Feigert Ditch	8,162
2000 Monkey Run Ditch	193,961
2000 Pottawatome Ditch	95,307

All of the notes are bond and revenue anticipation notes and they are backed by the full faith and credit of Van Wert County. The County Engineer Note will be paid through the Motor Vehicle and Gas Tax Fund. 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 early retirement incentive payable will be paid by the Human Services Special Revenue Fund. 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 Motor Vehicle Gas Tax, Ditch Maintenance, and Thomas Edison Special Revenue Funds.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Changes in the long-term obligations reported in business-type activities of the County during 2003 were as follows:

	Balance at 12/31/02	Increases	Decreases	Balance at 12/31/03	Amounts Due in One Year
Note Payable:					
2003 \$100,000 Recycling Building and Trucks-1.80%	\$0	\$100,000	\$0	\$100,000	\$1,500
Compensated Absences Payable	4,719	9,050	5,745	8,024	5,170
Totals	<u>\$4,719</u>	<u>\$109,050</u>	<u>\$5,745</u>	<u>\$108,024</u>	<u>\$6,670</u>

The note payable will be paid from the Recycling Enterprise Fund with operating revenues. The note is prepayable without penalty at the option of the County at any time prior to maturity. The note will mature in 2023.

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, 2003 are an overall debt margin of \$6,682,299 and an unvoted debt margin of \$1,587,271.

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2003, were as follows:

Year	Governmental Activities			
	General Obligation Notes		Special Assessment Notes	
	Principal	Interest	Principal	Interest
2004	\$139,962	\$55,598	\$133,021	\$37,877
2005	145,072	52,715	180,407	15,486
2006	146,199	49,708	172,867	5,976
2007	146,215	46,705	3,000	415
2008	150,360	43,789	3,000	361
2009-2013	807,330	171,241	17,039	813
2014-2018	802,460	90,466	0	0
2019-2022	477,681	22,233	0	0
Totals	<u>\$2,815,279</u>	<u>\$532,455</u>	<u>\$509,334</u>	<u>\$60,928</u>

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Year	Business-Type Activities	
	General Obligation Notes	
	Principal	Interest
2004	\$1,500	\$1,800
2005	1,500	\$1,773
2006	1,500	1,746
2007	2,000	1,719
2008	2,000	1,683
2009-2013	15,500	7,749
2014-2018	28,000	5,940
2019-2023	48,000	2,790
Totals	\$100,000	\$25,200

During 1996, the County issued a health care facilities revenue bond with the principal amount of \$310,000 outstanding at December 31, 2003 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, 2003, \$871,825 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 \$1,559,000 outstanding at December 31, 2003. Also issued was a hospital facilities revenue bond for the Van Wert County Hospital Association, with the principal amount of \$1,544,434 outstanding at December 31, 2003. 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.

NOTE 17 - INTERFUND ASSETS/LIABILITIES

Interfund balances at December 31, 2003, 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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 17 - INTERFUND ASSETS/LIABILITIES (Continued)

Interfund Payable	Interfund Receivable					Total
	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Thomas Edison Fund	Nonmajor Governmental Funds	
General Fund	\$0	\$3,022	\$0	\$0	\$473	\$3,495
Motor Vehicle and Gas Tax Fund	397	0	0	0	0	397
Human Services Fund	135	0	0	24,029	0	24,164
Thomas Edison Fund	0	3,113	0	0	0	3,113
Brumback Library Fund	247	0	0	0	0	247
Nonmajor Governmental Funds	19,459	19,145	92,603	1,757	1,086	134,050
Recycling Fund	0	179	0	0	0	179
Total	<u>\$20,238</u>	<u>\$25,459</u>	<u>\$92,603</u>	<u>\$25,786</u>	<u>\$1,559</u>	<u>\$165,645</u>

Interfund transfers for the year ended December 31, 2003, consisted of the following:

		Transfer From		
		General	Thomas Edison	Total
T r a n s f e r	Human Services	\$41,364	\$0	\$41,364
	Other Governmental	621,707	47,402	669,109
T o	Total	<u>\$663,071</u>	<u>\$47,402</u>	<u>\$710,473</u>

The General Fund transfers out equaled \$663,071. Out of total transfers out, \$10,000 in transfers was for capital acquisitions, repairs and equipment; \$184,011 was for debt service obligations; \$41,364 was for human services operations; and \$427,696 was to subsidize various programs. The Thomas Edison Special Revenue Fund transferred money to the Thomas Edison Capital Projects Fund for the construction project.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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.

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, 2003, all of the assets of the component units are unrestricted.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

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, 2003, 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, 2003, 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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

During the year ended December 31, 2003, depreciation expense for Thomas Edison Center, Van Wert Housing Services, Inc., Port Authority, and the Airport Authority is \$14,935, \$19,689, \$196, and \$34,378, respectively. A summary of the component units' capital assets at December 31, 2003, follows:

	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	239,450
Total Capital Assets not being depreciated	<u>0</u>	<u>48,646</u>	<u>204,454</u>	<u>461,666</u>
Capital Assets Being Depreciated:				
Buildings	0	543,775	7,834	105,240
Equipment, Improvements, and Furnishings	190,788	21,620	0	117,059
Vehicles	0	3,484	0	37,510
Capital Assets Being Depreciated	<u>190,788</u>	<u>568,879</u>	<u>7,834</u>	<u>259,809</u>
Less: Accumulated Depreciation				
Buildings	0	(96,894)	(4,310)	(31,509)
Equipment, Improvements, and Furnishings	(71,937)	(13,928)	0	(114,573)
Vehicles	0	(2,175)	0	(12,902)
Accumulated Depreciation	<u>(71,937)</u>	<u>(112,997)</u>	<u>(4,310)</u>	<u>(158,984)</u>
Total Capital Assets Being Depreciated, Net	<u>118,851</u>	<u>455,882</u>	<u>3,524</u>	<u>100,825</u>
Total Capital Assets, Net	<u>\$118,851</u>	<u>\$504,528</u>	<u>\$207,978</u>	<u>\$562,491</u>

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 \$847 for the year ended December 31, 2003 for Thomas Edison Center.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

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."

(1) Thomas Edison Center had \$125 in petty cash which is included on the statement of net assets as part of "cash and cash equivalents in segregated accounts". This amount is uninsured and uncollateralized. At year-end, the carrying amount of deposits for Thomas Edison Center was \$78,069 and the bank balance was \$79,201, all of which 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 of the Wells Fargo Money Market Mutual Fund which is carried at fair value. Fair value at year-end was \$2,248.

(2) At year-end, the carrying amount of deposits for Van Wert Housing Services, Inc. was \$7,653 and the bank balance was \$8,442. 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) Thomas Edison Endowment had \$12,333 in undeposited cash which is included on the statement of net assets as part of "cash and cash equivalents in segregated accounts". This amount is uninsured and uncollateralized. At year-end, the carrying amount of deposits and the bank balance for Van Wert Housing Services, Inc. was \$29,034. 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 \$1,387,559, while the cost was \$1,222,594.

(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 \$3,711, and the bank balance was \$5,806, all of which was covered by federal depository insurance. 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, 2003. The amount invested in STAR Ohio at year-end was \$1,823.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Due from Other Governments

The Airport Authority had a receivable for \$31,775 for a fiscal year 2002 federal capital grant. The grant was used to update the airport layout plan; install an automated weather observation system; and widen, expand, and construct runways, aprons, and T-hangar taxiways. The Airport Authority also had a receivable for \$84,643 for a fiscal year 2003 federal capital grant. The grant was used to acquire land and construct taxiways.

Notes Payable

A summary of the note transactions for the component units for the year ended December 31, 2003 follows:

	Interest Rate	Balance at December 31, 2002	Increases	Decreases	Balance at December 31, 2003
Van Wert Housing Services, Inc.					
Residential Property #1	6.125%	\$16,710	\$0	\$3,023	\$13,687
Residential Property #2	6.125%	18,245	0	2,626	15,619
Residential Property #3	6.125%	7,068	0	2,308	4,760
Residential Property #4	6.500%	25,293	0	2,049	23,244
Residential Property #5	6.500%	29,024	0	1,567	27,457
Residential Property #6	6.500%	25,388	0	1,190	24,198
Residential Property #7	5.750%	0	37,200	260	36,940
Total		<u>\$121,728</u>	<u>\$37,200</u>	<u>\$13,023</u>	<u>\$145,905</u>

Terms on the Van Wert Housing Services, Inc. residential property #1, #2, #4, #5 and #6 notes each call for a total of 180 monthly payments. Effective July 1, 2003 these notes were refinanced and monthly payments changed to \$316.44, \$311.83, \$292.93, \$278.94 and \$236.07 respectively. Terms on the Van Wert Housing Services, Inc. residential property #3 note call for a total of 120 monthly payments. Effective July 1, 2003 this noted was refinanced and the monthly payment changed to \$218.60. 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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Loans Payable

A summary of the loan transactions for the component units for the year ended December 31, 2003, follows:

	Interest Rate	Balance at December 31, 2002	Increases	Decreases	Balance at December 31, 2003
Airport Authority					
Airport Hangar #1	Variable	\$40,850	\$0	\$2,000	\$38,850
Fuel Tank Removal	Variable	114,750	108,000	114,750	108,000
Airport Hangar #2	Variable	50,825	0	1,720	49,105
Tractor/Mower Airport Notes	Variable	16,488	0	4,125	12,363
Total Loans Payable		\$222,913	\$108,000	\$122,595	\$208,318

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 for a total of five annual payments starting on March 5, 2002, at varying amounts based on the interest rate and principal due at that time.

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 \$115,108, (\$6,453), \$55,825, \$33,087 and \$125,851, respectively. During 2003, Thomas Edison Center, Van Wert Housing Services, Inc., and the Airport Authority purchased capital assets in the amount of \$18,127, \$86,470, and \$46,208, respectively. Other segment information can be obtained in the financial statements.

Subsequent Event

The Airport Authority was awarded a federal capital grant for 2004, with the federal share being \$276,994. The local share is \$14,579, for a total project cost of \$291,573.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 19 – JOINT VENTURES

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 2003, 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.

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 2003 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 719 East Crawford Street, Van Wert, Ohio 45891.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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 2003, the tax levy provided \$316,996 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.

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 2003, the County contributed \$11,500 for the operation of the CIC, paid to the City of Van Wert.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2003, the tax levy provided \$153,882 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.

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.

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 2003, the County contributed \$500 to the MV-RCD Area for its operation.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 21 – RELATED ORGANIZATIONS

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.

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.

NOTE 22 – INSURANCE POOLS

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 22 – INSURANCE POOLS (Continued)

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.

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.

NOTE 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 2003, the contributions to Thomas Edison Center, Inc. for salaries, fringes, maintenance and repairs of buildings and administrative costs were \$200,379.

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.

Van Wert County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 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.

NOTE 25 - SUBSEQUENT EVENTS

On March 2, 2004, the County Commissioners approved a retirement incentive plan for the Department of Job and Family Services.

During June 2004, the County signed a settlement agreement on behalf of the Van Wert County Solid Waste Management District with Maharg, Incorporated. The County received \$15,000 credited to the Recycling Fund. The company will make semi-annual payments to the County over a three-year period, totaling \$50,000, including the \$15,000 already received.

VAN WERT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2003

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	\$408	
	BF-02-074-1	14.228	30,060	
	BF-01-074-1	14.228	5,256	
	BX-02--074-1	14.228	6,150	
	BM-01-074-1	14.228	14,500	
	BM-02-074-1	14.228	39,500	
	BC-01-074-1	14.228	47,990	
Total Community Development Block Grant/State's Program			<u>143,864</u>	
(Direct and Passed through Ohio Department of Development)				
Home Investment Partnership (HOME) Program	BC-01-074-2	14.239	<u>56,651</u>	
Total United States Department of Housing and Urban Development			200,515	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(Passed through Ohio Department of Job and Family Services)				
Low-Income Home Energy Assistance	H02-136	93.568	15,793	
	H03-136	93.568	26,572	
	HC-03-168	93.568	19,602	
	03-HA-153	93.568	36,257	
	04-HA-153	93.568	17,222	
	04-HE-253	93.568	33,232	
	03-HE-253	93.568	14,440	
Total Low-Income Home Energy Assistance			<u>163,118</u>	
Child Welfare Services State Grant	N/A	93.645	34,305	
Chafee Foster Care Independent Living	N/A	93.674	954	
Child Abuse and Neglect	N/A	93.670	11,846	
Promoting Safe and Stable Families	N/A	93.556	11,283	
Child Abuse and Neglect	N/A	93.669	1,909	
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)				
Medical Assistance Program	8100012	93.778	317,855	
Social Services Block Grant	MR-81	93.667	18,994	
	MR-81	93.667	13,183	
Total Social Services Block Grant			<u>32,177</u>	
Total United States Department of Health and Human Services			573,447	
U.S. DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Preschool Grant	071183-PG-S1-03P	84.173	11,155	
	071183-PG-S1-04-P	84.173	10,433	
Total Special Education Preschool Grant			<u>21,588</u>	
Special Education Grants to States	071183-6B-SF-03P	84.027	12,660	
	071183-6B-SF-04P	84.027	2,910	
Total Special Education Grants to States			<u>15,570</u>	
Total Special Education Cluster			37,158	
Innovative Education Program Strategies	071183-C2S1-2003	84.298	727	
	071183-C2S1-2004	84.298	203	
Total Innovative Education Program Strategies			<u>930</u>	
Special Education Grants for Infants & Families with Disabilities	N/A	84.181	<u>75,015</u>	
Total United States Department of Education			113,103	

VAN WERT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF ENERGY				
(Passed through the Ohio Department of Development)				
Weatherization Assistance for Low-Income Persons	D02-136	81.042	33,273	
	D03-136	81.042	74,491	
Total Weatherization Assistance for Low-Income Persons			<u>107,764</u>	
UNITED STATES DEPARTMENT OF AGRICULTURE				
(Passed through the Ohio Department of Education)				
Nutrition Cluster:				
School Breakfast Program	140285-05PU	10.553	6,730	
National School Lunch Program	140285-LLP4	10.555	10,354	
Food Distribution	N/A	10.550		6,892
Total United States Department of Agriculture - Nutrition Cluster			<u>17,084</u>	<u>6,892</u>
UNITED STATES DEPARTMENT OF LABOR				
(Passed through the Ohio Department of Job and Family Services)				
Workforce Cluster:				
Workforce Investment Act - Youth	N/A		429	
Workforce Investment Act - Youth Administration	N/A		84	
Workforce Investment Act - Youth Total		17.259	<u>513</u>	
Workforce Investment Act - Adult	N/A		17,079	
Workforce Investment Act - Adult Administration	N/A		4,186	
Workforce Investment Act - Adult Total		17.258	<u>21,265</u>	
Workforce Investment Act - Dislocated Worker	N/A		5,820	
Workforce Investment Act - Rapid Response	N/A		11,105	
Workforce Investment Act - Dislocated Worker Administration	N/A		4,103	
Workforce Investment Act - Dislocated Worker Total		17.260	<u>21,028</u>	
Total Workforce Cluster			<u>42,806</u>	
UNITED STATES DEPARTMENT OF JUSTICE				
(Passed through the Ohio Office of Criminal Justice Services)				
Local Law Enforcement Block Grant	2003-RU-R59-9118	16.592	16,815	
Victim Assistance	2002-DG-D02-7364	16.592	11,273	
Total			<u>28,088</u>	
Visitation - Byrne Grant	2002-DG-D02-7137	16.579	30,220	
Total United States Department of Justice			<u>58,308</u>	
UNITED STATES DEPARTMENT OF TRANSPORTATION				
(Passed through the Ohio Department of Transportation)				
Highway Planning and Construction Cluster	PID #23092	20.205	3,736	
Direct from Federal Aviation Administration				
Airport Improvement Program	AIP 3-39-0081-0503	20.106	65,356	
	AIP 3-39-0081-0402	20.106	215,699	
Total Airport Improvement Program			<u>281,055</u>	
Total United States Department of Transportation			<u>284,791</u>	
Total Federal Assistance			<u>\$1,397,818</u>	<u>\$6,892</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

VAN WERT COUNTY FINANCIAL CONDITION

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2003

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 School District 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, 2003, the gross amount of loans outstanding under this program was \$77,190. Delinquent amounts due are \$1,499.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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, 2003, and have issued our report thereon dated September 14, 2004, wherein we noted that the County implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34 and changed its capital asset capitalization threshold. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated September 14, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 material misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated September 14, 2004.

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This report is intended for the information and use of the audit committee, management, and the Board of County Commissioners, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 14, 2004



Auditor of State Betty Montgomery

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

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 are applicable to each of its major federal programs for the year ended December 31, 2003. Van Wert County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 are applicable to its major federal programs for the year ended December 31, 2003. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133. However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of County in a separate letter dated September 14, 2004.

Internal Control Over Compliance

The management of the County 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 have a direct and material effect on the major federal programs in order 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.

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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of 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 other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of County in a separate letter dated September 14, 2004.

This report is intended for the information and use of the audit committee, management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 14, 2004

VAN WERT COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #14.228: Community Development Block Grant CFDA #20.106: Airport Improvement Grant
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

VAN WERT COUNTY FINANCIAL CONDITION

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
(Continued)

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

Finding Number	2003-001
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FINDING FOR RECOVERY - REPAID WHILE UNDER AUDIT

State ex rel. McClure v. Hageman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

The County Commissioner's approved to process payment to Gaede Serne Architects Inc. for August 2003 invoiced services in the amount of \$5,770.25 twice; therefore, two warrants were issued during October, 2003 as payment (warrant #'s 87817 and 87984).

In accordance with the foregoing facts, and pursuant to the **Ohio Rev. Code 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Gaede Serne Architects Inc and the Van Wert County Commissioners and their bonding companies (Harold L. Merkle, and the Ohio Farmers Insurance Co; Gary D. Adams, and the Western Surety Company; and Clair A. Dudgeon, and the Fidelity and Deposit Company), jointly and severally, in the amount of \$5,770.25, in favor of the Building Construction / Improvement Fund.

On an invoice from Gaede Serne Architects, Inc., dated June 10, 2004, the County was given a credit of \$5,770.25 towards payment on their next bill.

Finding Number	2003-002
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Ohio Rev. Code Section 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

In eighteen percent of transactions tested, prior certification was not obtained by the fiscal officer, nor were they declared null and void due to lack of prior certification. Then and now certification was not utilized for these transactions.

The County should review the Ohio Rev. Code Section 5705.41(D) and applicable audit bulletins and implement appropriate procedures for certification of funds.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



**Auditor of State
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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 14, 2004**