



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – Motor Vehicle and Gas Tax Fund .....	24
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – Human Services Fund.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – Thomas Edison Fund .....	26
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – Brumback Library Fund.....	27
Statement of Fund Net Assets - Enterprise Funds .....	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Enterprise Funds .....	29
Statement of Cash Flows - Enterprise Funds .....	30
Statement of Fiduciary Assets and Liabilities - Agency Funds .....	31
Notes to the Basic Financial Statements .....	33

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of Federal Awards Expenditure.....	76
Notes to the Schedule of Federal Awards Expenditures .....	78
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	79
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	81
Schedule of Findings.....	83
Schedule of Prior Audit Findings.....	84



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Financial Condition  
Van Wert County  
Board of County Commissioners  
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, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Van Wert County, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle Gas Tax, Human Services, Thomas Edison and Brumback Library Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is 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.

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 18, 2006

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**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, 2005.

**FINANCIAL HIGHLIGHTS**

- The County's total net assets decreased \$2,726,025 during 2005. Net assets of governmental activities decreased \$2,759,935 (11 percent), mainly due expenditures on the Towne Center Project. Net assets of business-type activities increased by \$33,910 (4%).
- The General Fund transfers out equaled \$379,903. Out of total transfers out, \$127,866 in transfers was for debt service obligations; \$251,137 was for human services operations; and \$900 was to the Geographic Information System Fund.
- Business-type operations reflected operating income of \$60,718. Charges for services kept up with expenses, while business-type unrestricted net assets are \$279,151.
- Capital assets used in governmental activities increased \$544,071. A large portion of this was due to the Issue II bridge replacement projects. In addition, the Engineer's office purchased two tractors, two trucks, an excavator, and a Broce Broom. In addition, Thomas Edison purchased two new buses during 2005.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Assets and the Statement of Activities**

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

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**Governmental Activities** – Most of the County's services are reported here including general government, public safety, public works, health, human services, economic development and assistance, and intergovernmental.

**Business-Type Activities** – These services include recycling. Service fees for this operation are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

**FUND FINANCIAL STATEMENTS**

The analysis of the County's major funds begins on page 9. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Van Wert County's major funds are General, Motor Vehicle and Gas Tax, Human Services, Thomas Edison, Brumback Library, Towne Center Capital Improvement and Recycling. The County chose to present the Human Services Fund as a major fund since the fund was close to meeting the necessary requirements and may meet them next year. The County chose to present the Brumback Library as a major fund due to the unique nature of the fund.

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

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



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As stated previously, the Statement of Net Assets looks at the County as a whole. The following table provides a summary of the County's net assets for 2005 compared to 2004.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>						
Current and Other Assets	\$17,098,113	\$20,246,685	\$311,904	\$397,300	\$17,410,017	\$20,643,985
Capital Assets	17,673,242	17,129,171	779,668	673,958	18,452,910	17,803,129
<b>Total Assets</b>	<b>34,771,355</b>	<b>37,375,856</b>	<b>1,091,572</b>	<b>1,071,258</b>	<b>35,862,927</b>	<b>38,447,114</b>
<b>Liabilities</b>						
Current and Other Liabilities	9,300,289	9,200,038	22,745	33,375	9,323,034	9,233,413
Long-Term Liabilities:						
Due Within One Year	773,711	697,399	7,878	6,352	781,589	703,751
Due in More Than One Year	3,003,268	3,024,397	92,130	96,622	3,095,398	3,121,019
<b>Total Liabilities</b>	<b>13,077,268</b>	<b>12,921,834</b>	<b>122,753</b>	<b>136,349</b>	<b>13,200,021</b>	<b>13,058,183</b>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of Related Debt	14,873,825	14,339,539	689,668	578,958	15,563,493	14,918,497
Restricted	9,420,241	8,173,619	0	0	9,420,241	8,173,619
Unrestricted	(2,599,979)	1,940,864	279,151	355,951	(2,320,828)	2,296,815
<b>Total Net Assets</b>	<b>\$21,694,087</b>	<b>\$24,454,022</b>	<b>\$968,819</b>	<b>\$934,909</b>	<b>\$22,662,906</b>	<b>\$25,388,931</b>

Total assets of governmental activities decreased \$2.6 million from prior year. This was primarily due to a decrease in cash and cash equivalents as a result of the expenditure of note proceeds on the Towne Center Project.

Long-term liabilities of governmental activities decreased as payments were made on the various debt obligations.

The County's total net assets decreased \$2,726,025 during 2005. Net assets of governmental activities decreased \$2,759,935 (11 percent), mainly due expenditures on the Towne Center Project.

Net assets of the County's business-type activities increased by \$33,910 during 2005, while also reporting operating income during 2005.

The following table shows the changes in net assets for 2005 compared with 2004:

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$3,245,909	\$3,444,540	\$532,270	\$488,970	\$3,778,179	\$3,933,510
Operating Grants, Contributions and Interest Capital Grants and Contributions	11,765,488	10,346,370	0	0	11,765,488	10,346,370
	486,495	465,000	0	0	486,495	465,000
<b>Total Program Revenues</b>	<b>15,497,892</b>	<b>14,255,910</b>	<b>532,270</b>	<b>488,970</b>	<b>16,030,162</b>	<b>14,744,880</b>
<b>General Revenues:</b>						
Property and Other Taxes	3,225,618	2,909,677	0	0	3,225,618	2,909,677
Permissive Sales Tax	3,691,052	3,576,390	0	0	3,691,052	3,576,390
Grants and Entitlements	515,851	1,200,112	0	0	515,851	1,200,112
Other	451,943	494,304	2,035	50,068	453,978	544,372
<b>Total General Revenues</b>	<b>7,884,464</b>	<b>8,180,483</b>	<b>2,035</b>	<b>50,068</b>	<b>7,886,499</b>	<b>8,230,551</b>
<b>Total Revenues</b>	<b>23,382,356</b>	<b>22,436,393</b>	<b>534,305</b>	<b>539,038</b>	<b>23,916,661</b>	<b>22,975,431</b>
<b>Program Expenses:</b>						
General Government						
Legislative and Executive	4,518,252	4,507,199	0	0	4,518,252	4,507,199
Judicial	1,299,977	1,372,596	0	0	1,299,977	1,372,596
Public Safety	3,060,812	3,020,114	0	0	3,060,812	3,020,114
Public Works	3,671,574	3,014,088	0	0	3,671,574	3,014,088
Health	82,423	91,434	0	0	82,423	91,434
Human Services	8,790,931	8,277,445	0	0	8,790,931	8,277,445
Economic Development and Assistance	690,519	840,735	0	0	690,519	840,735
Intergovernmental	3,643,736	933,438	0	0	3,643,736	933,438
Interest and Fiscal Charges	384,067	82,074	0	0	384,067	82,074
Recycling	0	0	500,395	477,205	500,395	477,205
<b>Total Expenses</b>	<b>26,142,291</b>	<b>22,139,123</b>	<b>500,395</b>	<b>477,205</b>	<b>26,642,686</b>	<b>22,616,328</b>
Excess (Deficiency) Before Extraordinary Item and Transfers	(2,759,935)	297,270	33,910	61,833	(2,726,025)	359,103
Extraordinary Item	0	220,045	0	0	0	220,045
Transfers	0	(53,700)	0	53,700	0	0
<b>Increase in Net Assets</b>	<b>(\$2,759,935)</b>	<b>\$463,615</b>	<b>\$33,910</b>	<b>\$115,533</b>	<b>(\$2,726,025)</b>	<b>\$579,148</b>

**Governmental Activities**

Program revenues make up 66% of total revenues for 2005. The major recipients of intergovernmental program revenues were the Motor Vehicle and Gas Tax, Human Services, Thomas Edison, and Brumback Library Funds, as well as the Children's Services and CSEA Special Revenue Funds. An increase of \$.02 per gallon in gas tax and an Issue II grant for 2005 were part of the reasons for the increase in operating grants and contributions and capital grants and contributions.

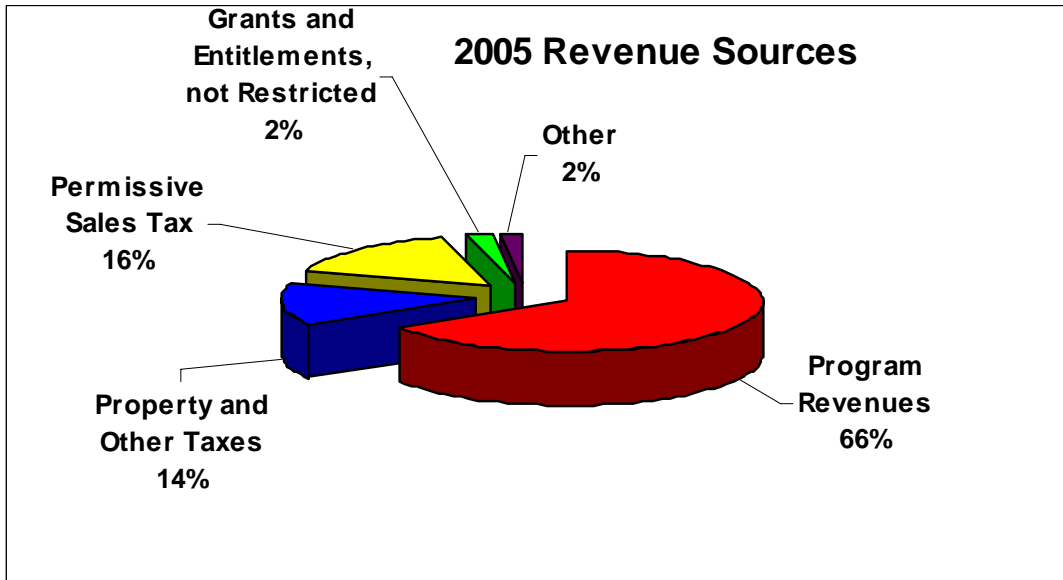
The County's direct charges to users of governmental services made up around 14% of total governmental revenues for 2005. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Permissive sales tax is the second largest source of revenue for the County. The County received \$3,691,052 in 2005 or about 16% of total revenues. Permissive sales tax revenue increased \$114,662 from the prior year.

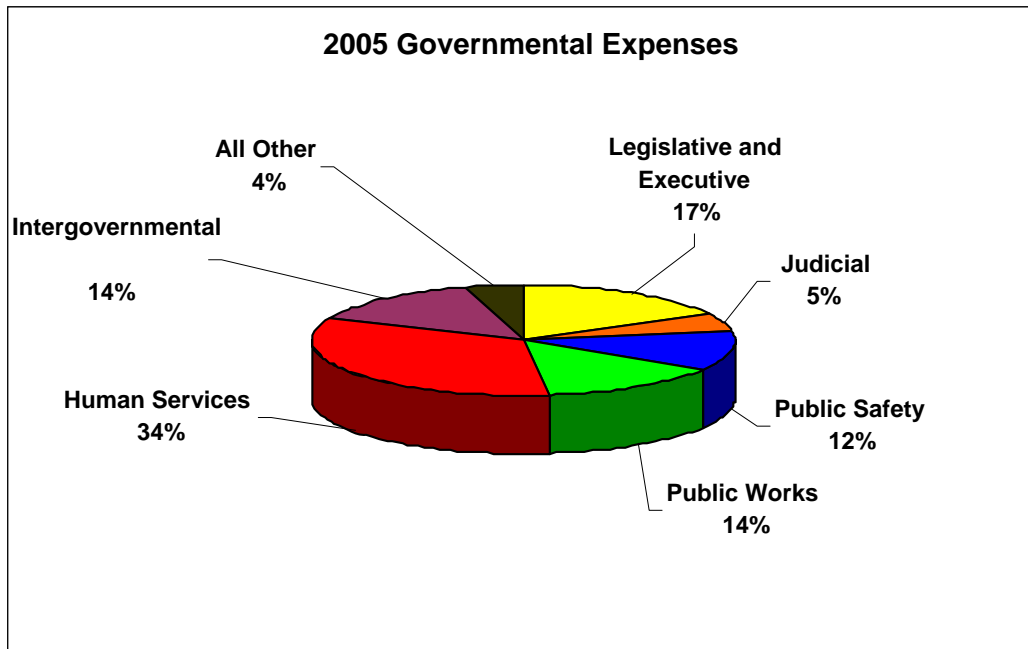
**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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



Governmental expenses increased \$4.0 million. This increase is primarily due to note proceeds being spent on the Town Center Project. The County has entered into an agreement with the City of Van Wert for improvements to Town Center. Expenditures for this project have been recorded as Intergovernmental expenses. Contract projects for roads and health insurance costs caused the increase to Public Work expenses.



**FINANCIAL CONDITION  
VAN WERT COUNTY**

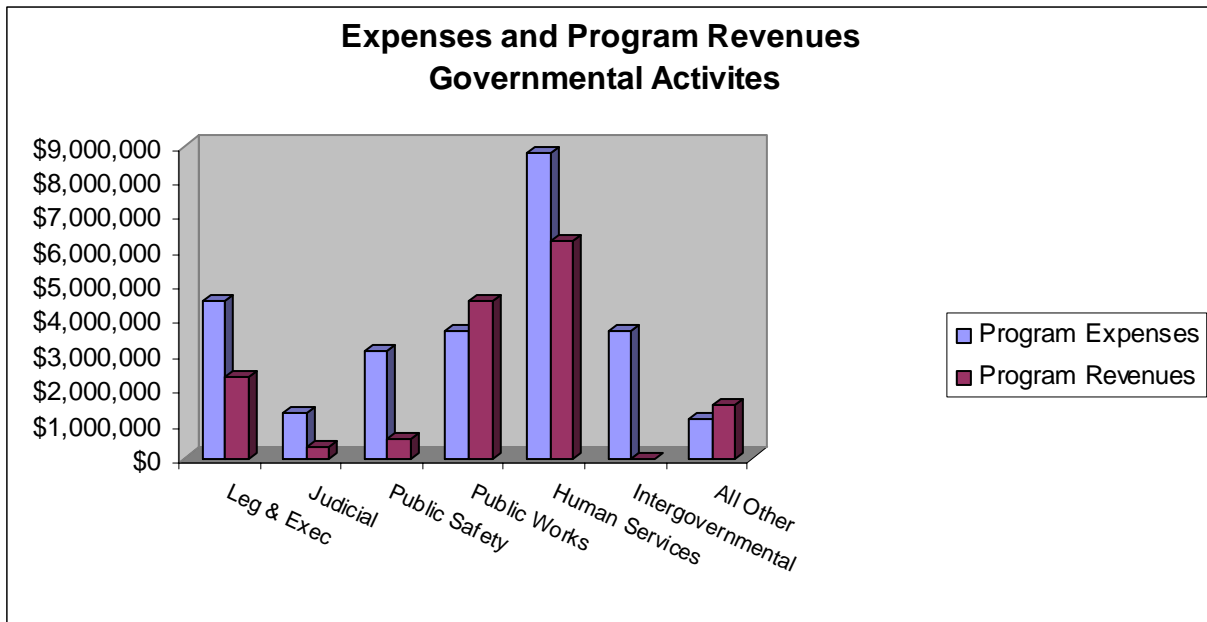
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

The legislative and executive expenses of the County rely heavily on general revenues to support the program. \$2.2 million of legislative and executive expenses (49%) were covered by general revenues.

For public safety, the net cost of services of \$2.5 million indicates the general purposes property tax levy and the permissive sales tax, support the operation of the Sheriff's Department and the Jail. To help reduce the tax burden and increase program revenues, the County has contracts for the housing of prisoners from other entities outside the County.

The \$2.5 million in net cost of services for human services demonstrates the cost of services that are not supported from State and federal sources. As such, the taxpayers have approved property tax levies for the Thomas Edison Fund and the County Home, Senior Citizens and Tri-County Mental Health Special Revenue Funds.

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



**Business-Type Activities**

The net assets for business-type activities increased by \$33,910 during 2005. Charges for services were the largest revenue source, accounting for over 99% of total business-type activities revenues.

Capital assets increased in part due to the purchase of Prodeva sort system and Nexgen Ram Baler.

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental Funds**

Information about the County's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$22.9 million and expenditures of \$26.8 million. The General fund balance decreased by \$200,223. During 2005, permissive sales tax revenue increased by more than \$122,000. Within the General Fund, revenues exceeded expenditures by \$172,412. Transfers to other funds such as the Capital Improvement funds, Debt Service funds, other Special Revenue funds and the Enterprise fund totaled \$379,903. The funds transferred were used for capital assets, improvements, repairs, debt and support of special revenue programs, especially human services.

After encumbrances of \$17,855, unreserved undesignated fund balance equals \$1,266,099, which is available for spending at the County's discretion. The remaining \$32,104 fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year or a variety of other restricted purposes. While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the State or federal government.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 18% of total General Fund expenditures.

The Motor Vehicle and Gas Tax fund balance increased \$38,876. The increase of \$.02 per gallon in gas tax in 2004 has enabled the revenues to continue to exceed expenditures. Fund balance at December 31, 2005, was \$1,492,562 million of which \$955 is encumbrances. The Human Services fund balance decreased \$101,997. Fund balance at December 31, 2005, was (\$126,164). The Thomas Edison fund balance increased \$483,997. Fund balance at December 31, 2005, was \$1,120,370. The Brumback Library fund balance increased \$32,573, while fund balance at year-end was \$366,310. This was primarily due to revenues exceeding expenditures causing an inflow of cash to the fund in 2005. Finally, the Towne Center Capital Improvement Fund shows a fund balance of (\$4,618,766). The County issued \$5,000,000 for this project in notes during 2004 and renewed the note for \$4,500,000 in 2005. This fund balance deficit will be eliminated when bonds are issued or the notes are paid off.

**Enterprise Fund**

The enterprise fund reflects an operating income for 2005. 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 decrease in cash of \$91,386. This occurred due to capital asset purchases.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Major Funds Budgeting Highlights**

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

During 2005, there were numerous revisions to the General Fund budget. The net effect of the revisions was a decrease in the appropriations of \$121,024. This represents a mere 1% decrease from original appropriations. Original General Fund budgeted revenues were also adjusted slightly, a 2% increase. Actual receipts were \$153,314 (2%) more than what were originally estimated.

Appropriations for the Motor Vehicle and Gas Tax fund were increased over \$600,000. \$150,000 of this increase was for health insurance. Another \$100,000 was for parts, supplies and gasoline. Increases for road equipment and other capital outlay purchases also contributed to the increase. Actual revenues were \$475,479 higher than budgeted due to increases in gasoline and gasoline excise tax from the State.

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

Thomas Edison decreased its appropriations \$135,550 primarily due to decreases in housing purchases.

Only slight adjustments were made to original appropriations for the Brumback Library fund. By monitoring expenditures, the Library's actual expenditures for books in adult department, audiovisual materials and computer service/info were over \$34,000 less than appropriated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

	<b>Capital Assets, Net of Depreciation</b>					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Land	\$114,700	\$114,700	\$0	\$0	\$114,700	\$114,700
Land Improvements	20,399	20,399	0	0	20,399	20,399
Buildings	13,636,518	13,942,189	320,971	329,731	13,957,489	14,271,920
Machinery and Equipment	404,940	368,849	270,452	119,721	675,392	488,570
Furniture and Fixtures	73,412	73,113	2,176	3,312	75,588	76,425
Vehicles	1,588,759	1,441,177	186,069	221,194	1,774,828	1,662,371
Infrastructure	1,834,514	1,168,834	0	0	1,834,514	1,168,834
	<u>\$17,673,242</u>	<u>\$17,129,261</u>	<u>\$779,668</u>	<u>\$673,958</u>	<u>\$18,452,910</u>	<u>\$17,803,219</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

The majority of the increase to governmental capital assets was the increase in infrastructure due to the receipt of an Issue II grant to resurface County roads. In addition, the Engineer's office purchased two tractors, two trucks, an excavator, and a Broce Broom. Increases to business-type capital assets were for the addition of a Proveda line sort system and a Nexgen ram baler. See Note 8 of the notes to the basic financial statements for more detailed capital asset information.

**Long-Term Debt**

At December 31, 2005, Van Wert County had \$3,141,620 in long-term debt outstanding.

**Outstanding Long-Term Debt at Year End**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Special Assessment Notes	\$237,952	\$344,429	\$0	\$0
General Obligation Notes	2,488,545	2,650,995	90,000	95,000
Capital Leases	325,123	51,361	0	0
	<u>\$3,051,620</u>	<u>\$3,046,785</u>	<u>\$90,000</u>	<u>\$95,000</u>

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

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

Obligations under capital lease will be paid from the Thomas Edison Special Revenue Fund and the Motor Vehicle and Gas Tax Fund.

The County's overall legal debt margin was \$7,266,431 as of December 31, 2005. The more restrictive unvoted legal debt margin was \$1,996,765 as of the same date. See Note 15 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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS  
December 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,870,485	\$89,020	\$5,959,505
Cash and Cash Equivalents in Segregated Accounts	54,992		54,992
Accrued Interest Receivable	13,457		13,457
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	214,033	220,751	434,784
Permissive Sales Tax Receivable	566,528		566,528
Due from Other Governments	5,447,370		5,447,370
Prepaid Items	172,471	133	172,604
Supplies Inventory	244,396	2,000	246,396
Property and Other Taxes Receivable	3,612,531		3,612,531
Loans Receivable	289,790		289,790
Special Assessments Receivable	467,919		467,919
Investments in Segregated Accounts	144,141		144,141
Nondepreciable Capital Assets	135,099		135,099
Depreciable Capital Assets, Net	17,538,143	779,668	18,317,811
<b>Total Assets</b>	<b>34,771,355</b>	<b>1,091,572</b>	<b>35,862,927</b>
<b>Liabilities</b>			
Accounts Payable	506,034	5,185	511,219
Accrued Salaries Payable	188,645	6,432	195,077
Contracts Payable	3,051	2,000	5,051
Due to Other Governments	348,995	7,449	356,444
Notes Payable	4,500,000		4,500,000
Accrued Interest Payable	213,171	1,679	214,850
Compensatory Time Payable	69,174		69,174
Deferred Revenue	3,471,219		3,471,219
Long-Term Liabilities:			
Due Within One Year	773,711	7,878	781,589
Due in More Than One Year	3,003,268	92,130	3,095,398
<b>Total Liabilities</b>	<b>13,077,268</b>	<b>122,753</b>	<b>13,200,021</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	14,873,825	689,668	15,563,493
Restricted for:			
Other Purposes	8,860,697		8,860,697
Debt Service	559,544		559,544
Unrestricted (deficit)	(2,599,979)	279,151	(2,320,828)
<b>Total Net Assets</b>	<b>\$21,694,087</b>	<b>\$968,819</b>	<b>\$22,662,906</b>

See accompanying notes to the basic financial statements.



**Component Units**

<u>Thomas Edison Center</u>	<u>Van Wert Housing Services, Inc.</u>	<u>Thomas Edison Endowment</u>	<u>Van Wert County Port Authority</u>	<u>Van Wert County Airport Authority</u>
			\$17,157	
\$132,714	\$6,057	\$48,561		\$12,385
35,678	863	1,680		6,182
				5,008
300	3,189			
		1,544,584		
36,839	622,765		204,454	237,678
			3,132	769,313
<u>205,531</u>	<u>632,874</u>	<u>1,594,825</u>	<u>224,743</u>	<u>1,030,566</u>
5,979	3,527			15,831
				5,849
				7,317
	7,000			15,319
	108,357			174,684
<u>5,979</u>	<u>118,884</u>			<u>219,000</u>
36,839	507,408		207,586	816,988
162,713	6,582	1,594,825	17,157	(5,422)
<u>\$199,552</u>	<u>\$513,990</u>	<u>\$1,594,825</u>	<u>\$224,743</u>	<u>\$811,566</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions and Interest</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$4,518,252	\$964,149	\$1,349,062	
Judicial	1,299,977	215,893	106,577	
Public Safety	3,060,812	242,183	290,585	
Public Works	3,671,574	248,432	3,802,873	\$486,495
Health	82,423	69,426		
Human Services	8,790,931	1,490,112	4,764,203	
Economic Development and Assistance	690,519	10,263	1,452,188	
Intergovernmental	3,643,736			
Interest and Fiscal Charges	384,067	5,451		
<b>Total Governmental Activities</b>	<b>26,142,291</b>	<b>3,245,909</b>	<b>11,765,488</b>	<b>486,495</b>
<b>Business-Type Activity</b>				
Recycling	500,395	532,270		
<b>Total Primary Government</b>	<b>\$26,642,686</b>	<b>\$3,778,179</b>	<b>\$11,765,488</b>	<b>\$486,495</b>
<b>Component Units</b>				
Thomas Edison Center	\$519,829	\$254,213	\$221,298	
Van Wert Housing Services, Inc.	152,480	139,336	159,537	
Thomas Edison Endowment	45,342		16,100	
Van Wert County Port Authority	1,273	2,920		
Van Wert County Airport Authority	339,646	327,011		176,323
<b>Total Component Units</b>	<b>\$1,058,570</b>	<b>\$723,480</b>	<b>\$396,935</b>	<b>\$176,323</b>

**General Revenues**

Property and Other Taxes Levied for:

    General Purposes

    Thomas Edison

    Other Purposes

County Permissive Motor Vehicle License Taxes Levied for Public Works

Permissive Sales Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Other

**Total General Revenues**

Change in Net Assets

**Net Assets Beginning of Year**

**Net Assets End of Year**

*See accompanying notes to the basic financial statements.*

**Net (Expense) Revenue and Changes in Net Assets**

Primary Government			Component Units				
Governmental Activities	Business-Type Activity	Total	Thomas Edison Center	Van Wert Housing Services, Inc.	Thomas Edison Endowment	Van Wert County Port Authority	Van Wert County Airport Authority
(\$2,205,041)		(\$2,205,041)					
(977,507)		(977,507)					
(2,528,044)		(2,528,044)					
866,226		866,226					
(12,997)		(12,997)					
(2,536,616)		(2,536,616)					
771,932		771,932					
(3,643,736)		(3,643,736)					
(378,616)		(378,616)					
(10,644,399)		(10,644,399)					
	\$31,875	31,875					
(10,644,399)	31,875	(10,612,524)					
			(\$44,318)				
				\$146,393			
					(\$29,242)		
						\$1,647	
							\$163,688
			(44,318)	146,393	(29,242)	1,647	163,688
916,477		916,477					
1,464,654		1,464,654					
742,258		742,258					
102,229		102,229					
3,691,052		3,691,052					
515,851		515,851					
408,298		408,298	1,820	13	32,567		
43,645	2,035	45,680					
7,884,464	2,035	7,886,499	1,820	13	32,567		
(2,759,935)	33,910	(2,726,025)	(42,498)	146,406	3,325	1,647	163,688
24,454,022	934,909	25,388,931	242,050	367,584	1,591,500	223,096	647,878
\$21,694,087	\$968,819	\$22,662,906	\$199,552	\$513,990	\$1,594,825	\$224,743	\$811,566

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$943,818	\$996,150	\$103,289
Cash and Cash Equivalents in Segregated Accounts	17,811		300
Investments in Segregated Accounts			
Receivables:			
Property and Other Taxes	997,738	7,414	
Permissive Sales Tax	566,528		
Accounts (Net, where applicable, of Uncollectible Accounts)	112,247	80,681	1,677
Special Assessments			
Interfund	61,952	35,285	21,426
Accrued Interest	12,158		
Due from Other Governments	622,297	2,037,110	58,390
Prepaid Items	120,739	1,414	19,980
Supplies Inventory	8,240	222,111	1,917
Loans Receivable	26,000		
<b>Total Assets</b>	<u><u>\$3,489,528</u></u>	<u><u>\$3,380,165</u></u>	<u><u>\$206,979</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$70,123	\$41,963	\$212,090
Contracts Payable			
Accrued Salaries Payable	65,503	20,408	30,900
Due to Other Governments	117,454	37,370	30,612
Notes Payable			
Accrued Interest Payable			
Interfund Payable	3,897		
Deferred Revenue	1,916,493	1,787,862	59,541
<b>Total Liabilities</b>	<u><u>2,173,470</u></u>	<u><u>1,887,603</u></u>	<u><u>333,143</u></u>
<b>Fund Balances</b>			
Reserved for Encumbrances	17,855	955	
Reserved for Loans Receivable	21,000		
Reserved for Unclaimed Monies	11,104		
Unreserved:			
Undesignated, Reported in:			
General Fund	1,266,099		
Special Revenue Funds (Deficit)		1,491,607	(126,164)
Debt Service Funds			
Capital Projects Funds (Deficit)			
<b>Total Fund Balances (Deficit)</b>	<u><u>1,316,058</u></u>	<u><u>1,492,562</u></u>	<u><u>(126,164)</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$3,489,528</u></u>	<u><u>\$3,380,165</u></u>	<u><u>\$206,979</u></u>

See accompanying notes to the basic financial statements.

<b>Thomas Edison</b>	<b>Brumback Library</b>	<b>Towne Center Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$1,158,762	\$135,411	\$1,379	\$2,531,676	\$5,870,485
	20,458		16,423	54,992
	144,141			144,141
1,661,896	177,754		767,729	3,612,531
				566,528
1,925	628		16,875	214,033
			467,919	467,919
654				119,317
		1,299		13,457
532,604	515,546		1,681,423	5,447,370
5,116	22,301		2,921	172,471
			12,128	244,396
			263,790	289,790
<u>\$3,360,957</u>	<u>\$1,016,239</u>	<u>\$2,678</u>	<u>\$5,760,884</u>	<u>\$17,217,430</u>
\$86,045	\$7,440		\$88,373	\$506,034
			3,051	3,051
27,189	8,566		36,079	188,645
45,153	11,796		106,610	348,995
		4,500,000		4,500,000
		121,444		121,444
6,750			108,670	119,317
<u>2,075,450</u>	<u>622,127</u>		<u>2,760,684</u>	<u>9,222,157</u>
<u>2,240,587</u>	<u>649,929</u>	<u>4,621,444</u>	<u>3,103,467</u>	<u>15,009,643</u>
29,226			13,400	61,436
			232,023	253,023
				11,104
				1,266,099
1,091,144	366,310		1,976,497	4,799,394
			407,147	407,147
		(4,618,766)	28,350	(4,590,416)
<u>1,120,370</u>	<u>366,310</u>	<u>(4,618,766)</u>	<u>2,657,417</u>	<u>2,207,787</u>
<u>\$3,360,957</u>	<u>\$1,016,239</u>	<u>\$2,678</u>	<u>\$5,760,884</u>	<u>\$17,217,430</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Total Governmental Fund Balances</b>	<b>\$2,207,787</b>
-----------------------------------------	--------------------

**Amounts reported for governmental activities in the statement of net assets are different because:**

Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.	17,673,242
-----------------------------------------------------------------------------------------------------------------------------	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property and Other Taxes	135,657
Permissive Sales Tax	281,944
Intergovernmental	4,803,680
Charges for Services	20,681
Fines and Forfeitures	90,488
Special Assessments	416,262
Other	2,226

Total	5,750,938
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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	(91,727)
General Obligation Notes	(2,488,545)
Special Assessment Notes	(237,952)
Capital Leases	(325,123)
Compensatory Time Payable	(69,174)
Compensated Absences	(725,359)

Total	(3,937,880)
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$21,694,087</u></u></b>
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*See accompanying notes to the basic financial statements.*

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**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
<b>Revenues</b>			
Property and Other Taxes	\$932,850	\$102,229	
Permissive Sales Tax	3,692,010		
Intergovernmental	1,210,687	3,258,333	1,908,685
Charges for Services	714,754	254,662	
Licenses and Permits	1,664		
Fines and Forfeitures	135,185	85,140	
Special Assessments			
Interest	329,237	23,223	4
Other	213,447		15
<b>Total Revenues</b>	<u>7,229,834</u>	<u>3,723,587</u>	<u>1,908,704</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	2,664,984		
Judicial	1,248,170		
Public Safety	2,543,886		
Public Works	13,576	3,644,459	
Health	11,383		
Human Services	232,063		2,058,371
Conservation and Recreation	68,742		
Capital Outlay		189,824	
Intergovernmental	274,618		
Debt Service:			
Principal Retirement		41,252	
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<u>7,057,422</u>	<u>3,875,535</u>	<u>2,058,371</u>
Excess of Revenues Over (Under) Expenditures	<u>172,412</u>	<u>(151,948)</u>	<u>(149,667)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	7,268	1,000	
Inception of Capital Lease		189,824	
Transfers In			47,670
Transfers Out	(379,903)		
<b>Total Other Financing Sources (Uses)</b>	<u>(372,635)</u>	<u>190,824</u>	<u>47,670</u>
<b>Net Change in Fund Balances</b>	(200,223)	38,876	(101,997)
Fund Balances (Deficit) Beginning of Year - Restated (Note3)	<u>1,516,281</u>	<u>1,453,686</u>	<u>(24,167)</u>
<b>Fund Balances (Deficit) End of Year</b>	<u><u>\$1,316,058</u></u>	<u><u>\$1,492,562</u></u>	<u><u>(\$126,164)</u></u>

See accompanying notes to the basic financial statements.



<u>Thomas Edison</u>	<u>Brumback Library</u>	<u>Towne Center Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,496,544			\$730,476	\$3,262,099
1,666,902	936,905		3,031,315	3,692,010
113,790	5,213		1,488,631	12,012,827
			76,395	2,577,050
	9,601		19,351	78,059
	6,774	79,061	283,135	249,277
7,992	19,663		9,297	283,135
			102,929	447,596
<u>3,285,228</u>	<u>978,156</u>	<u>79,061</u>	<u>5,741,529</u>	<u>22,946,099</u>
	945,583		750,557	4,361,124
			44,286	1,292,456
			313,152	2,857,038
			112,735	3,770,770
			86,519	97,902
2,980,465			3,381,761	8,652,660
			617,295	686,037
154,030		3,369,118	535,960	4,248,932
				274,618
27,400			268,927	337,579
2,055		241,181	70,522	313,758
<u>3,163,950</u>	<u>945,583</u>	<u>3,610,299</u>	<u>6,181,714</u>	<u>26,892,874</u>
<u>121,278</u>	<u>32,573</u>	<u>(3,531,238)</u>	<u>(440,185)</u>	<u>(3,946,775)</u>
			60	8,328
154,030				343,854
283,634			805,645	1,136,949
(74,945)		(398,467)	(283,634)	(1,136,949)
<u>362,719</u>		<u>(398,467)</u>	<u>522,071</u>	<u>352,182</u>
483,997	32,573	(3,929,705)	81,886	(3,594,593)
636,373	333,737	(689,061)	2,575,531	5,802,380
<u>\$1,120,370</u>	<u>\$366,310</u>	<u>(\$4,618,766)</u>	<u>\$2,657,417</u>	<u>\$2,207,787</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Net Change in Fund Balances - Total Governmental Funds** (\$3,594,593)

**Amounts reported for governmental activities in the  
statement of activities are different because**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amount are:

Capital Outlay	\$1,649,055	
Depreciation	(776,148)	
Excess of Capital Outlay Over Depreciation Expense		872,907

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (327,396)

Some revenues that will not be collected for several months after the County's year-end are not considered "available" revenues and are deferred in the governmental funds.

Deferred revenues changed by these amount this year:

Property and Other Taxes	(36,481)	
Permissive Sales Tax	(958)	
Intergovernmental	709,159	
Charges for Services	(30,367)	
Licenses and Permits	(119)	
Fines and Forfeitures	(18,929)	
Special Assessments	(119,794)	
Other	(74,582)	427,929

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:

General Obligation Note Principal Payments	162,450	
Special Assessment Note Principal Payments	106,477	
Capital Lease Principal Payments	68,652	
Total		337,579

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease is reported as a liability. (343,854)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Accrued Interest	(70,309)	
Compensatory Time Payable	(11,850)	
Compensated Absences	(50,348)	
Total		(132,507)

Change in Net Assets of Governmental Activities (\$2,759,935)

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$920,400	\$938,904	\$938,603	(\$301)
Permissive Sales Tax	3,501,000	3,696,139	3,706,738	10,599
Intergovernmental	1,364,999	1,203,104	1,200,870	(2,234)
Charges for Services	726,201	716,038	719,312	3,274
Licenses and Permits	2,500	2,500	1,664	(836)
Fines and Forfeitures	115,800	136,052	134,174	(1,878)
Interest	250,700	325,700	332,459	6,759
Other	216,300	229,677	217,394	(12,283)
<b>Total Revenues</b>	<u>7,097,900</u>	<u>7,248,114</u>	<u>7,251,214</u>	<u>3,100</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,151,269	2,972,120	2,703,964	268,156
Judicial	1,352,588	1,348,575	1,253,202	95,373
Public Safety	2,609,918	2,622,973	2,531,866	91,107
Public Works	32,079	33,163	30,970	2,193
Health	49,049	48,425	12,719	35,706
Human Services	290,245	239,388	236,445	2,943
Economic Development and Assistance	66,500	68,742	68,742	
Intergovernmental	281,863	281,863	281,355	508
<b>Total Expenditures</b>	<u>7,833,511</u>	<u>7,615,249</u>	<u>7,119,263</u>	<u>495,986</u>
Excess of Revenues Over (Under) Expenditures	<u>(735,611)</u>	<u>(367,135)</u>	<u>131,951</u>	<u>499,086</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	4,000	7,268	7,268	
Advances In			47,996	47,996
Advances Out		(40,027)	(88,023)	(47,996)
Transfers - Out	(322,692)	(379,903)	(379,903)	
<b>Total Other Financing Sources (Uses)</b>	<u>(318,692)</u>	<u>(412,662)</u>	<u>(412,662)</u>	
Net Change in Fund Balance	(1,054,303)	(779,797)	(280,711)	499,086
<b>Fund Balance Beginning of Year</b>	1,012,434	1,012,434	1,012,434	
Prior Year Encumbrances Appropriated	60,532	60,532	60,532	
<b>Fund Balance End of Year</b>	<u>\$18,663</u>	<u>\$293,169</u>	<u>\$792,255</u>	<u>\$499,086</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
MOTOR VEHICLE AND GAS TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Property and Other Taxes	\$100,000	\$100,000	\$102,317	\$2,317
Intergovernmental	2,801,000	2,905,035	3,255,951	350,916
Charges for Services	56,500	56,500	178,476	121,976
Fines and Forfeitures	95,000	95,000	84,630	(10,370)
Interest	11,000	11,000	21,640	10,640
<b>Total Revenues</b>	<b>3,063,500</b>	<b>3,167,535</b>	<b>3,643,014</b>	<b>475,479</b>
<b>Expenditures</b>				
Current:				
Public Works	3,353,183	3,997,995	3,746,033	251,962
Excess of Revenues Under Expenditures	(289,683)	(830,460)	(103,019)	727,441
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets			1,000	1,000
Net Change in Fund Balance	(289,683)	(830,460)	(102,019)	728,441
<b>Fund Balance at Beginning of Year</b>	<b>906,141</b>	<b>906,141</b>	<b>906,141</b>	
Prior Year Encumbrances Appropriated	115,108	115,108	115,108	
<b>Fund Balance at End of Year</b>	<b>\$731,566</b>	<b>\$190,789</b>	<b>\$919,230</b>	<b>\$728,441</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$1,954,000	\$1,874,454	\$1,874,784	\$330
Other			15	15
<b>Total Revenues</b>	1,954,000	1,874,454	1,874,799	345
<b>Expenditures</b>				
Current:				
Human Services	2,045,117	1,966,625	1,966,464	161
Excess of Revenues Under Expenditures	(91,117)	(92,171)	(91,665)	506
<b>Other Financing Sources</b>				
Transfers - In	47,670	47,670	47,670	
Net Change in Fund Balance	(43,447)	(44,501)	(43,995)	506
<b>Fund Balance at Beginning of Year</b>	1,402	1,402	1,402	
Prior Year Encumbrances Appropriated	43,110	43,110	43,110	
<b>Fund Balance at End of Year</b>	\$1,065	\$11	\$517	\$506

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
THOMAS EDISON FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$1,446,300	\$1,446,300	\$1,473,641	\$27,341
Intergovernmental	1,625,209	1,547,709	1,618,624	70,915
Charges for Services	90,500	90,500	113,053	22,553
Other	22,500	7,063	7,992	929
<b>Total Revenues</b>	<u>3,184,509</u>	<u>3,091,572</u>	<u>3,213,310</u>	<u>121,738</u>
<b>Expenditures</b>				
Current:				
Human Services	<u>3,393,961</u>	<u>3,255,556</u>	<u>3,126,992</u>	<u>128,564</u>
Excess of Revenues Over (Under) Expenditures	<u>(209,452)</u>	<u>(163,984)</u>	<u>86,318</u>	<u>250,302</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			283,634	283,634
Transfers Out	<u>(72,090)</u>	<u>(74,945)</u>	<u>(74,945)</u>	
<b>Total Other Financing Sources (Uses)</b>	<u>(72,090)</u>	<u>(74,945)</u>	<u>208,689</u>	<u>283,634</u>
Net Change in Fund Balance	(281,542)	(238,929)	295,007	533,936
<b>Fund Balance at Beginning of Year</b>	419,192	419,192	419,192	
Prior Year Encumbrances Appropriated	<u>180,094</u>	<u>180,094</u>	<u>180,094</u>	
<b>Fund Balance at End of Year</b>	<u><u>\$317,744</u></u>	<u><u>\$360,357</u></u>	<u><u>\$894,293</u></u>	<u><u>\$533,936</u></u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
BRUMBACK LIBRARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$925,000	\$925,000	\$936,906	\$11,906
Charges for Services	3,000	3,000	5,226	2,226
Fines and Forfeitures	12,000	12,000	9,623	(2,377)
Other	6,600	6,600	17,554	10,954
<b>Total Revenues</b>	946,600	946,600	969,309	22,709
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	1,018,428	1,018,278	914,500	103,778
Net Change in Fund Balance	(71,828)	(71,678)	54,809	126,487
<b>Fund Balance at Beginning of Year</b>	75,063	75,063	75,063	
Prior Year Encumbrances Appropriated	1,828	1,828	1,828	
<b>Fund Balance at End of Year</b>	<u>\$5,063</u>	<u>\$5,213</u>	<u>\$131,700</u>	<u>\$126,487</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUND  
DECEMBER 31, 2005**

	<b>Recycling</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$89,020
Accounts Receivable	220,751
Prepaid Items	133
Supplies Inventory	2,000
<b>Total Current Assets</b>	<b>311,904</b>
<b>Non-current Assets:</b>	
Depreciable Capital Assets, Net	779,668
<b>Total Assets</b>	<b>1,091,572</b>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	5,185
Accrued Salaries Payable	6,432
Contracts Payable	2,000
Due to Other Governments	7,449
Accrued Interest Payable	1,679
Compensated Absences Payable	6,378
Note Payable	1,500
<b>Total Current Liabilities</b>	<b>30,623</b>
<b>Long-Term Liabilities:</b>	
Compensated Absences Payable	3,630
Note Payable	88,500
<b>Total Long-Term Liabilities</b>	<b>92,130</b>
<b>Total Liabilities</b>	<b>122,753</b>
<b>Net Assets</b>	
Invested in Capital Assets	689,668
Unrestricted	279,151
<b>Total Net Assets</b>	<b>\$968,819</b>

*See accompanying notes to the basic financial statements.*



FINANCIAL CONDITION  
VAN WERT COUNTY

STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Recycling</u>
<b>Operating Revenues</b>	
Charges for Services	\$532,270
Other	2,035
<b>Total Operating Revenues</b>	<u>534,305</u>
<b>Operating Expenses</b>	
Personal Services	321,316
Contractual Services	27,245
Materials and Supplies	32,918
Depreciation	92,108
<b>Total Operating Expenses</b>	<u>473,587</u>
Operating Income	<u>60,718</u>
<b>Non-Operating Expenses</b>	
Loss on Sale of Capital Assets	(23,432)
Interest and Fiscal Charges	(3,376)
<b>Total Non-Operating Expenses</b>	<u>(26,808)</u>
Change in Net Assets	33,910
<b>Net Assets Beginning of Year</b>	<u>934,909</u>
<b>Net Assets End of Year</b>	<u><u>\$968,819</u></u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Recycling</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers and Support	\$550,537
Cash Payments for Employee Services and Benefits	(314,703)
Cash Payments to Suppliers	(99,235)
<b>Net Cash Provided by Operating Activities</b>	<b>136,599</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition and Construction of Capital Assets	(221,250)
Note Principal Payments	(5,000)
Note Interest Payments	(1,735)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(227,985)</b>
Net Decrease in Cash and Cash Equivalents	(91,386)
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>180,406</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$89,020</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
<b>Operating Income</b>	<b>\$60,718</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	92,108
<b>Changes in Assets and Liabilities:</b>	
Decrease in Accounts Receivable	16,232
Decrease in Prepaid Items	109
Increase in Supplies Inventory	(2,000)
Increase in Accounts Payable	505
Increase in Accrued Salaries Payable	2,471
Decrease in Contracts Payable	(9,005)
Increase in Due to Other Governments	2,108
Decrease in Retainage Payable	(8,350)
Decrease in Interfund Payable	(20,331)
Increase in Compensated Absences Payable	2,034
<b>Net Cash Provided by Operating Activities</b>	<b>\$136,599</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2005**

**Assets**

Equity in Pooled Cash and Cash Equivalents	\$2,181,344
Cash and Cash Equivalents in Segregated Accounts	261,537
Investments	20,000
Receivables:	
Property and Other Taxes	19,896,627
Accounts (Net of Uncollectible Accounts)	98,432
Special Assessments	520,021
Due from Other Governments	1,362,109
Supplies Inventory	80,500
<b>Total Assets</b>	<u><u>\$24,420,570</u></u>

**Liabilities**

Due to Other Governments	\$23,199,633
Undistributed Monies	1,220,937
<b>Total Liabilities</b>	<u><u>\$24,420,570</u></u>

*See accompanying notes to the basic financial statements.*

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**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**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.

**A. Reporting Entity**

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

**Van Wert County Brumback Public Library**

The Brumback Library was constructed and donated to Van Wert County per the will of the late J. S. Brumback and a contract made between the heirs of the estate and the Van Wert County Commissioners 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. The Statute provides: "Any County accepting such a bequest, donation or gift shall be bound to faithfully carry out the agreement so made to provide and maintain such a library." It is therefore the legal duty of the Board of County Commissioners to faithfully comply with the terms of the contract and maintain and operate the library as a County Library.

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

**Blended Component Unit**

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY**

**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 17.

**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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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. Separately issued financial statements can be obtained from the Thomas Edison Endowment at P.O. Box 604, Van Wert, Ohio 45891.

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

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

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

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

The County participates in certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, Related Organizations, and Insurance Pools. The County's Joint Ventures, the Van Wert County Emergency Management Agency (EMA) and the Van Wert County Regional Planning Commission (the Commission) are presented in Note 18. 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 19.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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 20. 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 21. The Pool and the MEBC are risk-sharing pools, while the CCAOSC is an insurance purchasing pool. A risk-sharing pool is an organization formed by a group of governments to combine risks and resources and share in the cost of losses. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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.



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

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

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**2. Proprietary Fund**

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

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

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

**3. Fiduciary Funds**

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

**4. Component Units**

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

**C. Measurement Focus**

**1. Government-wide Financial Statements**

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fund Financial Statements**

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

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

**D. Basis of Accounting**

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

**E. Revenues – Exchange and Non-exchange Transaction**

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

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**F. Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

**G. Expenses/Expenditures**

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

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

**H. Cash and Cash Equivalents**

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

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

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

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

During 2005, 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 First Financial Bancorp.

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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County has invested funds in STAR Ohio during 2005. 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, 2005.

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$329,237 was credited to the General Fund during 2005, which includes \$296,755 assigned from other County funds.

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

**I. Receivables and Payables**

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

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

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset is recorded for the prepaid amount at the time of purchase and reflects the expenditure/expense in the year in which services are consumed.

**K. Inventory of Supplies**

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

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

Inventory consists of expendable supplies held for consumption.

**L. Capital Assets**

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**M. Interfund Receivables/Payables**

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

**N. Compensated Absences**

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

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

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**O. Accrued Liabilities and Long-Term Obligations**

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

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

**P. Capital Contributions**

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

**Q. Net Assets**

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

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

**R. Operating Revenues and Expenses**

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**S. 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.

**T. 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 non-operating 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.

**U. 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.

**V. Budgetary Process**

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

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 2005.



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For 2005, the County adopted the provisions of GASB Statement No. 40, Deposit and Investment Risk Disclosures. This statement modifies and expands existing disclosure requirements for deposits and investments. These additional disclosures can be found in Note 6.

The County also adopted the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. This statement establishes accounting and financial reporting standards for the impairment of capital assets. This statement had no effect on net assets.

Finally for 2005, the County has also adopted the provisions of Technical Bulletin 2004-2, Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers. This technical bulletin requires governments to recognize pension expenditures/expenses in the period to which a payment relates even if the payment is not due until the next fiscal period. The implementation of this statement had the following effect on the fund balances:

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>	<u>Thomas Edison</u>
Fund Balances at 12/31/04	\$1,525,351	\$1,456,385	(\$17,016)	\$636,373
GASB TB 2004-2	(9,070)	(2,699)	(7,151)	0
Fund Balances at 1/1/05	<u>\$1,516,281</u>	<u>\$1,453,686</u>	<u>(\$24,167)</u>	<u>\$636,373</u>
	<u>Brumback Library</u>	<u>Towne Center Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances at 12/31/04	\$334,901	(\$689,061)	\$2,580,128	\$5,827,061
GASB TB 2004-2	(1,164)	0	(4,597)	(24,681)
Fund Balances at 1/1/05	<u>\$333,737</u>	<u>(\$689,061)</u>	<u>\$2,575,531</u>	<u>\$5,802,380</u>

The above adjustments did not have a material effect on excess reported at December 31, 2004.

**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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Although not part of the appropriated budget, the Library Enrichment Foundation of the Brumback Library Special Revenue Fund is included as part of the reporting entity when preparing financial state preparing financial statements that conform with GAAP.
6. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
7. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

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

	<b>Net Change in Fund Balance</b>				
	<b>General</b>	<b>Motor Vehicle and Gas Tax</b>	<b>Human Services</b>	<b>Thomas Edison</b>	<b>Brumback Library</b>
GAAP Basis	(\$200,223)	\$38,876	(\$101,997)	\$483,997	\$32,573
Revenue Accruals	64,635	(79,009)	(33,905)	49,388	(10,853)
Expenditure Accruals	25,468	14,196	195,073	24,852	36,023
2005 Unrecorded Cash	(9,767)	(2,612)		(36,454)	
2004 Unrecorded Cash	16,275	1,048			
Change in Fair Value of Investments - 2005					(133)
Change in Fair Value of Investments - 2004					10,264
Agency Fund Allocation	(49,763)			(84,852)	
Advances	(40,027)				
Activity of Non-budgeted Funds					6,187
Prepaid Items	2,924	(210)	(394)	1,248	(15,541)
Encumbrances	(90,233)	(74,308)	(102,772)	(143,172)	(3,711)
<b>Budget Basis</b>	<b>(\$280,711)</b>	<b>(\$102,019)</b>	<b>(\$43,995)</b>	<b>\$295,007</b>	<b>\$54,809</b>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. ACCOUNTABILITY**

The Human Services Special Revenue Fund, the County Home Operation Levy Special Revenue Fund and the South Delphos Area Sewer Capital Projects Fund had deficit fund balances of \$126,164, \$33,594 and \$17,712, respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur. The Towne Center Capital Improvement Capital Projects Fund had a fund balance deficit at December 31, 2005, of \$4,618,766. The deficit is the result of a bond anticipation note. The liability will be eliminated when the notes are paid off and bonds are issued.

**6. DEPOSITS AND INVESTMENTS**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the County's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At year-end, the carrying amount of the County's deposits was \$7,103,320 and the bank balance was \$7,502,651. Of the bank balance, \$1,018,310 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$6,484,341 of the County's bank balance of \$7,502,651 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the County's name.

**B. Investments**

At year-end, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
First Financial Bancorp	\$116,017
Repurchase Agreement	595,053
STAR Ohio	824,286
	<u>\$1,535,356</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk** – The County’s investment policy states that the maximum maturity is five years from the settlement date. All of the County’s investments have a maturity within one year.

**Credit Risk** – The County’s investment policy does not address credit risk. The County’s investment in STAR Ohio has an AAAM credit rating. The County’s investment in a repurchase agreement is exposed to credit risk due to the underlying securities are held by the investment’s counterparty or its trust department or agent, not in the County’s name. The investment in First Financial Bancorp is a common stock and is not rated.

**Concentration of Credit Risk** – The County’s investment policy states the investment authority will diversify the investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. First Financial Bancorp makes up 7% of the County’s investments, STAR Ohio makes up 54% of the County’s investments and the repurchase agreement makes up 39% of the County’s investments.

**7. RECEIVABLES**

Receivables at December 31, 2005, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), special assessments, accrued interest, interfund, intergovernmental receivables arising from grants, and loans. All receivables are considered collectible in full except Court receivables. A summary of accounts receivable for Court receivables, as well as other receivables owed to the County governmental funds is as follows:

	<b>Common Pleas/ Juvenile/Probate Court Receivable</b>	<b>Other Accounts Receivable</b>	<b>Total Accounts Receivable</b>
Receivable	\$173,203	\$121,787	\$294,990
Allowance for Uncollectibles	(80,119)	(838)	(80,957)
Net Accounts Receivable	\$93,084	\$120,949	\$214,033

For the agency funds, the total receivable for the Common Pleas Court was \$95,598, with an allowance for uncollectibles of \$2,725, making net accounts receivable of \$92,873. The law library, special emergency planning and emergency management agency funds had receivables of \$1,312, \$3,622 and \$625, respectively, making the total agency funds receivable \$98,432.

Special assessments expected to be collected in more than one year in the Special Assessment Debt Service Fund amount to \$146,973. At December 31, 2005, the amount of delinquent special assessments was \$49,320.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility) are for 2005 taxes.

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. RECEIVABLES (Continued)**

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. 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 represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, 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 2005 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, 2005, was \$8.1 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

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

**B. Permissive Sales and Use Tax**

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. RECEIVABLES (Continued)**

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 2005. 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 2005 amounted to \$3,692,010 in the General Fund.

**C. Due from Other Governments**

A summary of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<b>Amounts</b>
Boarding Fees	\$21,396
Local Government	351,789
Local Government Revenue Assistance	69,447
Homestead and Rollback	365,138
Election Costs	32,224
State Issue Advertising Reimbursement	3,813
Electric Deregulation Reimbursement	18,637
Motor Vehicle License Tax	909,020
Gasoline Excise Tax	724,668
Gasoline Cents per Gallon	403,422
Undivided Library	515,546
Indigent Defense Reimbursement	14,173
Personal Property Exemption	29,792
Ohio Job and Family Services	58,390
Child Abuse Prevention Grant	15,000
Home Weatherization Assistance Grant	28,313
Foster Care Maintenance Reimbursement	12,079
Title IVE Administration and Training	1,320
Children Services 2820 Reimbursement	27,943
SSI	700
State Foundation	104,715
Thomas Edison Subsidy Payment	175,713
Thomas Edison RFW/IO Waivers	37,863
Title XX	11,595
Title VI	15,128
CSEA Grant	40,126
Children's Services Grant	117,670
Youth Bureau Reclaim Ohio Grant	83,128
Community Corrections Grant	28,257
State Help Me Grow Grant	18,054
CDBG Grant	1,131,100
Mirco Enterprise Business Development	50,000
Federal HEAP Program	22,211
Recycle Ohio Grant	9,000
Total Intergovernmental Receivables	<u><u>\$5,447,370</u></u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. RECEIVABLES (Continued)**

**D. Loans Receivable**

The County has the following loans receivable at December 31, 2005:

<u>Date of Issue</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Balance at 12/31/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2005</u>	<u>Due in One Year</u>	<u>Interest</u>
1996	Airport Construction	4.64%	\$36,850	\$0	\$3,000	\$33,850	\$2,000	
1999	Airport Construction	4.98%	47,265	0	1,950	45,315	2,080	
2001	Tractor/Mower	4.00%	8,238	0	0	8,238	8,238	351
2003	Airport Improvement	1.80%	102,600	0	0	102,600	3,000	2,990
2003	Fair Board	0.00%	31,000	0	5,000	26,000	5,000	0
various	Revolving Loans	various	100,963	33,000	60,176	73,787	16,438	4,458
			<u>\$326,916</u>	<u>\$33,000</u>	<u>\$70,126</u>	<u>\$289,790</u>	<u>\$36,756</u>	<u>7,799</u>

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

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

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

**8. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Balance at 12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/05</u>
<b>Governmental Activities</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$114,700	\$0	\$0	\$114,700
Land Improvements	20,399	0	0	20,399
Construction in Progress	0	0	0	0
Total Assets, not being Depreciated	<u>135,099</u>	<u>0</u>	<u>0</u>	<u>135,099</u>



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

	<u>Balance at 12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/05</u>
<b>Depreciable Capital Assets:</b>				
Buildings	18,557,285	0	0	18,557,285
Machinery and Equipment	823,267	86,348	(22,515)	887,100
Furniture and Fixtures	170,263	10,807	0	181,070
Vehicles	3,874,489	778,562	(478,305)	4,174,746
Infrastructure:				
Bridges	223,070	771,898	0	994,968
Roads	973,043	0	0	973,043
Total Depreciable Capital Assets	<u>24,621,417</u>	<u>1,647,615</u>	<u>(500,820)</u>	<u>25,768,212</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(4,615,096)	(305,671)	0	(4,920,767)
Machinery and Equipment	(454,418)	(43,641)	15,899	(482,160)
Furniture and Fixtures	(97,240)	(10,418)	0	(107,658)
Vehicles	(2,433,312)	(310,200)	157,525	(2,585,987)
Infrastructure:				
Bridges	(2,444)	(8,914)	0	(11,358)
Roads	(24,835)	(97,304)	0	(122,139)
Total Accumulated Depreciation	<u>(7,627,345)</u>	<u>(776,148)</u>	<u>173,424</u>	<u>(8,230,069)</u>
Depreciable Capital Assets, Net	<u>16,994,072</u>	<u>871,467</u>	<u>(327,396)</u>	<u>17,538,143</u>
Governmental Activities Capital Assets, Net	<u>\$17,129,171</u>	<u>\$871,467</u>	<u>(\$327,396)</u>	<u>\$17,673,242</u>
<b>Business-Type Activities</b>				
<b>Depreciable Capital Assets:</b>				
Buildings	\$361,032	\$0	\$0	\$361,032
Machinery and Equipment	171,033	221,250	(44,427)	347,856
Furniture and Fixtures	11,357	0	0	11,357
Vehicles	383,436	0	0	383,436
Total Depreciable Capital Assets	<u>926,858</u>	<u>221,250</u>	<u>(44,427)</u>	<u>1,103,681</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(31,301)	(8,760)	0	(40,061)
Machinery and Equipment	(51,312)	(47,087)	20,995	(77,404)
Furniture and Fixtures	(8,045)	(1,136)	0	(9,181)
Vehicles	(162,242)	(35,125)	0	(197,367)
Total Accumulated Depreciation	<u>(252,900)</u>	<u>(92,108)</u>	<u>20,995</u>	<u>(324,013)</u>
Business-Type Activities Capital Assets, Net	<u>\$673,958</u>	<u>\$129,142</u>	<u>(\$23,432)</u>	<u>\$779,668</u>

Depreciation expense was charged to governmental programs as follows:

General Government	
Legislative and Executive	\$130,099
Judicial	2,101
Public Safety	159,312
Public Works	313,782
Health	1,221
Human Services	168,776
Economic Development and Assistance	857
Total Depreciation Expense	<u>\$776,148</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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. 1.) The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) – a cost-sharing, multiple-employer defined benefit pension 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 MD.

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) 222-6701.

Member and employer contributions rates were consistent across all three plans (TP, MD and CP). For the year ended December 31, 2005, County employees were required to contribute 8.5 percent of their annual covered salary. The County's contribution rate for 2005 was 13.55 percent, of which 9.55 percent was used to fund the pension benefits. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$713,959, \$729,300 and \$559,333 respectively; 85.9 percent has been contributed for 2005 and 100 percent for 2004 and 2003.

**State Teachers Retirement System of Ohio**

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

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

For the year ended December 31, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the years ended December 31, 2005, 2004, and 2003 were \$30,735, \$31,658, and \$28,606, respectively; 99 percent has been contributed for 2005 and 100 percent for 2004 and 2003. No County employees participated in the DC and Combined Plans for 2005.

**10. POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

In addition to the pension benefits described in Note 9, the Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage, commonly referred to OPEB (other post-employment benefits). OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CP), all of which are described in Note 9.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit for members of both the TP and CO plans. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. Health care coverage for disability recipients and qualified survivor recipients is available.

The Ohio Revised Code provides statutory authority for employer contributions. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below are based on OPERS' latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. 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 investment assumption rate for was 8.00 percent. An annual increase of 4.00 percent, compounded annually, is the base portion of the individual pay increase assumption.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from .50 percent to 6.3 percent. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

OPEBs are advanced-funded on an actuarial determined basis. The number of active contributing participants in the TP and CP was 376,109 for 2005. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$290,657. The actual contribution and the actuarially required contribution amounts are the same.

OPERS's net assets available for payment of benefits at December 31, 2004, (the latest available information) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increases as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**State Teachers Retirement System of Ohio**

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

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$2,364 for 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

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

**B. Compensated Absences**

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

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

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

**12. RISK MANAGEMENT**

**A. Insurance**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

Liability:	
General	\$7,000,000
Nursing Home	5,000,000
Employee Benefits	7,000,000
Public Officials	7,000,000
Property (per occurrence, \$1,000 deductible)	51,830,400
Earthquake	36,000,000
Flood	36,000,000
Boiler and Machinery (\$1,000 deductible)	50,000,000
Crime Insurance (\$1,000 deductible):	
Faithful Performance	500,000
Depositors Forgery	500,000
Money and Securities	500,000

In addition to the coverage above, the County has insurance under the Ohio School Plan for the Van Wert County Board of MRDD.

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

**B. Health Care Benefits**

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 21). 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.

**C. Workers' Compensation**

For 2005, 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 21). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. 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.

**13. LEASES**

**A. Operating Leases**

The County entered into several non-cancelable operating leases during 2004. The County leased a copier from Xerox for 60 months. Terms of the agreement require the County to pay a base monthly charge of \$130. The County leases another copier from Xerox for 60 months. The County is required to pay a base monthly charge of \$203. Finally, the County entered into a lease with Perry Corporation for a third copier. The County pays a rate of \$742 per month for 63 months. Total costs paid during 2005 on these leases were \$12,167.

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

<u>For the Year Ending:</u>	<u>Amount</u>
2006	\$12,910
2007	12,910
2008	12,910
2009	11,631
2010	3,713
	<u>\$54,074</u>

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



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**13. LEASES (Continued)**

**B. Capital Leases**

In 2005, the County leased an excavator for the Engineer and buses for Thomas Edison. The County also holds a lease from prior years for buses for Thomas Edison. The terms of the agreement provide options to purchase the vehicles. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Vehicles acquired by lease have been capitalized in the governmental activities general capital assets at amounts equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the governmental activities general long term debt. Principal payments made during 2005 totaled \$27,400, in the Thomas Edison Special Revenue Fund. The vehicles have a total historical cost of \$283,788, with accumulated depreciation of \$74,610 as of December 31, 2005, with a book value of \$209,178. Principal payments in the Motor Vehicle and Gas Tax fund totaled \$41,252. The excavator has a historical cost of \$189,824, with accumulated depreciation of \$3,955 as of December 31, 2005, with a book value of \$185,869. 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, 2005.

<b>For the Year</b>	<b>Amount</b>
<b>Ending</b>	<b>Amount</b>
2006	\$101,794
2007	75,810
2008	75,809
2009	75,810
2010	31,679
Total	360,902
Less: Amount Representing Interest	(35,779)
Present Value of Minimum Lease Payments	<u>\$325,123</u>

**14. SHORT-TERM OBLIGATIONS**

A summary of the short-term transactions for the year ended December 31, 2005, follows:

	<b>Balance at 12/31/04</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 12/31/05</b>
2004 Towne Center Capital Facilities Note	\$5,000,000	\$4,500,000	\$5,000,000	\$4,500,000

The note carries an interest rate of 3.65%. The note will be paid from revenues received under a City tax financing agreement entered into with the City of Van Wert on October 5<sup>th</sup>, 2004. The note was originally issued in the amount of \$5,000,000.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

The changes in the County's long-term obligations of the governmental activities of the County during 2005 follow:

Date of Issue	Description	Interest Rate	Balance at 12/31/2004	Increases	Decreases	Balance at 12/31/2005	Amounts Due in One Year
<b>General Obligation Notes</b>							
1996	Airport Construction	4.64%	36,850	0	3,000	33,850	2,000
1999	Airport Construction	4.98%	47,265	0	1,950	45,315	2,080
2001	Tractor/Mower	4.00%	8,238	0	0	8,238	8,239
2002	County Annex	1.95%	1,170,000	0	65,000	1,105,000	65,000
2002	Thomas Edison Improvement	1.95%	320,000	0	40,000	280,000	40,000
2003	Airport Improvement	1.80%	102,600	0	0	102,600	3,000
2003	South Delphos Area Sewer	1.80%	62,200	0	0	62,200	2,000
2003	Probate Court Computer	1.80%	42,300	0	7,700	34,600	2,000
2003	County Annex/County Home	1.80%	481,542	0	24,800	456,742	11,000
2003	Thomas Edison Improvement	1.80%	380,000	0	20,000	360,000	15,000
<b>Total General Obligation Notes</b>			<u>2,650,995</u>	<u>0</u>	<u>162,450</u>	<u>2,488,545</u>	<u>150,319</u>
<b>Special Assessment Notes</b>							
1999	Cable Ditch	4.75%	3,937	0	1,985	1,952	1,952
1999	Dog Creek	4.75%	26,513	0	15,019	11,494	11,494
1999	Feigert Ditch	4.75%	986	0	388	598	309
1999	Maddox Creek	4.75%	46,058	0	17,006	29,052	15,527
1999	Parker Ditch	4.75%	1,287	0	1,287	0	0
1999	Price Ditch	4.75%	11,840	0	5,866	5,974	5,854
1999	Pup Creek	6.68%	4,000	0	4,000	0	0
1999	Wallace Ditch	4.75%	1,119	0	615	504	504
2000	27 Mile Creek	5.59%	169,296	0	41,509	127,787	44,500
2000	John Adams Ditch	5.59%	686	0	241	445	245
2000	Kimmett Ditch	5.59%	26,263	0	6,437	19,826	6,604
2000	Monkey Run Ditch	5.59%	39,996	0	9,778	30,218	10,650
2000	Pottawatome Ditch	5.59%	12,071	0	2,213	9,858	2,221
2000	Wortman Ditch	5.59%	377	0	133	244	136
<b>Total Special Assessment Notes</b>			<u>344,429</u>	<u>0</u>	<u>106,477</u>	<u>237,952</u>	<u>99,996</u>
<b>Total Notes</b>			<u>2,995,424</u>	<u>0</u>	<u>268,927</u>	<u>2,726,497</u>	<u>250,315</u>
<b>Other Long-Term Obligations:</b>							
Compensated Absences			675,011	462,617	412,269	725,359	433,803
Capital Lease			49,921	343,854	68,652	325,123	89,593
<b>Total – Other Long-Term Obligations</b>			<u>724,932</u>	<u>806,471</u>	<u>480,921</u>	<u>1,050,482</u>	<u>523,396</u>
<b>Total – General Long-Term Obligations</b>			<u>\$3,720,356</u>	<u>\$806,471</u>	<u>\$749,848</u>	<u>\$3,776,979</u>	<u>\$773,711</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

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

<u>Issue</u>	<u>Amount</u>
<b>General Obligation Notes:</b>	
1996 Airport Construction	\$49,850
1999 Airport Construction	55,390
2001 Tractor/Mower	20,610
2002 County Annex	1,300,000
2002 Thomas Edison Improvements	400,000
2003 South Delphos Area Sewer	66,627
2003 Airport Improvement	108,000
2003 Probate Court Computer	50,000
2003 County Annex/County Home	495,334
2003 Thomas Edison Improvement	400,000
<b>Special Assessment Notes:</b>	
1999 Cable Ditch	\$16,700
1999 Dog Creek	191,583
1999 Feigert Ditch	8,162
1999 Maddox Creek	221,257
1999 Parker Ditch	8,009
1999 Price Ditch	44,263
1999 Pup Creek	39,300
1999 Wallace Ditch	4,289
2000 27 Mile Creek	515,870
2000 James Adams Ditch	1,880
2000 Kimmett Ditch	80,634
2000 Monkey Run Ditch	193,961
2000 Pottawatome Ditch	95,307
2000 Wortman Ditch	1,205

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

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

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

Changes in the long-term obligations reported in business-type activities of the County during 2005 were as follows:

	<u>Interest Rate</u>	<u>Balance at 12/31/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2005</u>	<u>Amounts Due in One Year</u>
Recycling Bldg and Trucks	1.80%	\$95,000	\$0	\$5,000	\$90,000	\$1,500
Compensated Absences		7,974	6,886	4,852	10,008	6,378
<b>Totals</b>		<u>\$102,974</u>	<u>\$6,886</u>	<u>\$9,852</u>	<u>\$100,008</u>	<u>\$7,878</u>

The note payable for the recycling building and trucks was issued in 2003 for \$100,000 and will be paid from the Recycling Enterprise Fund with operating revenues. The note is pre-payable without penalty at the option of the County at any time prior to maturity. The note will mature 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, 2005, are an overall debt margin of \$7,205,477 and an unvoted debt margin of \$1,972,384.

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2005, were as follows:

<u>Year</u>	<u>Governmental Activities</u>			
	<u>General Obligation Notes</u>		<u>Special Assessment Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$150,319	\$52,421	\$99,996	\$21,061
2007	149,214	46,153	137,956	15,771
2008	153,368	43,182	0	0
2009	156,510	40,104	0	0
2010	162,680	39,221	0	0
2011-2015	806,250	146,978	0	0
2016-2020	702,470	67,149	0	0
2021-2022	207,734	5,647	0	0
<b>Totals</b>	<u>\$2,488,545</u>	<u>\$440,855</u>	<u>\$237,952</u>	<u>\$36,832</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

Year	Business-Type Activities	
	General Obligation Notes	
	Principal	Interest
2006	\$1,500	\$1,620
2007	2,000	1,593
2008	2,000	1,557
2009	2,500	1,521
2010	2,500	1,476
2011-2015	20,000	6,525
2016-2020	34,500	4,248
2021-2022	25,000	882
Totals	<u>\$90,000</u>	<u>\$19,422</u>

During 1996, the County issued a health care facilities revenue bond with the principal amount of \$299,000 outstanding at December 31, 2005, 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, 2005, \$271,825 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 \$1,380,000 outstanding at December 31, 2005. During 2004, \$3,604,000 in Series 2004A Hospital Facilities Revenue Refunding Bonds was issued in order to refund and retire the outstanding Series 1997 bonds and Series 2000 bonds. At December 31, 2005, \$2,905,675 was outstanding. Also during 2004, \$4,750,000 in Series 2004B Hospital Facilities Revenue Refunding and Improvement Bonds were issued in order to refund and retire the outstanding Series 1991 Bonds and finance the acquisition, construction, installation, renovation and equipping the second floor of the Hospital's facilities. At December 31, 2005, \$4,750,000 was outstanding. Payments on the Series 2004 A & B bonds will begin in 2005.

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.

**16. INTERFUND ASSETS/LIABILITIES**

Interfund balances at December 31, 2005, consisted of the following amounts and resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

		Interfund Receivable				Total
		General	Motor Vehicle and Gas Tax	Human Services	Thomas Edison	
<b>Interfund Payable</b>	General	\$0	\$3,897	\$0	\$0	\$3,897
	Thomas Edison	0	6,750	0	0	6,750
	Other Governmental	61,952	24,638	21,426	654	108,670
	Total	<u>\$61,952</u>	<u>\$35,285</u>	<u>\$21,426</u>	<u>\$654</u>	<u>\$119,317</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**16. INTERFUND ASSETS/LIABILITIES (Continued)**

Interfund transfers for the year ended December 31, 2005, consisted of the following:

	Transfers From				Total
	General	Thomas Edison	Towne Center Capital Improvement	Other Governmental	
Transfers to					
Human Services	\$47,670	\$0	\$0	\$0	\$47,670
Thomas Edison	0	0	0	283,634	283,634
Other					
Governmental	332,233	74,945	398,467	0	805,645
Total	<u>\$379,903</u>	<u>\$74,945</u>	<u>\$398,467</u>	<u>\$283,634</u>	<u>\$1,136,949</u>

The General Fund transfers out equaled \$379,903. Out of total transfers out, \$127,866 in transfers was for debt service obligations; \$251,137 was for human services operations; and \$900 was to GIS fund. The Thomas Edison Capital Projects transferred money to the Thomas Edison Special Revenue from the construction project back upon completion of the project. The Towne Center Capital Improvement fund transferred money to the Towne Center Debt Service fund for payment of debt service obligations.

**17. 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 5011(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 5011(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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

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 5011(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, 2005, all of the assets of the component units are unrestricted.

**C. Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. All of the component units' contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Contributed services have been recognized as contributions to the extent the total amount that could have been charged for these services exceeds the amount actually charged. As of December 31, 2005, 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, 2005, 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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**F. Capital Assets**

It is the component units' policy to capitalize expenditures in excess of \$500 with an estimated life of more than one year. Property, equipment, and vehicle accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives. Thomas Edison Center uses 12 years as the estimated useful life. The Van Wert Housing Services, Inc. depreciates buildings over an estimated useful life of 40 years, equipment and furnishings over an estimated useful life of 12 years, and computers over an estimated useful life of 3 years. The Port Authority depreciates its capital assets over an estimated useful life of 40 years, and 5 to 20 years for the Airport Authority. When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the statement of activities. Routine maintenance, repairs and renewals are charged to operating cost and expenses as incurred. Property and equipment additions and expenditures which materially increase values or extend useful lives are capitalized. During the year ended December 31, 2005, depreciation expense for Thomas Edison Center, Van Wert Housing Services, Inc., Port Authority, and the Airport Authority is \$5,845, \$28,931, \$196, and \$12,037, respectively. A summary of the component units' capital assets at December 31, 2005, follows:

	<b>Thomas Edison Center</b>	<b>Van Wert Housing Services, Inc.</b>	<b>Port Authority</b>	<b>Airport Authority</b>
<b>Capital Assets not being depreciated:</b>				
Land	\$0	\$48,646	\$204,454	\$222,216
Construction in Progress	0	0	0	15,462
Total Capital Assets, not being depreciated	<u>0</u>	<u>48,646</u>	<u>204,454</u>	<u>237,678</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	0	437,823	7,834	105,240
Equipment, Improvements, and Furnishings	41,053	296,540	0	809,621
Vehicles	35,249	3,484	0	37,510
Capital Assets Being Depreciated	<u>76,302</u>	<u>737,847</u>	<u>7,834</u>	<u>952,371</u>
<b>Less: Accumulated Depreciation</b>				
Buildings	0	(82,580)	(4,702)	(42,035)
Equipment, Improvements, and Furnishings	(23,311)	(78,393)	0	(115,817)
Vehicles	(16,152)	(2,755)	0	(25,206)
Accumulated Depreciation	<u>(39,463)</u>	<u>(163,728)</u>	<u>(4,702)</u>	<u>(183,058)</u>
Total Capital Assets Being Depreciated, Net	<u>36,839</u>	<u>574,119</u>	<u>3,132</u>	<u>769,313</u>
Total Capital Assets, Net	<u>\$36,839</u>	<u>\$622,765</u>	<u>\$207,586</u>	<u>\$1,006,991</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 \$846 for the year ended December 31, 2005, for Thomas Edison Center.



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**I. Deposits and Investments**

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

1. At year-end, the carrying amount of deposits for Thomas Edison Center was \$132,714 and the bank balance was \$136,739. The entire balance was covered by federal deposit insurance. There are no statutory guidelines regarding the deposit and investment of funds for the not-for-profit corporation.
2. At year-end, the carrying amount of deposits for Van Wert Housing Services, Inc. was \$6,057 and the bank balance was \$6,709. The entire bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds for the not-for-profit corporation.
3. At year-end, the carrying amount of deposits for Thomas Edison Endowment was \$48,561. The bank balance was \$37,407. The entire bank balance was covered by federal depository insurance. Thomas Edison Endowment elected to adopt FASB Statement No. 124 "Accounting for Certain Investments Held by Not-for-Profit Organizations". Investments consisted primarily of corporate bonds and common stocks which are carried at fair value. Fair value at year-end was \$1,544,584 while the cost was \$1,321,226.
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 \$12,385, and the bank balance was \$15,387. The entire bank balance was covered by federal depository insurance. The Airport Authority follows the same investment guidelines as the County Treasurer which can be found in Note 6.

**J. Due from Other Governments**

The Airport Authority had a receivable for \$5,008 for federal capital grants. The grant is for ramp widening plans.

**K. Notes Payable**

A summary of the note transactions for the component units for the year ended December 31, 2005, follows:

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

	<b>Interest Rate</b>	<b>Balance at December 31, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2005</b>
Van Wert Housing Services					
Residential Property #1	6.13%	\$10,644	\$0	\$3,236	\$7,408
Residential Property #2	6.13%	12,754	0	3,045	9,709
Residential Property #3	6.13%	2,362	0	2,362	0
Residential Property #4	6.50%	21,179	0	2,203	18,976
Residential Property #5	6.50%	25,855	0	1,709	24,146
Residential Property #6	6.50%	22,900	0	1,385	21,515
Residential Property #7	5.75%	35,319	0	1,716	33,603
Total		<u>\$131,013</u>	<u>\$0</u>	<u>\$15,656</u>	<u>\$115,357</u>

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

**L. Loans Payable**

A summary of the loan transactions for the component units for the year ended December 31, 2005, follows:

	<b>Interest Rate</b>	<b>Balance at December 31, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2005</b>
Airport Authority					
Airport Hangar #1	4.64%	\$36,850	\$0	\$3,000	\$33,850
Fuel Tank Removal	1.80%	102,600	0	0	102,600
Airport Hangar #2	4.98%	47,265	0	1,950	45,315
Tractor/Mower Airport Notes	5.50%	8,238	0	0	8,238
Total Loans Payable		<u>\$194,953</u>	<u>\$0</u>	<u>\$4,950</u>	<u>\$190,003</u>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

The interest rates on the airport loans are 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. In 2005, the terms on the Tractor Mower Loan were modified. The new terms call for one principal payment due to the County of \$8,238 on December 13, 2006. In addition, the County is due interest based on a 5.50% interest rate.

**M. Segment Information**

Net working capital for Thomas Edison Center, Van Wert Housing Services, Inc., Thomas Edison Endowment, the Port Authority and the Airport Authority was \$162,713, (\$418), \$50,241, \$17,157, and (\$20,741), respectively. During 2005, Thomas Edison Center, Van Wert Housing Services, Inc., and the Airport Authority purchased capital assets in the amount of \$3,583, \$153,299, and \$387,313, respectively. Other segment information can be obtained in the financial statements. In addition, the Thomas Edison Center disposed of assets with a book value of \$67,865.

**18. 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 2005, the County contributed \$30,000 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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**18. JOINT VENTURES (Continued)**

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 2005 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.

**19. 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 2005, the tax levy provided \$317,380 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 2005, the County contributed \$11,500 to the CIC.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. 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 2005, the tax levy provided \$154,616 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 2005, the County contributed \$500 to the MV-RCD Area for its operation.

**20. 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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**20. RELATED ORGANIZATIONS (Continued)**

**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.

**21. 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.

**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.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**21. INSURANCE POOLS (Continued)**

**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.

**22. 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 2005, the contributions to Thomas Edison Center, Inc. for salaries, fringes, maintenance and repairs of buildings and administrative costs were \$215,962.

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.

**23. CONTINGENT LIABILITIES**

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.

A lawsuit is pending against the County. In the opinion of the County's legal counsel, any potential liability would not have a material adverse effect on the financial statements.

**24. SUBSEQUENT EVENTS**

On July 15, 2006, the County Commissioners permanently closed the Lincolnway County Home.

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
(Passed through Ohio Department of Development)				
Community Development Block Grant/State's Program	BF-04-074-1 BF-03-074-1 BX-02-074-1	14.228	\$61,892 16,466 73,077	
Total			<u>151,435</u>	
Home Investment Partnership (HOME) Program	BC-01-074-2	14.239	<u>128,994</u>	
Total United States Department of Housing and Urban Development			280,429	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
(Passed through Ohio Department of Jobs and Family Services)				
Low-Income Home Energy Assistance	H04-136 H05-136 HC-05-168 05-HA-153 06-HA-153 04-HA-153 05-HE-253 06-HE-253	93.568	16,183 34,161 25,430 50,931 24,350 378 46,102 17,571	
Total			<u>215,106</u>	
Children Welfare Services	N/A	93.645	44,506	
Chafee Foster Care Independent Living	N/A	93.674	208	
Promoting Safe and Stable Families	N/A	93.556	2,379	
Child Abuse and Neglect	N/A	93.669	1,812	
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)				
Medical Assistance Program - CAFS	8100012	93.778	165,507	
Medical Assistance Program - TCM	8100012		<u>55,805</u>	
Total			221,312	
State Children's Insurance Program (SCHIP - CAFS)	8100012	93.767	1,406	
State Children's Insurance Program (SCHIP - TCM)	8100012		<u>697</u>	
Total			2,103	
Social Services Block Grant	MR-81 FY 05 MR-81 FY 06	93.667	13,240 14,929	
Total			<u>28,169</u>	
Total United States Department of Health and Human Services			515,595	
<b>U.S. DEPARTMENT OF EDUCATION</b>				
(Passed through Ohio Department of Education)				
<b>Special Education Cluster:</b>				
Special Education Preschool Grant	071183-PG-S1-2006 071183-PG-S1-2005	84.173	1,681 14,582	
Total			<u>16,263</u>	
Special Education Grants to States	071183-6B-SF-2006 071183-6B-SF-2005	84.027	665 16,648	
Total			<u>17,313</u>	
Total Special Education Cluster			33,576	

(Continued)



**FINANCIAL CONDITION  
VAN WERT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2005  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
Innovative Education Program Strategies	071183-C2S1-2005	84.298	80	
Total		84.298	80	
<i>(Passed through the Ohio Department of Health)</i>				
Special Education Grants for Infants & Families with Disabilities	81-1-001-1-EG-05	84.181	28,700	
	81-1-001-1-EG-04	84.181	27,791	
Total			56,491	
Total United States Department of Education			90,147	
<b>UNITED STATES DEPARTMENT OF ENERGY</b>				
<i>(Passed through the Ohio Department of Development)</i>				
Weatherization Assistance for Low-Income Persons	D05-136	81.042	56,779	
	D04-136	81.042	20,971	
Total United States Department of Energy			77,750	
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>				
<i>(Passed through the Ohio Department of Education)</i>				
<b>Nutrition Cluster:</b>				
School Breakfast Program	140285-05PU	10.553	5,661	
National School Lunch Program	140285-LLP4	10.555	8,684	
Food Distribution	N/A	10.550		\$5,741
Total United States Department of Agriculture - Nutrition Cluster			14,345	5,741
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>				
<i>(Passed through the Ohio Office of Criminal Justice Services)</i>				
Visitation - Byrne Grant	2004-DG-D02-7137	16.579	14,534	
Total United States Department of Justice			14,534	
<b>UNITED STATES GENERAL SERVICES DIVISION</b>				
<i>(Passed through the Ohio Secretary of State)</i>				
Election Reform	04-SOS-HAVA-81	39.011	5,636	
Total United States General Services Division			5,636	
<b>UNITED STATES ELECTION ASSISTANCE COMMISSION</b>				
<i>(Passed through the Ohio Secretary of State)</i>				
Help America Vote Act of 2002	E05-0113-81	90.401	289,703	
Total United States Election Assistance Commission			289,703	
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>				
<i>(Passed through Ohio Emergency Management Agency)</i>				
Disaster Grants - Public Assistance	FEMA-1580-DR-161-0A801	97.036	1,444	
	DR-1580-OH	97.036	15,234	
Total United States Department of Homeland Security			16,678	
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>				
<i>(Passed through the Ohio Department of Transportation)</i>				
Highway Planning and Construction	PID#23094	20.205	456,203	
	PID#23093	20.205	21,543	
	PID#23096	20.205	8,749	
Total			486,495	
Direct from Federal Aviation Administration				
Airport Improvement Program	AIP 3-39-0081-06/0705	20.106	9,680	
	AIP 3-39-0081-04/0402	20.106	13,331	
	AIP 3-39-0081-05/0503	20.106	76,603	
	AIP 3-39-0081-07/0705	20.106	14,688	
	AIP 3-39-0081-06/0604	20.106	246,727	
Total			361,029	
Total United States Department of Transportation			847,524	
<b>Total Federal Assistance</b>			<b>\$2,152,341</b>	<b>\$5,741</b>

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2005**

**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, 2005, the gross amount of loans outstanding under this program was \$77,739. Delinquent amounts due are \$10,665.



## Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Van Wert County, (the County), as of and for the year ended December 31, 2005 which collectively comprise the County's basic financial statements and have issued our report thereon dated September 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated September 18, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated September 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Financial Condition  
Van Wert County  
Independent Accountant's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by Government Auditing Standards  
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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 18, 2006



## Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

#### Compliance

We have audited the compliance of Van Wert County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Van Wert County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the County's management dated September 18, 2006, we reported a matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal controls over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 18, 2006.

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



**Betty Montgomery**  
Auditor of State

September 18, 2006

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 20.205: Highway Planning and Construction CFDA# 90.401: Help America Vote Act of 2002
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**FINANCIAL CONDITION  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	24 CFR 85.23 – Questioned cost for CDBG expenditures exceeding the period of availability	Yes	





**Auditor of State  
Betty Montgomery**

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## **FINANCIAL CONDITION**

### **WAN 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 17, 2006**