



Dave Yost • Auditor of State



**CITY OF VAN WERT  
VAN WERT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Van Wert  
Van Wert County  
515 East Main Street  
Van Wert, Ohio 45891

To the City Mayor and Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio (the City), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2C describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General and Job Ready Site Funds for 2012 and General Fund for 2011, thereof for the years then ended in accordance with the accounting basis described in Note 2C.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2C of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2011, the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding these matters.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the City's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2013, on our consideration of the City'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 14, 2013

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**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

**Using this Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's cash basis of accounting.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the City did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

When evaluating the City's financial condition, you should also consider other non-financial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the City into two types of activities:

**Governmental Activities** – Most of the City's basic services are reported here, including police, fire, emergency medical services, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-type Activities** – The City has two business-type activities, the provision of water and sewer services. Business-type activities are financed by a fee charged to the customers receiving the services.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the City are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** – Most of the City's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

The City's four major governmental funds are the General Fund, the Street Construction Fund, the Police and Fire and the Job Ready Site Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The City's two major enterprise funds are the Water and Sewer funds. When the services are provided to other departments of the City, the service is reported as an internal service fund. The City has one internal service fund. It is used to account for the gasoline and repair of city vehicles.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City's programs.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Highlights**

Fund balances of governmental funds increased \$1,279,830 or 25 percent. The fund most affected by the increase in cash and cash equivalents is the Street Construction Fund. Fund reserves are being built for future Wall Street and W. Main Street projects

The City's general receipts are primarily property and income taxes. These receipts represent respectively 3.5 percent and 53 percent of the total cash received for governmental activities during the year. The Water Fund net position decreased \$21,985 and the Sewer Fund net position increased \$272,601.

**The Government as a Whole**

Table 1 provides a summary of the City's net position for 2012 compared to 2011 on a cash basis:

**Table 1  
Net Position**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total 2012</b>	<b>Total 2011</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>		
<b>Assets:</b>						
Equity in Pooled Cash & Cash Equivalents	\$6,303,162	\$5,015,341	\$2,080,560	\$1,817,848	\$8,383,722	\$6,833,189
Cash & Cash Equivalents with Fiscal Agents	9,327	17,318		12,096	9,327	29,414
<b>Total Assets</b>	<b>6,312,489</b>	<b>5,032,659</b>	<b>2,080,560</b>	<b>1,829,944</b>	<b>8,393,049</b>	<b>6,862,603</b>
<b>Net Position:</b>						
<b>Restricted for:</b>						
Capital Projects	4,036,234	2,857,930			4,036,234	2,857,930
Debt Service	18,094	17,905			18,094	17,905
Other Purposes	1,255,987	800,408			1,255,987	800,408
Unrestricted(Deficit)	1,002,174	1,356,416	2,080,560	1,829,944	3,082,734	3,186,360
<b>Total Net Position</b>	<b>\$6,312,489</b>	<b>\$5,032,659</b>	<b>\$2,080,560</b>	<b>\$1,829,944</b>	<b>\$8,393,049</b>	<b>\$6,862,603</b>

The net assets of governmental activities increased \$1,279,830 or 25 percent during 2012. The primary reason contributing to the increase in balance was the buildup in Street Construction reserves for future Wall Street and West Main Street projects.

Table 2 reflects the changes in net position.

**Table 2  
Changes in Net Position**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Business Type Activities</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Receipts</b>				
<b>Program Receipts:</b>				
Charges for Services and Sales	\$ 814,100	\$ 689,594	\$4,347,197	\$4,156,717
Operating Grants and Contributions	849,026	1,005,842	90,460	65,764
Capital Grants and Contributions	1,738,465	387,412		89,400
<b>Total Program Receipts</b>	<b>3,401,591</b>	<b>2,082,848</b>	<b>4,437,657</b>	<b>4,311,881</b>

(Continued)

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Position  
(Continued)**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>	<b>Business Type Activities 2012</b>	<b>Business Type Activities 2011</b>
<b>Receipts:</b>				
<b>General Receipts:</b>				
Property and Other Local Taxes	392,800	409,127		
Income Tax	6,082,799	5,778,805		
Other Local Taxes	109,803	116,157		
Grants and Entitlements not Restricted to Specific Programs	498,799	645,933		
Franchise Fees	109,964	100,352		
Interest	56,412	71,511		
Refund of Prior Year Expenditures	404,989			
Miscellaneous	323,716	229,323		
Total General Receipts	<u>7,979,282</u>	<u>7,351,208</u>		
Total Receipts	11,380,873	9,434,056	4,437,657	4,311,881
<b>Disbursements:</b>				
General Government	1,426,816	1,284,473		
Security of Persons and Property	4,414,008	4,268,208		
Public Health Services	136,200	136,200		
Leisure Time Activities	243,683	211,538		
Community Environment	527,149	803,833		
Transportation	1,545,643	1,417,320		
Capital Outlay	1,859,380	567,583		
Principal Retirement		15,000		
Interest and Fiscal Charges		1,064		
Water/Sewer			4,135,205	4,173,308
Total Disbursements	<u>10,152,879</u>	<u>8,705,219</u>	<u>4,135,205</u>	<u>4,173,308</u>
Excess(deficiency) Before Transfers	1,227,994	728,837	302,452	138,573
Transfers	51,836	204,712	(51,836)	(204,712)
Increase (Decrease) in Net Position	<u>1,279,830</u>	<u>933,549</u>	<u>250,616</u>	<u>(66,139)</u>
Nets Position, Beginning of Year	5,032,659	4,099,110	1,829,944	1,896,083
Net Position, End of Year	<u>\$6,312,489</u>	<u>\$5,032,659</u>	<u>\$2,080,560</u>	<u>\$1,829,944</u>

Program receipts for governmental activities represent 30 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges for emergency medical services.

General receipts represent 70 percent the City's total receipts, and of this amount, 83 percent are local taxes. State and federal grants and entitlements make up the balance of the City's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the City and the support services provided for the other government activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the City to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 15 percent and 43 percent, respectively, of all governmental disbursements. General Government also represents a significant cost at 13 percent of total receipts. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service.

This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost Of Services 2011</b>	<b>Net Cost of Services 2011</b>
General Government	\$ 1,426,816	\$ 899,530	\$1,284,473	\$ 820,543
Security of Persons and Property	4,414,008	4,092,175	4,268,208	3,932,338
Public Health Services	136,200	136,200	136,200	136,200
Leisure Time Activities	243,683	188,782	211,538	205,507
Community Environment	527,149	271,896	803,833	417,370
Transportation	1,545,643	1,041,790	1,417,320	914,178
Capital Outlay	1,859,380	120,915	567,583	180,171
Principal Retirement			15,000	15,000
Interest and Fiscal Charges			1,064	1,064
<b>Total Expenses</b>	<b>\$10,152,879</b>	<b>\$6,751,288</b>	<b>\$8,705,219</b>	<b>\$6,622,371</b>

The dependence upon property and income tax receipts is apparent as over 66 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The water operation of the City is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the City has begun discussing the need for major repairs and how these will be funded. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**The Government's Funds**

The City's major governmental funds are General, Street Construction, Police and Fire, and Job Ready Site.

Total governmental funds had receipts of \$12,015,171 and disbursements of \$10,735,341. The fund balance of the General Fund decreased \$354,242. This decrease was due to the \$500,000 advance to the Job Ready Site Fund for seed money.

The fund balance of the Street Construction Fund increased \$1,046,926 and the fund balance of the Police and Fire Capital Fund increased \$38,899.

**Business-Type Activities Financial Analysis**

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Water enterprise fund experienced a decrease and the Sewer enterprise Fund experienced an increase in assets for 2012.

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012, actual receipts were slightly above original budgeted receipts. Income Tax Revenues and Real Estate Revenues remained flat.

Final disbursements including transfers and advances were budgeted at \$6,254,755 while actual disbursements plus transfers and advances were \$5,695,751.

**Debt Administration**

At December 31, 2012 the City's outstanding debt included for improvements to buildings and structures, \$4,469,347 in Ohio Water Development Authority Loans for wastewater infrastructure and improvements and \$692,327 in Ohio Public Works bonds for wastewater improvements. For further information regarding the City's debt, refer to Note 13 to the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. Mandatory filing for city income taxes became effective January 1, 2006. A significant impact on local tax revenues is anticipated. The Finance Committee has adopted a Long Term Strategic Plan which will limit increases in expenditures and make provisions for future capital improvements.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Martha W. Balyeat, City Auditor, City of Van Wert, 515 E Main Street, Van Wert, Ohio.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2012**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Woodland Union Cemetery</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$6,303,162	\$2,080,560	\$ 8,383,722	\$429,054
Cash and Cash Equivalents with Fiscal Agent	9,327		9,327	
Total Assets	<u>6,312,489</u>	<u>2,080,560</u>	<u>8,393,049</u>	<u>429,054</u>
<b>Net Position:</b>				
<b>Restricted for:</b>				
Capital Projects	4,036,234		4,036,234	
Debt Service	18,094		18,094	
Other Purposes	1,255,987		1,255,987	299,677
Unrestricted (Deficit)	<u>1,002,174</u>	<u>2,080,560</u>	<u>3,082,734</u>	<u>129,377</u>
Total Net Position	<u>\$6,312,489</u>	<u>\$2,080,560</u>	<u>\$ 8,393,049</u>	<u>\$429,054</u>

*See accompanying notes to basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Program Cash Receipts</b>			
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
<b>Current:</b>				
Security of Persons and Property	\$174,052			
Police	2,159,098	\$33,359	\$55,782	
Fire	1,736,716	222,868	9,824	
Other	344,142			
Public Health	136,200			
Leisure Time Activities	243,683	53,371	1,530	
Community Environment	527,149	800	254,453	
Transportation	1,545,643	7,904	495,949	
General Government	1,426,816	495,798	31,488	
Capital Outlay	1,859,380			\$1,738,465
<b>Total Governmental Activities</b>	<b>10,152,879</b>	<b>814,100</b>	<b>849,026</b>	<b>1,738,465</b>
<b>Business-Type Activities:</b>				
Water	1,798,734	1,714,709	80,043	
Sewer	2,336,471	2,632,488	10,417	
<b>Total Business-Type Activities</b>	<b>4,135,205</b>	<b>4,347,197</b>	<b>90,460</b>	
<b>Component Unit:</b>				
Woodland Union Cemetery	148,119	124,035	10,957	
<b>Total</b>	<b>\$14,436,203</b>	<b>\$5,285,332</b>	<b>\$950,443</b>	<b>\$1,738,465</b>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes  
Police Pension  
Fire Pension  
Cemetery

**Income Taxes Levied for:**

General Purposes  
Police and Fire  
Transportation  
Other Local Taxes - Hotel Motel  
Grants and Entitlements not Restricted to Specific Programs  
Franchise Fees  
Interest  
Refund of Prior Year Expenditures  
Miscellaneous  
Transfers

Total General Receipts and Transfers

Change in Net Position

Net Position (Deficit) at Beginning of Year

Net Position (Deficit) at End of Year

See accompanying notes to basic financial statements.



<b>Net (Disbursement) Receipt and Change in Net Position</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Woodland Union Cemetery</b>
(\$174,052)		(\$174,052)	
(2,069,957)		(2,069,957)	
(1,504,024)		(1,504,024)	
(344,142)		(344,142)	
(136,200)		(136,200)	
(188,782)		(188,782)	
(271,896)		(271,896)	
(1,041,790)		(1,041,790)	
(899,530)		(899,530)	
(120,915)		(120,915)	
<u>(6,751,288)</u>		<u>(6,751,288)</u>	
	(\$3,982)	(3,982)	
	306,434	306,434	
	<u>302,452</u>	<u>302,452</u>	
			(\$13,127)
<u>(6,751,288)</u>	<u>302,452</u>	<u>(6,448,836)</u>	<u>(13,127)</u>
312,360		312,360	
40,220		40,220	
40,220		40,220	
			27,175
3,587,511		3,587,511	
762,449		762,449	
1,732,839		1,732,839	
109,803		109,803	
498,799		498,799	
109,964		109,964	
56,412		56,412	983
404,989		404,989	
323,716		323,716	8,248
51,836	(51,836)		
<u>8,031,118</u>	<u>(51,836)</u>	<u>7,979,282</u>	<u>36,406</u>
<u>1,279,830</u>	<u>250,616</u>	<u>1,530,446</u>	<u>23,279</u>
<u>5,032,659</u>	<u>1,829,944</u>	<u>6,862,603</u>	<u>405,775</u>
<u>\$6,312,489</u>	<u>\$2,080,560</u>	<u>\$8,393,049</u>	<u>\$429,054</u>

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	Governmental Funds					Total Governmental Funds
	General	Street Construction	Police & Fire	Job Ready Site	Other Governmental	
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,002,174	\$2,899,835	\$1,026,306	\$353,449	\$1,021,398	\$6,303,162
Cash and Cash Equivalents with Fiscal Agent					9,327	9,327
<b>Total Assets</b>	<u>1,002,174</u>	<u>2,899,835</u>	<u>1,026,306</u>	<u>353,449</u>	<u>1,030,725</u>	<u>6,312,489</u>
<b>Fund Balances:</b>						
Non-spendable Fund Balance	5,891					5,891
Restricted Fund Balance		2,899,835	1,026,306	353,449	881,200	5,160,790
Committed Fund Balance					149,525	149,525
Assigned Fund Balance	26,243					26,243
Unassigned Fund Balance	970,040					970,040
<b>Total Fund Balances (Deficit)</b>	<u>\$1,002,174</u>	<u>\$2,899,835</u>	<u>\$1,026,306</u>	<u>\$353,449</u>	<u>\$1,030,725</u>	<u>\$6,312,489</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF VAN WERT  
VAN WERT COUNTY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Funds					Total Governmental Funds	Component Unit
	General	Street Construction	Police & Fire	Job Ready Site	Other Governmental		Woodland Union Cemetery
<b>Revenues:</b>							
Property Taxes	\$312,360				\$80,440	\$392,800	\$26,795
Municipal Income Taxes	3,587,511	\$1,732,839	\$253,045		509,404	6,082,799	
Permissive Motor Vehicle License Taxes					25,697	25,697	
Other Local Taxes	39,021				70,782	109,803	
Special Assessments					189	189	380
Charges for Services	320,173				16,118	336,291	77,555
Sale of Lots							46,480
Fees, Licenses, and Permits	411,751				2,597	414,348	
Fines and Forfeitures					160,495	160,495	
Intergovernmental	462,407			\$939,912	1,613,915	3,016,234	10,957
Interest	54,757				1,655	56,412	983
Gifts and Donations	1,730				8,041	9,771	7,968
Other	104,566	12,403			254,076	371,045	280
<b>Total Revenues</b>	<b>5,294,276</b>	<b>1,745,242</b>	<b>253,045</b>	<b>939,912</b>	<b>2,743,409</b>	<b>10,975,884</b>	<b>171,398</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Security of Persons and Property	173,327				725	174,052	
Police	1,794,312				364,786	2,159,098	
Fire	1,416,911				319,805	1,736,716	
Other	344,142					344,142	
Public Health	136,200					136,200	148,119
Leisure Time Activities	234,678				9,005	243,683	
Community Environment	6,550				520,599	527,149	
Transportation		1,101,381			444,262	1,545,643	
General Government	933,725				493,510	1,427,235	
Capital Outlay	58,907		214,146	1,086,463	499,864	1,859,380	
<b>Total Expenditures</b>	<b>5,098,752</b>	<b>1,101,381</b>	<b>214,146</b>	<b>1,086,463</b>	<b>2,652,556</b>	<b>10,153,298</b>	<b>148,119</b>
Excess of Revenues Over (Under) Expenditures	195,524	643,861	38,899	(146,551)	90,853	822,586	23,279
<b>Other Financing Sources (Uses):</b>							
Refund of Prior Year Expenditures		404,989				404,989	
Advances In	5,326			500,000		505,326	
Transfers In	9,073				119,899	128,972	
Advances Out	(500,000)				(5,326)	(505,326)	
Transfers Out	(64,165)	(1,924)			(10,628)	(76,717)	
<b>Total Other Financing Sources (Uses)</b>	<b>(549,766)</b>	<b>403,065</b>		<b>500,000</b>	<b>103,945</b>	<b>457,244</b>	
Change in Fund Balance	(354,242)	1,046,926	38,899	353,449	194,798	1,279,830	23,279
Fund Balance Beginning of Year	1,356,416	1,852,909	987,407		835,927	5,032,659	405,775
Fund Balance (Deficit) End of Year	<u>\$1,002,174</u>	<u>\$2,899,835</u>	<u>\$1,026,306</u>	<u>\$353,449</u>	<u>\$1,030,725</u>	<u>\$6,312,489</u>	<u>\$429,054</u>

See accompanying notes to the basic financial statements.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property Taxes	\$311,620	\$311,620	\$312,360	\$740
Municipal Income Taxes	3,398,783	3,398,783	3,587,511	188,728
Other Local Taxes	39,000	39,000	39,021	21
Charges for Services	327,110	327,110	320,173	(6,937)
Fees, Licenses, and Permits	356,868	356,868	411,751	54,883
Intergovernmental	474,548	474,548	462,407	(12,141)
Interest	70,630	70,630	54,757	(15,873)
Gifts and Donations	6,000	6,000	1,730	(4,270)
Other	24,500	24,500	104,566	80,066
Total Revenues	<u>5,009,059</u>	<u>5,009,059</u>	<u>5,294,276</u>	<u>285,217</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	182,060	182,060	173,327	8,733
Police	1,995,021	1,996,807	1,800,089	196,718
Fire	1,655,032	1,655,032	1,421,320	233,712
Other	344,795	344,795	344,142	653
Public Health	136,200	136,200	136,200	
Leisure Time Activities	265,591	265,591	237,192	28,399
Community Environment	2,500	8,425	8,425	
General Government	1,012,562	1,023,314	945,393	77,921
Capital Outlay	60,000	60,000	58,907	1,093
Total Expenditures	<u>5,653,761</u>	<u>5,672,224</u>	<u>5,124,995</u>	<u>547,229</u>
Excess of Revenues Under Expenditures	<u>(644,702)</u>	<u>(663,165)</u>	<u>169,281</u>	<u>832,446</u>
<b>Other Financing Sources (Uses):</b>				
Advance In	5,356	5,326	5,326	
Advances Out		(500,000)	(500,000)	
Transfers In	12,000	12,000	33,536	21,536
Transfers Out	(56,837)	(82,531)	(70,756)	(11,775)
Total Other Financing Sources (Uses)	<u>(39,481)</u>	<u>(565,205)</u>	<u>(531,894)</u>	<u>33,311</u>
Change in Fund Balance	(684,183)	(1,228,370)	(362,613)	865,757
Fund Balance (Deficit) at Beginning of Year	1,249,270	1,249,270	1,249,270	
Prior Year Encumbrances Appropriated	46,710	46,710	46,710	
Fund Balance (Deficit) at End of Year	<u>\$611,797</u>	<u>\$67,610</u>	<u>\$933,367</u>	<u>\$865,757</u>

See Accompanying Notes to Basic Financial Statements.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
JOB READY SITE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$5,000,000	\$5,000,000	\$939,912	(\$4,060,088)
Total Revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>939,912</u>	<u>(4,060,088)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Capital Outlay	5,000,000	3,676,604	1,323,396	2,353,208
Total Expenditures	<u>5,000,000</u>	<u>3,676,604</u>	<u>1,323,396</u>	<u>2,353,208</u>
Excess of Revenues Under Expenditures		<u>1,323,396</u>	<u>(383,484)</u>	<u>(1,706,880)</u>
<b>Other Financing Sources:</b>				
Advances In			500,000	500,000
Total Other Financing Sources			<u>500,000</u>	<u>500,000</u>
Change in Fund Balance		1,323,396	116,516	(1,206,880)
Fund Balance (Deficit) at Beginning of Year				
Prior Year Encumbrances Appropriated				
Fund Balance (Deficit) at End of Year	<u>\$0</u>	<u>\$1,323,396</u>	<u>\$116,516</u>	<u>(\$1,206,880)</u>

*See Accompanying Notes to Basic Financial Statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Activities</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$767,458	\$1,313,102	\$2,080,560
Total Assets	767,458	1,313,102	2,080,560
<b>Net Position:</b>			
Unrestricted (Deficit)	767,458	1,313,102	2,080,560
Total Net Position	\$767,458	\$1,313,102	\$2,080,560

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>	<u>Governmental Activity Internal Service</u>
<b>Operating Revenues:</b>				
Charges for Services	\$1,714,709	\$2,596,856	\$4,311,565	\$299,052
Other	80,043	46,049	126,092	
Total Operating Revenues	<u>1,794,752</u>	<u>2,642,905</u>	<u>4,437,657</u>	<u>299,052</u>
<b>Operating Expenses:</b>				
Personal Services	867,446	798,021	1,665,467	99,238
Contractual Services	3,339	3,338	6,677	
Materials and Supplies	500,209	611,728	1,111,937	199,395
Capital Outlay	73,074	276,468	349,542	
Utility Deposits Refunded		29,145	29,145	
<b>Debt Service:</b>				
Principal Retirement	323,232	448,289	771,521	
Total Operating Expenses	<u>1,767,300</u>	<u>2,166,989</u>	<u>3,934,289</u>	<u>298,633</u>
Operating Income (Loss)	27,452	475,916	503,368	419
<b>Non-Operating Revenues (Expenses):</b>				
Interest Expense	(31,434)	(169,482)	(200,916)	
Total Non-Operating Revenues (Expenses)	<u>(31,434)</u>	<u>(169,482)</u>	<u>(200,916)</u>	
Income (Loss) before Transfers	(3,982)	306,434	302,452	419
Transfers In	4,597	6,649	11,246	
Transfers Out	<u>(22,600)</u>	<u>(40,482)</u>	<u>(63,082)</u>	<u>(419)</u>
Change in Net Position	(21,985)	272,601	250,616	
Net Position Beginning of Year	<u>789,443</u>	<u>1,040,501</u>	<u>1,829,944</u>	
Net Position End of Year	<u><u>\$767,458</u></u>	<u><u>\$1,313,102</u></u>	<u><u>\$2,080,560</u></u>	<u><u>\$0</u></u>

*See accompanying notes to the basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2012**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$36,179	
Cash and Cash Equivalents in Segregated Account		\$107,743
Total Assets	36,179	107,743
<b>Liabilities:</b>		
Deposits Held and Due to Others		107,743
Total Liabilities		\$107,743
<b>Net Position:</b>		
Endowment	36,179	
Total Net Position	\$36,179	

*See accompanying notes to the basic financial statements.*



CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$26
Total Additions	<u>26</u>
<b>Deductions:</b>	
Other	<u>          </u>
Total Deductions	<u>          </u>
Change in Net Position	26
Net Position - Beginning of Year	<u>36,153</u>
Net Position - End of Year	<u><u>\$36,179</u></u>

*See accompanying notes to the basic financial statements.*

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**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. REPORTING ENTITY**

The City of Van Wert is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under the Mayor/Council form of government. Four council members are elected from wards for two year terms. The President of Council and three council members are elected by separate ballot from the municipality at large for two year terms. The Mayor is elected for a four year term. The Mayor may veto any legislation passed by Council. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various City departments.

The reporting entity is composed of the primary government, component unit, and other organizations that are included to ensure the financial statements of the City are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City of Van Wert provides the following services to its citizens: police and fire protection, emergency medical transportation, parks and recreation, building inspection, street maintenance and repairs, water, sewer services as well as a staff to provide support ( i.e., payroll processing, accounts payable, and revenue collection) to the service providers. Council has direct responsibility for these services.

**B. Component Units**

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

Woodland Union Cemetery is a component unit of the City of Van Wert as two of the three Trustees are appointed by the City (Note 19). Separately-audited statements for Woodland Union Cemetery are available from the Woodland Cemetery Clerk, 10968 Woodland Avenue, Van Wert, Ohio 45891.

**C. Joint Ventures/Jointly Governed Organizations**

A joint venture is a legal entity or other organization that results from a contractual arrangement 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. Under the cash basis of accounting, the City does not report assets for equity interests in joint ventures. The City also participates in two jointly governed organizations, and two public entity risk pools. These organizations are described in Notes 17 and 18.

The City's management believes these financial statements present all activities for which the City is financially accountable.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the City's accounting policies.

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities as of the City at year end. The statement of activities compares disbursements and program receipts for each program or function of the City's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible.

Program receipts 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 receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the City.

**2. Fund Financial Statements**

During the year, the City segregates transactions related to certain City 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 City 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. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

The City 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. The funds of the City are presented in three categories: governmental, proprietary, and fiduciary.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

**General** - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Street Construction Fund** - The Street Construction Fund accounts for all financial resources resulting from .50 percent income tax. The Street Construction Fund is for the following purpose: to design, build, maintain and inspect City streets for any related equipment, labor, materials and supplies.

**Police and Fire Fund** - The Police and Fire Fund accounts for all financial resources resulting from the .22 percent income tax. The Police and Fire Fund is for the capital purchases for the City safety departments (police and fire departments). The purpose of this fund was amended in 2009 by ballot. Starting in 2010 based on the prior year tax budget, up to 2/3 of the current year tax revenues can be used for personal and fringe benefit expense for police and fire personnel.

**Job Ready Site** - The Job Ready Site Fund accounts for all financial resources resulting from the State of Ohio, Department of Development Van Wert Mega-Site Project. The grant funds shall be used for the sole purpose of undertaking and completing the project.

The other governmental funds of the City account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

**2. Proprietary Funds**

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

**Enterprise Funds** - 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 are the City's major enterprise funds:

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**Water Fund** - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the City.

**Internal Service Fund** - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund accounts for monies received for the activities of the garage fund.

**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 to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's trust fund accounts for an endowment in which only the income is to be used to remove dead or dangerous trees from the City property between the sidewalk and the streets. Agency funds are purely custodial in nature and are used to account for assets held by the City for individuals, other governments, or other organizations. The City's agency fund accounts for the activity of the municipal court.

**C. Basis of Accounting**

The City's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. 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 City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director. 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 amended certificated of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance 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 ordinance 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 City Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within the Municipal Court of the City (Agency Fund) are recorded as "Cash and Cash Equivalents in Segregated Accounts". Cash and Cash Equivalents with Fiscal Agent represent amounts in escrow for construction projects.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2012, the City invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The City's money market fund investment is recorded at the amount reported by First Bank of Berne on December 31, 2012. 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, 2012.

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 was \$54,757 which includes \$44,704 assigned from other City funds.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as non-spendable.

**G. Inventory and Prepaid Items**

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The City's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:



**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**Non-spendable** - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**N. Interfund Transactions**

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**3. ACCOUNTABILITY AND COMPLIANCE**

**Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$26,243 for the general fund and \$236,933 for job ready site fund.

**5. DEPOSITS AND INVESTMENTS**

Monies held by the City are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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 City, and must be purchased with the expectation that it will be held to maturity.

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

At year end, the City had \$1,027 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,162,759 of the City's bank balance of \$2,462,106 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

As of December 31, 2012, the City had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less than 1</b>	<b>1-2</b>	<b>3-5</b>	<b>More than 5</b>
Federal Farm Credit Banks	\$2,000,000		\$750,000	\$1,250,000	
Fannie Mae	250,000			250,000	
Federal Home Loan Mortgage Notes	500,000			500,000	
Federal National Mortgage Association Notes	1,000,000	\$ 250,000		750,000	
Repurchase Agreements	2,212,839	2,212,839			
STAR Ohio	332,253	332,253			
<b>Total Investments</b>	<b>\$6,295,092</b>	<b>\$2,795,092</b>	<b>\$750,000</b>	<b>\$2,750,000</b>	<b>\$0</b>

**Interest Rate Risk** - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk** - The security underlying the repurchase agreement, the federal national mortgage association notes, and federal home loan mortgage notes carry a rating of Aaa by Moody's and AAA by Standard and Poors. STAR Ohio carries a rating of AAAM by Standard and Poor's. The City has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name.

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

The City has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Concentration of Credit Risk** The City places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2012:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Farm Credit Banks	32%
Fannie Mae	4%
Repurchase Agreements	35%
Federal National Mortgage Association Notes	16%
Federal Home Loan Mortgage Notes	8%
STAR Ohio	5%
Total	<u>100%</u>

**6. INCOME TAX**

The City levies a 1.72 percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1.72 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City's income tax ordinance requires that .72 percent of the income tax levied is to be used to finance capital improvements. As a result, .50 percent of receipts are allocated to the street construction fund and .22 percent of receipts are allocated to the police and fire safety fund each year. Starting in 2010, based on the prior year tax budget, up to 2/3 of the .22 percent of receipts allocated to the police and fire safety fund can be used for personal and fringe benefit expense for police and fire personnel. An amended police and fire fund was established for this activity.

The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2012, the taxes were allocated to the general fund, street construction fund and police and fire safety fund.

**7. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**7. PROPERTY TAXES (Continued)**

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, 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.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2012, was \$3.2 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$148,782,690
Public Utility Personal Property	<u>6,398,510</u>
Total	<u><u>\$155,181,200</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected.

**8. INTERFUND RECEIVABLE/PAYABLE**

Interfund balances at December 31, 2012, consisted of the following individual fund receivables and payables:

	<u>Advance Out</u>	<u>Advance In</u>
<b>Major Funds:</b>		
General Fund	\$500,000	
Job Ready Site		<u>\$500,000</u>
Total Governmental Activities	<u>\$500,000</u>	<u>\$500,000</u>

Interfund balances at December 31, 2012, consisted of \$500,000 advanced to Job Ready Site Fund to provide working capital for project. The interfund receivables/payables are expected to be repaid within one year.

**9. RISK MANAGEMENT**

**A. Property and Liability**

The City 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 2012, the City contracted through Purmort Brothers Insurance Agency with Central Mutual Insurance for buildings and contents coverage. The City also contracted through Purmort Brothers Insurance Agency with the Public Entities Pool of Ohio for the remaining coverage.

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
<b>Central Mutual Insurance:</b>		
Blanket Property and Contents, Replacement	\$36,578,000	\$2,500
Inland Marine	940,570	2,500
General Liability	4,000,000	
Automobile Liability	4,000,000	
Public Officials Liability	4,000,000	5,000
Police Professional Liability	4,000,000	3,000
Employment Practice Liability	4,000,000	5,000
Computer - Hardware	70,348	500
Computer - Software	25,323	500
Public Employee Dishonesty	100,000	500
Money and Securities	20,000	500

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**1. Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**2. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>

The Casualty Coverage assets and retained earnings above include approximately \$12.6 million of unpaid claims to be billed to approximately 466 member governments in the future, as of December 31, 2012. PEP will collect these amounts in future annual premium billings when PEP'S related liabilities are due for payment. The City's share of these unpaid claims is approximately \$149,540.

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**B. Workers' Compensation**

The City participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. CompManagement provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

On June 1, 2010 the City contracted with Medical Mutual as the Health Care Provider for the City's health insurance for medical and prescription drug coverage and with Guardian Life Insurance as the Health Care Provider for the City's health insurance for vision, term life insurance, and accidental death and dismemberment. Premiums for family, employee and children, employee and spouse and single were \$1,407.78, \$777.23, \$1,421.05 and \$496.70 for medical. In 2012 the City added a High Deductible Plan with Health Savings Account for health insurance. Premium for family, employee and children, employee and spouse, single were \$1278.80, \$708.42, \$1291.93, and \$454.47 for medical.

**10. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.



**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 for 2012. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 was \$228,156, \$229,774, and \$165,411, respectively. For 2012, 94 percent has been contributed. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$10,430 made by the City and \$7,450 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial that includes financial information and required supplementary information for the plan. The report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

**Funding Policy** - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2012, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$136,178 and \$177,800 for the year ended December 31, 2012, \$125,590 and \$181,760 for the year ended December 31, 2011, and \$127,818 and \$186,676 for the year ended December 31, 2010. For 2012, 78 percent has been contributed for police and 77 percent has been contributed for firefighters. The full amount has been contributed for 2011 and 2010.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Funding Policy** - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 for 2012. Effective January 1, 2013, the portion of the employer contribution allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2012, 2011, and 2010 was \$122,470, \$110,070, and \$173,443, respectively. For 2012, 94 percent has been contributed. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

**B. Police and Fire Pension Fund**

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined postemployment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at [www.op-f.org](http://www.op-f.org).

**Funding Policy** - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$72,094 and \$69,574 for the year ended December 31, 2012, \$66,489 and \$71,123 for the year ended December 31, 2011, and \$67,668 and \$73,047 for the year ended December 31, 2010. For 2012, 78 percent has been contributed for police and 77 percent has been contributed for firefighters. The full amount has been contributed for 2011 and 2010.

**12. NOTES PAYABLE**

The changes in the City's notes payable during 2012 were as follows:

	<b>Outstanding 12/31/11</b>	<b>Issued</b>	<b>Retired</b>	<b>Outstanding 12/31/12</b>
<b>Business Type Activities:</b>				
0.00% OPWC Allingham/Bonnewitz Pump Station	\$ 735,598		\$ 43,271	\$ 692,327
3.91% OWDA Loan #2549	35,954		4,559	31,395
4.12% OWDA Loan #2548	454,073		57,211	396,862
3.81% OWDA Loan #2550	3,187,472		284,290	2,903,182
4.65% OWDA Loa #3576	686,303		58,958	627,345
4.17% OWDA Loan #4733	833,795		323,232	510,563
<b>Total Business Type Activities</b>	<b>\$5,933,195</b>	<b>\$0</b>	<b>\$771,521</b>	<b>\$5,161,674</b>

All general obligation bonds are supported by the full faith and credit of the City and are payable from un-voted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The City issued general obligation bonds to provide funds for street improvement and equipment for the wastewater system improvements and for additional improvements to the treatment facilities.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The General Obligation bonds relate to the following two issues:

**Ohio Water Development Authority (OWDA)** loans relate to the four outstanding loans as follows:

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**12. NOTES PAYABLE (Continued)**

OWDA Loans number 2548 and 2549 relate to a Wastewater Sludge Processing project. The OWDA has approved up to \$1,137,460 in loans to the City for this project. The OWDA loan 2548 will be repaid in semiannual installments of \$37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 2548 includes capitalized interest of \$25,486. The OWDA loan 2549 is being repaid in semiannual installments of \$2,961 including interest, over 20 years which is based upon an amortization schedule developed for a \$81,629 loan.

Ohio Water Development Authority (OWDA) loan number 2550 relates to Wastewater Treatment Plant Improvements project and includes capitalized interest of \$334,067. The City does not receive all of the funds for this project due to OWDA paying the contractors directly. Semiannual payments are set at \$201,526.

Ohio Water Development Authority (OWDA) loan number 3576 was a loan that was drawn during 2001 to be used as a payment against OWDA loan number 2550 during 2002.

Ohio Water Development Authority (OWDA) loan 4733 is for the construction of a third reservoir, in the amount of \$1,585,850, which includes capitalized interest of \$104,150. Revenue of the utility facilities has been pledged to repay these costs. The City has agreed to set utility rates sufficient to cover OWDA debt service requirements. Semiannual payments are set at \$177,333.

**Ohio Public Works Commission (OPWC) Loan:**

The OPWC loan consists of \$865,410 owed to the Ohio Public Works Commission for the Allingham / Bonnewitz Pump Station. The OPWC loan is payable over a term of 20 years at an interest rate of 0%. The City began making semi-annual principal payments of \$21,635 on July 1, 2009.

Amortization of the above bond (long term) debt, including interest, is scheduled as follows:

<b>Business Type Activities</b>				
<b>Year</b>	<b>OWDA Loans</b>		<b>OPWC Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 758,140	\$171,028	\$ 43,270	
2014	611,926	139,908	43,270	
2015	455,826	118,675	43,271	
2016	474,149	100,353	43,270	
2017	493,212	81,289	43,271	
2018-2022	1,676,094	131,520	216,352	
2023-2027			216,353	
2028-2028			43,270	
	<b>\$4,469,347</b>	<b>\$742,773</b>	<b>\$692,327</b>	

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and un-voted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012 were an overall debt margin of \$16,294,026 and an un-voted debt margin of \$8,534,966.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**13. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below

<b>Fund Balances</b>	<b>General Fund</b>	<b>Street Construction</b>	<b>Job Ready Site</b>	<b>Police &amp; Fire</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Non-spendable:</b>						
Unclaimed Monies	\$ 5,891					\$ 5,891
Total Non-spendable	5,891					5,891
<b>Restricted for:</b>						
Street Construction		\$2,899,835				2,899,835
Police & Fire Capital				\$1,026,306	\$881,200	1,907,506
Other Purposes			\$353,449			353,449
Total Restricted		2,899,835	353,449	1,026,306	881,200	5,160,790
<b>Committed to:</b>						
Other Purposes					149,525	149,525
Total Committed					149,525	149,525
<b>Assigned to:</b>						
Other Purposes	26,243					26,243
Total Assigned	26,243					26,243
Unassigned (deficits)	970,040					970,040
Total Fund Balances	<u>\$1,002,174</u>	<u>\$2,899,835</u>	<u>\$353,449</u>	<u>\$1,026,306</u>	<u>\$1,030,725</u>	<u>\$6,312,489</u>

**14. INTERFUND TRANSFERS**

During 2012 the following transfers were made:

<b>Transfers To</b>	<b>Transfers From</b>						<b>Total</b>
	<b>General</b>	<b>Street Construction</b>	<b>Other Governmental Funds</b>	<b>Water</b>	<b>Sewer</b>	<b>Garage</b>	
General Fund		\$1,924	\$ 628	\$ 2,710	\$ 3,392	\$419	\$ 9,073
<b>Other Governmental Funds:</b>							
Issue II				19,890	37,090		56,980
COPS	\$ 5,723						5,723
CDBG			10,000				10,000
Economic Development	47,196						47,196
<b>Proprietary Funds:</b>							
Water	4,597						4,597
Sewer	6,649						6,649
Total	<u>\$64,165</u>	<u>\$1,924</u>	<u>\$10,628</u>	<u>\$22,600</u>	<u>\$40,482</u>	<u>\$419</u>	<u>\$140,218</u>

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**14. INTERFUND TRANSFERS (Continued)**

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between the Water and Sewer and Issue II fund for capital improvements.

**15. CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

AVTEC Inc.	\$273,000
VTF Excavation	363,559
Poggemeyer	151,236

**16. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**17. JOINTLY GOVERNED ORGANIZATIONS**

**Van Wert County Regional Planning Commission** - (the Commission) is a jointly governed organization among the County, City of Van Wert, and Cities and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of thirty members of which two-thirds are elected officials. The County must be represented by the three County Commissioners, a County Health Official, the County Engineer, the County Recorder, the County Auditor, the Sheriff and the County Extension Agent. Other members include: a representative from all participating Boards of Township Trustees: the Mayor or a Council member of each participating incorporated village; two representatives from the City of Van Wert, one being the Mayor or his designee and one being appointed by City Council.

The remaining members of the Commission are representatives from public utility, minority groups, business industry, Ministerial Association, farm organizations, Chamber of Commerce and other representatives as deemed necessary by the Commission.

The Commission makes studies, maps, plan, recommendations and reports, concerning the physical, environmental, social, economic, and governmental characteristic, functions, and services of the County. The City contributed \$3796 in 2012 for operations of the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the City. The City 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 statement can be obtained from the Commission located at 121 East Main, Van Wert, Ohio 45891.

**Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC)** – The CIC 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.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 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.

**18. PUBLIC ENTITY RISK POOL**

**A. Public Entities Pool of Ohio (PEP)**

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. (See Note 9)

**B. Ohio Municipal League Group Rating Plan (GRP)**

The City participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program. (See Note 9)

**19. COMPONENT UNITS**

Woodland Union Cemetery financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a disbursement is made.

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes consist of bequests received by the cemetery.

The Checking account and Certificates of deposit are valued at cost. The Cemetery maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

Demand Deposits	\$266,585
Certificates of Deposit	<u>162,469</u>
Total Deposits	<u>\$429,054</u>



**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**19. COMPONENT UNITS (Continued)**

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) or collateralized by the financial institution's public entity deposit pool.

The Cemetery budgets its General fund annually. Budgetary expenditures (disbursements) may not exceed appropriations at the fund, or function level of control. The Board annually approves appropriation measures and subsequent amendments. Estimated resources include estimates of cash to be received as of January 1.

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the financial statements.

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon retirement. Unpaid sick leave is not reflected as liabilities under the basis of accounting use by the Cemetery.

The Woodland Union Cemetery has obtained commercial insurance for the following risks:

- Comprehensive, property, and general liability
- Inland Marine; and
- Vehicle

The Cemetery also provides health insurance to full time employees through the City of Van Wert's policy.

**20. Change in Accounting Principle**

For 2012, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

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**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED**

**Using this Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the City did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

When evaluating the City's financial condition, you should also consider other non-financial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the City into two types of activities:

**Governmental Activities** – Most of the City's basic services are reported here, including police, fire, emergency medical services, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-type Activities** – The City has two business-type activities, the provision of water and sewer services. Business-type activities are financed by a fee charged to the customers receiving the services.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the City are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** – Most of the City's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

The City's three major governmental funds are the General Fund, the Street Construction Fund, and the Police and Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The City's two major enterprise funds are the Water and Sewer funds. When the services are provided to other departments of the City, the service is reported as an internal service fund. The City has one internal service fund, which is used to account for the gasoline and repair of city vehicles.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City's programs.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Highlights**

Fund balances of governmental funds increased \$933,549 or 23 percent. The fund most affected by the increase in cash and cash equivalents is the Street Construction Fund. Fund reserves are being built for future Wall Street and W. Main Street projects

The City's general receipts are primarily property and income taxes. These receipts represent respectively 4.3 percent and 61 percent of the total cash received for governmental activities during the year. The Water Fund net assets decreased \$260,892 and the Sewer Fund net assets increased \$194,753.

**The Government as a Whole**

Table 1 provides a summary of the City's net assets for 2011 compared to 2010 on a cash basis:

**Table 1  
Net Assets**

<b>Assets</b>	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Equity in Pooled Cash & Cash Equivalents	\$5,015,341	\$4,081,792	\$1,817,848	\$1,893,003	\$6,833,189	\$5,974,795
Cash & Cash Equivalents with Fiscal Agents	17,318	17,318	12,096	3,080	29,414	20,398
<b>Total Assets</b>	<b>5,032,659</b>	<b>4,099,110</b>	<b>1,829,944</b>	<b>1,896,083</b>	<b>6,862,603</b>	<b>5,995,193</b>
<b>Net Assets</b>						
<b>Restricted for:</b>						
Capital Projects	2,857,930	1,971,363			2,857,930	1,971,363
Debt Service	17,905	17,631			17,905	17,631
Other Purposes	800,408	1,038,708			800,408	1,038,708
Unrestricted(Deficit)	1,356,416	1,071,408	1,829,944	1,896,083	3,186,360	2,967,491
<b>Total Net Assets</b>	<b>\$5,032,659</b>	<b>\$4,099,110</b>	<b>\$1,829,944</b>	<b>\$1,896,083</b>	<b>\$6,862,603</b>	<b>\$5,995,193</b>

The net assets of governmental activities increased \$933,549 or 23 percent during 2011. The primary reason contributing to the increase in balance was the buildup in Street Construction reserves for future Wall Street and West Main Street projects.

Table 2 reflects the changes in net assets.

**Table 2  
Changes in Net Assets**

<b>Receipts</b>	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Business Type Activities</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Program Receipts:</b>				
Charges for Services and Sales	\$ 689,594	\$ 887,816	\$4,156,717	\$3,980,867
Operating Grants and Contributions	1,005,842	1,042,500	65,764	167,001
Capital Grants and Contributions	387,412	373,788	89,400	37,700
<b>Total Program Receipts</b>	<b>2,082,848</b>	<b>2,304,104</b>	<b>4,311,881</b>	<b>4,185,568</b>

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Assets  
(Continued)**

	<b>Governmental Activities 2011</b>	<b>Governmental Activities 2010</b>	<b>Business Type Activities 2011</b>	<b>Business Type Activities 2010</b>
<b>Receipts:</b>				
<b>General Receipts:</b>				
Property and Other Local Taxes	409,127	397,764		
Income Tax	5,778,805	5,462,319		
Other Local Taxes	116,157	83,560		
Grants and Entitlements not	645,933	761,527		
<b>Restricted to Specific Programs:</b>				
Franchise Fees	100,352	93,323		
Interest	71,511	74,349		
Miscellaneous	229,323	234,853		
Total General Receipts	<u>7,351,208</u>	<u>7,107,695</u>		
Total Receipts	<u>9,434,056</u>	<u>9,411,799</u>	4,311,881	4,185,568
<b>Disbursements:</b>				
General Government	1,284,473	1,234,751		
Security of Persons and Property	4,268,208	4,258,347		
Public Health Services	136,200	132,120		
Leisure Time Activities	211,538	198,205		
Community Environment	803,833	550,410		
Transportation	1,417,320	3,030,644		
Capital Outlay	567,583	763,655		
Principal Retirement	15,000	15,000		
Interest and Fiscal Charges	1,064	2,130		
Water/Sewer			4,173,308	4,158,795
Total Disbursements	<u>8,705,219</u>	<u>10,185,262</u>	<u>4,173,308</u>	<u>4,158,795</u>
Excess(deficiency) Before Transfers	728,837	(773,463)	138,573	26,773
Transfers	204,712	(9,498)	(204,712)	9,498
Increase (Decrease) in Net Assets	<u>933,549</u>	<u>(782,961)</u>	<u>(66,139)</u>	<u>36,271</u>
Nets Assets, Beginning of Year	<u>4,099,110</u>	<u>4,882,071</u>	<u>1,896,083</u>	<u>1,859,812</u>
Net Assets, End of Year	<u><u>\$5,032,659</u></u>	<u><u>\$4,099,110</u></u>	<u><u>\$1,829,944</u></u>	<u><u>\$1,896,083</u></u>

Program receipts for governmental activities represent 22 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges for emergency medical services.

General receipts represent 78 percent the City's total receipts, and of this amount, 86 percent are local taxes. State and federal grants and entitlements make up the balance of the City's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the City and the support services provided for the other government activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the City to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 16 percent and 49 percent, respectively, of all governmental disbursements. General Government also represents a significant cost at 14 percent of total receipts. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service.

This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2011</b>	<b>Net Cost of Services 2011</b>	<b>Total Cost Of Services 2010</b>	<b>Net Cost of Services 2010</b>
General Government	\$1,284,473	\$ 820,543	\$ 1,234,751	\$ 664,026
Security of Persons and Property	4,268,208	3,932,338	4,258,347	3,951,402
Public Health Services	136,200	136,200	132,120	132,120
Leisure Time Activities	211,538	205,507	198,205	139,663
Community Environment	803,833	417,370	550,410	169,876
Transportation	1,417,320	914,178	3,030,644	2,508,851
Capital Outlay	567,583	180,171	763,655	298,090
Principal Retirement	15,000	15,000	15,000	15,000
Interest and Fiscal Charges	1,064	1,064	2,130	2,130
<b>Total Expenses</b>	<b>\$8,705,219</b>	<b>\$6,622,371</b>	<b>\$10,185,262</b>	<b>\$7,881,158</b>

The dependence upon property and income tax receipts is apparent as over 76 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The water operation of the City is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the City has begun discussing the need for major repairs and how these will be funded. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**The Government's Funds**

The City's major governmental funds are General, Street Construction and Police and Fire.

Total governmental funds had receipts of \$9,690,686 and disbursements of \$8,757,139. The fund balance of the General Fund increased \$285,008.

The fund balance of the Street Construction Fund increased \$719,504 and the fund balance of the Police and Fire Capital Fund decreased \$62,408.

**Business-Type Activities Financial Analysis**

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Water enterprise fund experienced a decrease and the Sewer enterprise Fund experienced an increase in assets for 2011.

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2011, actual receipts were slightly above original budgeted receipts. Income Tax Revenues and Real Estate Revenues remained flat.

Final disbursements including transfers were budgeted at \$5,354,379 while actual disbursements plus transfers were \$5,034,777.

**Debt Administration**

At December 31, 2011 the City's outstanding debt included for improvements to buildings and structures, \$5,197,597 in Ohio Water Development Authority Loans for wastewater infrastructure and improvements and \$735,599 in Ohio Public Works bonds for wastewater improvements. For further information regarding the City's debt, refer to Note 13 to the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. Mandatory filing for city income taxes became effective January 1, 2006. A significant impact on local tax revenues is anticipated. The Finance Committee has adopted a Long Term Strategic Plan which will limit increases in expenditures and make provisions for future capital improvements.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Martha W. Balyeat, City Auditor, City of Van Wert, 515 E Main Street, Van Wert, Ohio.



**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2011**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Woodland Union Cemetery</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$5,015,341	\$1,817,848	\$ 6,833,189	\$405,775
Cash and Cash Equivalents with Fiscal Agents	17,318	12,096	29,414	
Total Assets	<u>5,032,659</u>	<u>1,829,944</u>	<u>6,862,603</u>	<u>405,775</u>
<b>Net Assets:</b>				
<b>Restricted for:</b>				
Capital Projects	2,857,930		2,857,930	
Debt Service	17,905		17,905	
Other Purposes	800,408		800,408	291,646
Unrestricted (Deficit)	<u>1,356,416</u>	<u>1,829,944</u>	<u>3,186,360</u>	<u>114,129</u>
Total Net Assets	<u>\$5,032,659</u>	<u>\$1,829,944</u>	<u>\$ 6,862,603</u>	<u>\$405,775</u>

*See accompanying notes to basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Program Cash Receipts</b>			
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	
<b>Governmental Activities:</b>				
<b>Current:</b>				
Security of Persons and Property	\$173,603			
Police	2,026,193	\$15,134	\$69,074	
Fire	1,775,859	243,272	8,390	
Other	292,553			
Public Health	136,200			
Leisure Time Activities	211,538	650	5,381	
Community Environment	803,833	46,147	340,316	
Transportation	1,417,320	6,964	496,178	
General Government	1,284,473	377,427	86,503	
Capital Outlay	567,583			\$387,412
<b>Debt Service:</b>				
Principal Retirement	15,000			
Interest and Fiscal Charges	1,064			
<b>Total Governmental Activities</b>	<b>8,705,219</b>	<b>689,594</b>	<b>1,005,842</b>	<b>387,412</b>
<b>Business-Type Activities:</b>				
Water	1,875,880	1,678,557	41,813	
Sewer	2,297,428	2,478,160	23,951	89,400
<b>Total Business-Type Activities</b>	<b>4,173,308</b>	<b>4,156,717</b>	<b>65,764</b>	<b>89,400</b>
<b>Component Unit:</b>				
Woodland Union Cemetery	138,494	119,295	11,974	
<b>Total</b>	<b>\$13,017,021</b>	<b>\$4,965,606</b>	<b>\$1,083,580</b>	<b>\$476,812</b>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes  
Police Pension  
Fire Pension  
Cemetery

**Income Taxes Levied for:**

General Purposes  
Police and Fire  
Transportation  
Other Local Taxes - Hotel Motel  
Grants and Entitlements not Restricted to Specific Programs  
Franchise Fees  
Interest  
Miscellaneous  
Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets (Deficit) at Beginning of Year

Net Assets (Deficit) at End of Year

*See accompanying notes to basic financial statements.*

<b>Net (Disbursement) Receipt and Change in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Woodland Union Cemetery</b>
(\$173,603)		(\$173,603)	
(1,941,985)		(1,941,985)	
(1,524,197)		(1,524,197)	
(292,553)		(292,553)	
(136,200)		(136,200)	
(205,507)		(205,507)	
(417,370)		(417,370)	
(914,178)		(914,178)	
(820,543)		(820,543)	
(180,171)		(180,171)	
(15,000)		(15,000)	
(1,064)		(1,064)	
<u>(6,622,371)</u>		<u>(6,622,371)</u>	
	(\$155,510)	(155,510)	
	294,083	294,083	
	<u>138,573</u>	<u>138,573</u>	
			(\$7,225)
<u>(6,622,371)</u>	<u>138,573</u>	<u>(6,483,798)</u>	<u>(7,225)</u>
325,251		325,251	
41,938		41,938	
41,938		41,938	
			35,881
3,397,464		3,397,464	
727,662		727,662	
1,653,679		1,653,679	
116,157		116,157	
645,933		645,933	
100,352		100,352	
71,511		71,511	1,668
229,323		229,323	5,090
204,712	(204,712)		
<u>7,555,920</u>	<u>(204,712)</u>	<u>7,351,208</u>	<u>42,639</u>
<u>933,549</u>	<u>(66,139)</u>	<u>867,410</u>	<u>35,414</u>
<u>4,099,110</u>	<u>1,896,083</u>	<u>5,995,193</u>	<u>370,361</u>
<u>\$5,032,659</u>	<u>\$1,829,944</u>	<u>\$6,862,603</u>	<u>\$405,775</u>

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

Governmental Funds					
	General	Street Construction	Police & Fire	Other Governmental	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,356,416	\$1,852,909	\$987,407	\$835,927	\$5,032,659
Total Assets	1,356,416	1,852,909	987,407	835,927	5,032,659
<b>Fund Balances:</b>					
Non-spendable Fund Balance	5,254				5,254
Restricted Fund Balance		1,852,909	987,407	705,389	3,545,705
Committed Fund Balance				130,538	130,538
Assigned Fund Balance	46,710				46,710
Unassigned Fund Balance	1,304,452				1,304,452
Total Fund Balances (Deficit)	\$1,356,416	\$1,852,909	\$987,407	\$835,927	\$5,032,659

*See Accompanying Notes to Basic Financial Statements.*

CITY OF VAN WERT  
VAN WERT COUNTY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Funds				Total Governmental Funds	Component Unit
	General	Street Construction	Police & Fire	Other Governmental		Woodland Union Cemetery
<b>Revenues:</b>						
Property Taxes	\$325,251			\$83,876	\$409,127	\$35,421
Municipal Income Taxes	3,397,464	\$1,653,679	\$244,461	483,201	5,778,805	
Permissive Motor Vehicle License Taxes				22,771	22,771	
Other Local Taxes	41,279			74,878	116,157	
Special Assessments				16,338	16,338	460
Charges for Services	330,243			22,137	352,380	69,020
Sale of Lots						50,275
Fees, Licenses, and Permits	354,927			1,195	356,122	
Fines and Forfeitures				64,455	64,455	
Intergovernmental	603,763			1,309,259	1,913,022	11,974
Interest	68,980			2,531	71,511	1,668
Gifts and Donations	5,400			10,886	16,286	5,000
Other	86,503			230,579	317,082	90
<b>Total Revenues</b>	<u>5,213,810</u>	<u>1,653,679</u>	<u>244,461</u>	<u>2,322,106</u>	<u>9,434,056</u>	<u>173,908</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	168,703			4,900	173,603	
Police	1,658,946			367,247	2,026,193	
Fire	1,456,677			319,182	1,775,859	
Other	292,553				292,553	
Public Health	136,200				136,200	138,494
Leisure Time Activities	211,538				211,538	
Community Environment	73,110			730,723	803,833	
Transportation		930,264		487,056	1,417,320	
General Government	853,294			432,123	1,285,417	
Capital Outlay	54,515		306,869	206,199	567,583	
<b>Debt Service:</b>						
Principal Retirement				15,000	15,000	
Interest and Fiscal Charges				1,064	1,064	
<b>Total Expenditures</b>	<u>4,905,536</u>	<u>930,264</u>	<u>306,869</u>	<u>2,563,494</u>	<u>8,706,163</u>	<u>138,494</u>
Excess of Revenues Over (Under) Expenditures	308,274	723,415	(62,408)	(241,388)	727,893	35,414
<b>Other Financing Sources (Uses):</b>						
Transfers In	22,244			234,388	256,632	
Transfers Out	(45,510)	(3,911)		(1,555)	(50,976)	
<b>Total Other Financing Sources (Uses)</b>	<u>(23,266)</u>	<u>(3,911)</u>		<u>232,833</u>	<u>205,656</u>	
Change in Fund Balance	285,008	719,504	(62,408)	(8,555)	933,549	35,414
Fund Balance Beginning of Year (Restated)	1,071,408	1,133,405	1,049,815	844,482	4,099,110	370,361
<b>Fund Balance (Deficit) End of Year</b>	<u>\$1,356,416</u>	<u>\$1,852,909</u>	<u>\$987,407</u>	<u>\$835,927</u>	<u>\$5,032,659</u>	<u>\$405,775</u>

See accompanying notes to the basic financial statements.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<b>Receipts:</b>				
Property Taxes	\$313,870	\$313,870	\$325,251	\$11,381
Municipal Income Taxes	3,163,584	3,198,600	3,397,464	198,864
Other Local Taxes	28,810	30,000	41,279	11,279
Charges for Services	312,510	308,610	330,243	21,633
Fees, Licenses, and Permits	340,368	357,868	354,927	(2,941)
Intergovernmental	631,474	639,174	603,763	(35,411)
Interest	95,000	75,000	68,980	(6,020)
Gifts and Donations	6,200	6,200	5,400	(800)
Other	89,950	119,925	86,503	(33,422)
Total Revenues	<u>4,981,766</u>	<u>5,049,247</u>	<u>5,213,810</u>	<u>164,563</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	169,062	172,626	169,773	2,853
Police	1,797,303	1,754,365	1,664,310	90,055
Fire	1,589,439	1,580,583	1,456,909	123,674
Other	300,918	339,800	326,037	13,763
Public Health	136,200	136,200	136,200	
Leisure Time Activities	236,308	233,408	213,211	20,197
Community Environment	35,610	73,110	73,110	
General Government	902,175	914,731	854,481	60,250
Capital Outlay	33,800	67,025	58,215	8,810
Total Expenditures	<u>5,200,815</u>	<u>5,271,848</u>	<u>4,952,246</u>	<u>319,602</u>
Excess of Revenues Under Expenditures	<u>(219,049)</u>	<u>(222,601)</u>	<u>261,564</u>	<u>484,165</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In		4,404	4,404	
Transfers Out	<u>(64,322)</u>	<u>(82,531)</u>	<u>(82,531)</u>	
Total Other Financing Sources (Uses)	<u>(64,322)</u>	<u>(78,127)</u>	<u>(78,127)</u>	
Change in Fund Balance	(283,371)	(300,728)	183,437	484,165
Fund Balance (Deficit) at Beginning of Year	1,026,248	1,026,248	1,026,248	
Prior Year Encumbrances Appropriated	<u>39,585</u>	<u>39,585</u>	<u>39,585</u>	
Fund Balance (Deficit) at End of Year	<u>\$782,462</u>	<u>\$765,105</u>	<u>\$1,249,270</u>	<u>\$484,165</u>

See Accompanying Notes to Basic Financial Statements.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011**

	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Activities</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$789,443	\$1,028,405	\$1,817,848
Cash and Cash Equivalents with Fiscal Agent		12,096	12,096
Total Assets	789,443	1,040,501	1,829,944
<b>Net Assets:</b>			
Unrestricted (Deficit)	789,443	1,040,501	1,829,944
Total Net Assets	\$789,443	\$1,040,501	\$1,829,944

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>	<u>Governmental Activity Internal Service</u>
<b>Operating Revenues:</b>				
Charges for Services	\$1,678,557	\$2,444,693	\$4,123,250	\$265,807
Other	41,813	57,418	99,231	
Total Operating Revenues	<u>1,720,370</u>	<u>2,502,111</u>	<u>4,222,481</u>	<u>265,807</u>
<b>Operating Expenses:</b>				
Personal Services	864,495	800,137	1,664,632	97,330
Contractual Services	26,082	3,285	29,367	
Materials and Supplies	480,526	668,999	1,149,525	165,884
Capital Outlay	150,111	75,700	225,811	1,649
Utility Deposits Refunded		27,885	27,885	
<b>Debt Service:</b>				
Principal Retirement	310,163	532,652	842,815	
Total Operating Expenses	<u>1,831,377</u>	<u>2,108,658</u>	<u>3,940,035</u>	<u>264,863</u>
Operating Income (Loss)	(111,007)	393,453	282,446	944
<b>Non-Operating Revenues (Expenses):</b>				
Intergovernmental Revenue		89,400	89,400	
Interest Expense	(44,503)	(188,770)	(233,273)	
Total Non-Operating Revenues (Expenses)	<u>(44,503)</u>	<u>(99,370)</u>	<u>(143,873)</u>	
Income (Loss) before Transfers	(155,510)	294,083	138,573	944
Transfers In	892	279	1,171	
Transfers Out	(106,274)	(99,609)	(205,883)	(944)
Change in Net Assets	(260,892)	194,753	(66,139)	
Net Assets Beginning of Year	<u>1,050,335</u>	<u>845,748</u>	<u>1,896,083</u>	
Net Assets End of Year	<u>\$789,443</u>	<u>\$1,040,501</u>	<u>\$1,829,944</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.



**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$36,153	
Cash and Cash Equivalents in Segregated Account		\$117,184
Total Assets	36,153	117,184
 <b>Liabilities:</b>		
Deposits Held and Due to Others		117,184
Total Liabilities		\$117,184
 <b>Net Assets:</b>		
Endowment	36,153	
Total Net Assets	\$36,153	

*See accompanying notes to the basic financial statements.*

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSET - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$24
Total Additions	<u>24</u>
<b>Deductions:</b>	
Other	<u>          </u>
Total Deductions	<u>          </u>
Change in Net Assets	24
Net Assets - Beginning of Year	<u>36,129</u>
Net Assets - End of Year	<u><u>\$36,153</u></u>

*See accompanying notes to the basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. REPORTING ENTITY**

The City of Van Wert is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under the Mayor/Council form of government. Four council members are elected from wards for two year terms. The President of Council and three council members are elected by separate ballot from the municipality at large for two year terms. The Mayor is elected for a four year term. The Mayor may veto any legislation passed by Council. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various City departments.

The reporting entity is composed of the primary government, component unit, and other organizations that are included to ensure the financial statements of the City are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City of Van Wert provides the following services to its citizens: police and fire protection, emergency medical transportation, parks and recreation, building inspection, street maintenance and repairs, water, sewer services as well as a staff to provide support ( i.e., payroll processing, accounts payable, and revenue collection) to the service providers. Council has direct responsibility for these services.

**B. Component Units**

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

Woodland Union Cemetery is a component unit of the City of Van Wert as two of the three Trustees are appointed by the City (Note 20). Separately-audited statements for Woodland Union Cemetery are available from the Woodland Cemetery Clerk, 10968 Woodland Avenue, Van Wert, Ohio 45891.

**C. Joint Ventures/Jointly Governed Organizations**

A joint venture is a legal entity or other organization that results from a contractual arrangement 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. Under the cash basis of accounting, the City does not report assets for equity interests in joint ventures. The City also participates in two jointly governed organizations, and two public entity risk pools. These organizations are described in Notes 18 and 19.

The City's management believes these financial statements present all activities for which the City is financially accountable.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the City's accounting policies.

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide financial 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 City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities as of the City at year end. The statement of activities compares disbursements and program receipts for each program or function of the City's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible.

Program receipts 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 receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the City.

- 2. Fund Financial Statements** - During the year, the City segregates transactions related to certain City 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 City at this more detailed level.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

The City 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. The funds of the City are presented in three categories: governmental, proprietary, and fiduciary.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

**General** - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Street Construction Fund** - The street construction fund accounts for all financial resources resulting from .50 percent income tax. The Street Construction Fund is for the following purpose: to design, build, maintain and inspect City streets for any related equipment, labor, materials and supplies.

**Police and Fire Fund** - The Police and Fire Fund accounts for all financial resources resulting from the .22 percent income tax. The Police and Fire Fund is for the capital purchases for the City safety departments (police and fire departments). The purpose of this fund was amended in 2009 by ballot. Starting in 2010 based on the prior year tax budget, up to 2/3 of the current year tax revenues can be used for personal and fringe benefit expense for Police and Fire personnel.

The other governmental funds of the City account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

**2. Proprietary Funds**

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

**Enterprise Funds** - 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 are the City's major enterprise funds:

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**Water Fund** - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the City.

**Internal Service Fund** - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund accounts for monies received for the activities of the garage fund.

**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 to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's trust fund accounts for an endowment in which only the income is to be used to remove dead or dangerous trees from the City property between the sidewalk and the streets. Agency funds are purely custodial in nature and are used to account for assets held by the City for individuals, other governments, or other organizations. The City's agency fund accounts for the activity of the municipal court.

**C. Basis of Accounting**

The City's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. 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 City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director. 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 amended certificated of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance 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 ordinance 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 City Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within the Municipal Court of the City (Agency Fund) are recorded as "Cash and Cash Equivalents in Segregated Accounts". Cash and Cash Equivalents with Fiscal Agent represent amounts in escrow for construction projects.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2011, the City invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The City's money market fund investment is recorded at the amount reported by First Bank of Berne on December 31, 2011. 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, 2011.

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 was \$68,980 which includes \$56,252 assigned from other City funds.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as non-spendable.

**G. Inventory and Prepaid Items**

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The City's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. Business-type restricted net assets include resources restricted for capital construction. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of December 31, 2011.



**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Non-spendable** - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**N. Interfund Transactions**

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY**

For 2011, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Fund Balance at December 31, 2010	\$1,065,833	\$850,057	\$1,915,890
GASB 54 Change in in Fund Structure	5,575	(5,575)	
Adjusted Fund Balance at December 31, 2010	\$1,071,408	\$844,482	\$1,915,890

**4. ACCOUNTABILITY AND COMPLIANCE AND BUDGETARY BASIS**

**Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

**5. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 46,710 for the general fund.

**6. DEPOSITS AND INVESTMENTS**

Monies held by the City are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

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

At year end, the City had \$1,027 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,265,816 of the City's bank balance of \$2,783,664 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

As of December 31, 2011, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
Freddie Mac	\$ 500,000			\$ 500,000	
Fannie Mae	1,500,000		\$600,000	900,000	
Federal Home Loan Mortgage Notes	500,000				\$ 500,000
Federal National Mortgage Association Notes	1,500,000				1,500,000
Repurchase Agreements	162,292	\$162,292			
STAR Ohio	396,834	396,834			
<b>Total Investments</b>	<b>\$4,559,126</b>	<b>\$559,126</b>	<b>\$600,000</b>	<b>\$1,400,000</b>	<b>\$2,000,000</b>

**Interest Rate Risk** - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**Credit Risk** - The security underlying the repurchase agreement, the federal national mortgage association notes, and federal home loan mortgage notes carry a rating of Aaa by Moody's and AAA by Standard and Poors. STAR Ohio carries a rating of AAAM by Standard and Poor's. The City has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name.

The City has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

The City places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2011:

Investment Issuer	Investments
Freddie Mac	11%
Fannie Mae	33%
Federal Home Loan Bank Notes	11%
Federal National Mortgage Association Notes	33%
Repurchase Agreements	3%
STAR Ohio	9%
Total	100%

**7. INCOME TAX**

The City levies a 1.72 percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1.72 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City's income tax ordinance requires that .72 percent of the income tax levied is to be used to finance capital improvements. As a result, .50 percent of receipts are allocated to the street construction fund and .22 percent of receipts are allocated to the police and fire safety fund each year. Starting in 2010, based on the prior year tax budget, up to 2/3 of the .22 percent of receipts allocated to the police and fire safety fund can be used for personal and fringe benefit expense for police and fire personnel. An amended police and fire fund was established for this activity.

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**7. INCOME TAX (Continued)**

The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2011, the taxes were allocated to the general fund, street construction fund and police and fire safety fund.

**8. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, 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.

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.

2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011, was \$3.2 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$150,093,930
Public Utility Personal Property	<u>5,933,910</u>
Total	<u><u>\$156,027,840</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected.

**9. INTERFUND RECEIVABLE/PAYABLE**

Interfund balances at December 31, 2011, consisted of the following individual fund receivables and payables:

	<b>Advance Out</b>	<b>Advance In</b>
<b>Major Funds:</b>		
General Fund	\$5,326	
COPS		\$5,326
Total Governmental Activities	<u>\$5,326</u>	<u>\$5,326</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**9. INTERFUND RECEIVABLE/PAYABLE (Continued)**

Interfund balances at December 31, 2011, consisted of \$5,326 advanced to other governmental funds to provide working capital for operations or projects. The interfund receivables/payables are expected to be repaid within one year.

**10. RISK MANAGEMENT**

**A. Property and Liability**

The City 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 2011, the City contracted through Purmort Brothers Insurance Agency with Central Mutual Insurance for buildings and contents coverage. They City also contracted through Purmort Brothers Insurance Agency with the public Entities Pool of Ohio for the remaining coverage.

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Central Mutual Insurance		
Blanket Property and Contents, Replacement	\$35,300,000	\$2,500
Inland Marine	940,570	2,500
General Liability	4,000,000	
Automobile Liability	4,000,000	
Public Officials Liability	4,000,000	5,000
Police Professional Liability	4,000,000	3,000
Employment Practice Liability	4,000,000	5,000
Computer - Hardware	70,348	500
Computer - Software	25,323	500
Public Employee Dishonesty	100,000	500
Money and Securities	20,000	500

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

**B. Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**C. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

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(Continued)**

**10. RISK MANAGEMENT (Continued)**

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Government's share of these unpaid claims collectible in future years is approximately \$148,352.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b>Contributions to PEP</b>	
<b>2011</b>	<b>2010</b>
<u>\$161,252</u>	<u>\$99,300</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The City participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. CompManagement provides administrative, cost control and actuarial services to the GRP.

On June 1, 2010 the City contracted with Medical Mutual as the Health Care Provider for the City's health insurance for medical and prescription drug coverage and with Guardian Life Insurance as the Health Care Provider for the City's health insurance for vision, term life insurance, and accidental death and dismemberment. Premiums for family, employee and children, employee and spouse and single were \$1,407.78, \$777.23, \$1,421.05 and \$496.70 for medical.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

**Plan Description** – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10 percent for members. The City's contribution rate for 2011 was 14 percent of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10 percent. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95 percent. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$229,774, \$165,411, and \$167,786, respectively. 92 percent has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$9,953 made by the City and \$7,109 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24 percent for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75 percent for police officers and 17.25 percent for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$125,590 and \$181,760 for the year ended December 31, 2011, \$127,818 and \$186,676 for the year ended December 31, 2010, and \$139,161 and \$177,620, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 72 percent has been contributed for police and 74 percent has been contributed for firefighters for 2011.

**12. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

**Plan Description** – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. POST-EMPLOYMENT BENEFITS (Continued)**

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$110,070, \$173,443, and \$175,348, respectively; 92 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. POST-EMPLOYMENT BENEFITS (Continued)**

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$66,489 and \$71,123 for the year ended December 31, 2011, \$67,668 and \$73,047 for the year ended December 31, 2010, and \$73,673 and \$69,503 for the year ended December 31, 2009. For 2010, 72 percent has been contributed for police and 74 percent has been contributed for firefighters. The full amount has been contributed for 2010 and 2009.

**13. NOTES PAYABLE**

The changes in the City's notes payable during 2011 were as follows:

	<u>Outstanding 12/31/10</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/11</u>
<b>Governmental Activities</b>				
General Obligation Bonds - Westwood Street Improvement	\$ 15,000	\$0	\$ 15,000	
<i>Total Governmental Activities</i>	<u>15,000</u>		<u>15,000</u>	
<b>Business Type Activities</b>				
0.00% OPWC Allingham/Bonnewitz Pump Station	778,869		43,271	\$ 735,598
3.91% OWDA Loan #2549	40,340		4,386	35,954
4.12% OWDA Loan #2548	508,998		54,925	454,073
3.81% OWDA Loan #2550	3,461,233		273,761	3,187,472
4.65% OWDA Loa #3576	742,612		56,309	686,303
4.17% OWDA Loan #4733	1,143,958		310,163	833,795
1.6 to Various Purpose Bonds Original amt \$865,000				
3.65%	100,000		100,000	
<i>Total Business Type Activities</i>	<u>6,776,010</u>		<u>842,815</u>	<u>5,933,195</u>
<b>Total</b>	<u><u>\$6,791,010</u></u>	<u><u>\$0</u></u>	<u><u>\$857,815</u></u>	<u><u>\$5,933,195</u></u>

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. NOTES PAYABLE (Continued)**

All general obligation bonds are supported by the full faith and credit of the City and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The City issued general obligation bonds to provide funds for street improvement and equipment for the wastewater system improvements and for additional improvements to the treatment facilities. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The General Obligation bonds relate to the following two issues:

**Westwood Drive Improvement Bonds**, issued during 1990 for 20 years to cover the costs of improving Westwood Drive. A special assessment was levied on the property owners for their portion of the cost of improving Westwood Drive. All special assessments collected shall be used for the payment of the principal and interest on the bond until paid in full.

**Various Purpose Bonds** issued during April of 2003 for the purpose of refunding the various purpose bond Series issued 1991 to acquire equipment for the municipal wastewater system and pay additional costs for improvements to the treatment facilities. The debt service on the municipal wastewater treatment facilities will be paid from municipal wastewater system revenues.

**Ohio Water Development Authority (OWDA)** loans relate to the four outstanding loans as follows:

OWDA Loans number 2548 and 2549 relate to a Wastewater Sludge Processing project. The OWDA has approved up to \$1,137,460 in loans to the City for this project. The OWDA loan 2548 will be repaid in semiannual installments of \$37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 2548 includes capitalized interest of \$25,486. The OWDA loan 2549 is being repaid in semiannual installments of \$2,961 including interest, over 20 years which is based upon an amortization schedule developed for an \$81,629 loan.

Ohio Water Development Authority (OWDA) loan number 2550 relates to Wastewater Treatment Plant Improvements project and includes capitalized interest of \$334,067. The City does not receive all of the funds for this project due to OWDA paying the contractors directly. Semiannual payments are set at \$201,526.

Ohio Water Development Authority (OWDA) loan number 3576 was a loan that was drawn during 2001 to be used as a payment against OWDA loan number 2550 during 2002.

Ohio Water Development Authority (OWDA) loan 4733 is for the construction of a third reservoir, in the amount of \$1,585,850, which includes capitalized interest of \$104,150. Revenue of the utility facilities has been pledged to repay these costs. The City has agreed to set utility rates sufficient to cover OWDA debt service requirements. Semiannual payments are set at \$177,333.

**Ohio Public Works Commission (OPWC) Loan:**

The OPWC loan consists of \$865,410 owed to the Ohio Public Works Commission for the Allingham/ Bonnewitz Pump Station. The OPWC loan is payable over a term of 20 years at an interest rate of 0%. The City began making semi-annual principal payments of \$21,635 on July 1, 2009.

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**13. NOTES PAYABLE (Continued)**

Amortization of the above bond (long term) debt, including interest, is scheduled as follows:

Year	Business Type Activities			
	OWDA Loans Principal	Interest	OPWC Loan Principal	Interest
2012	\$ 728,251	\$200,916	\$ 43,270	
2013	758,140	171,028	43,270	
2014	611,926	139,908	43,271	
2015	455,826	118,675	43,270	
2016	474,149	100,353	43,271	
2017-2021	2,169,305	212,809	216,352	
2022-2026			216,353	
2027-2028			86,541	
	<u>\$5,197,597</u>	<u>\$943,689</u>	<u>\$735,598</u>	

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and un-voted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011 were an overall debt margin of \$16,385,923 and an un-voted debt margin of \$8,581,531.

**14. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below

Fund Balances	General Fund	Street Construction	Police & Fire	Other Governmental Funds	Total
<b>Non-spendable:</b>					
Unclaimed Monies	\$ 5,254				\$ 5,254
Total Non-spendable	<u>5,254</u>				<u>5,254</u>
<b>Restricted for:</b>					
Street Construction		\$1,852,909			1,852,909
Police & Fire Capital			\$987,407		987,407
Other Purposes				\$705,389	705,389
Total Restricted		<u>1,852,909</u>	<u>987,407</u>	<u>705,389</u>	<u>3,545,705</u>
<b>Committed to:</b>					
Other Purposes				130,538	130,538
Total Committed				<u>130,538</u>	<u>130,538</u>
<b>Assigned to:</b>					
Other Purposes	46,710				46,710
Total Assigned	<u>46,710</u>				<u>46,710</u>
Unassigned (deficits)	1,304,452				1,304,452
Total Fund Balances	<u>\$1,356,416</u>	<u>\$1,852,909</u>	<u>\$987,407</u>	<u>\$835,927</u>	<u>\$5,032,659</u>

**CITY OF VAN WERT  
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**15. INTERFUND TRANSFERS**

During 2011 the following transfers were made:

<u>Transfers To</u>	<u>General</u>	<u>Street Construction</u>	<u>Governmental Funds</u>	<u>Water</u>	<u>Sewer</u>	<u>Garage</u>	<u>Total</u>
General Fund		\$3,911	\$1,555	\$ 7,925	\$ 7,909	\$944	\$22,244
<b>Other Governmental Funds:</b>							
Issue II				98,349	91,700		190,049
COPS	\$6,900						6,900
Economic Development	37,439						37,439
<b>Proprietary Funds:</b>							
Water	892						892
Sewer	279						279
<b>Total</b>	<u>\$45,510</u>	<u>\$3,911</u>	<u>\$1,555</u>	<u>\$106,274</u>	<u>\$99,609</u>	<u>\$944</u>	<u>\$257,803</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between the Water and Sewer and Issue II fund for capital improvements.

**16. CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

Downing Construction	\$106,223
Caldwell Tanks	\$326,125
Chemco	\$100,500
Choice One	\$127,971

**17. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**18. JOINTLY GOVERNED ORGANIZATIONS**

**Van Wert County Regional Planning Commission** - (the Commission) is a jointly governed organization among the County, City of Van Wert, and Cities 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.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The Commission makes studies, maps, plan, recommendations and reports, concerning the physical, environmental, social, economic, and governmental characteristic, functions, and services of the County. The City did not contribute any fund in 2011 for operations of the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the City. The City 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 statement can be obtained from the Commission located at 121 East Main, Van Wert, Ohio 45891.

**Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC)** – The CIC 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 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.

**19. PUBLIC ENTITY RISK POOL**

**A. Public Entities Pool of Ohio (PEP)**

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. (See Note 10)

**B. Ohio Municipal League Group Rating Plan (GRP)**

The City participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**20. COMPONENT UNIT**

Woodland Union Cemetery financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a disbursement is made.



**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**20. COMPONENT UNIT (Continued)**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes consist of bequests received by the cemetery.

The Checking account and Certificates of deposit are valued at cost. The Cemetery maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

Demand Deposits	\$243,477
Certificates of Deposit	<u>162,298</u>
Total Deposits	<u>\$405,775</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) or collateralized by the financial institution's public entity deposit pool.

The Cemetery budgets its General fund annually. Budgetary expenditures (disbursements) may not exceed appropriations at the fund, or function level of control. The Board annually approves appropriation measures and subsequent amendments. Estimated resources include estimates of cash to be received as of January 1.

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the financial statements.

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon retirement. Unpaid sick leave is not reflected as liabilities under the basis of accounting use by the Cemetery.

The Woodland Union Cemetery has obtained commercial insurance for the following risks:

- Comprehensive, property, and general liability
- Inland Marine; and
- Vehicle

The Cemetery also provides health insurance to full time employees through the City of Van Wert's policy.

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# Dave Yost • Auditor of State

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

City of Van Wert  
Van Wert County  
515 East Main Street  
Van Wert, Ohio 45891

To the City Mayor and Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, (the City) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 14, 2013, wherein we noted the City adopted the provisions of Government Accounting Standards Board Statement No. 54 *Fund balance and Governmental Fund Type Definitions* for the year ended December 31, 2011. We also noted the City uses a special purpose framework other than generally accepted accounting principles.

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

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider findings 2012-002 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the City'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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

***Entity's Response to Findings***

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 14, 2013

**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 and 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. Financial Statement Reporting**

**FINDING NUMBER 2012-001**

**Noncompliance**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Administrative Code Section 117-2-3(B)** requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The City prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

The City should prepare its annual financial statements in accordance with generally accepted accounting principles to present assets, liabilities, equity, operations, and disclosures to accurately represent its financial condition.

**Official's Response:**

The City prepares its financial statements utilizing an Other Comprehensive Basis of Accounting. The City is unable to prepare GAAP statements due to the lack of an adequate inventory of assets. The City is willing to take the risk of being fined as opposed to incurring the expense of a city wide inventory.

**2. Accuracy of Financial Statements**

**FINDING NUMBER 2012-002**

**Material Weakness**

Classification errors identified on the Statement of Activities for 2012 included:

- Capital Grants and Contributions – Transportation, Capital Grants and Contributions – Security of Persons and Property, and General Receipts – Grants and Entitlements were overstated by \$107,421, \$11,125, and \$1,404,833, respectively.
- General Receipts – Miscellaneous, Capital Grants and Contributions – Capital Outlay, Operating Grants and Contributions – General Government, Operating Grants and Contributions – Police, Charges for Services and Sales – Police, and Charges for Services and Sales – General Government was understated by \$119,825, \$1,319,434, \$31,488, \$51,536, \$11,125, and \$2,792, respectively. Net Position End of Year was understated by \$12,821.

**FINDING NUMBER 2012-002  
(Continued)**

Classification errors identified on the Statement of Activities for 2011 included:

- Other Revenues in the Street Fund in the amount of \$9,035 was presented as Transfers instead of General Receipts – Miscellaneous Receipts.
- Transfers-Out in the Garage Fund in the amount of \$944 was presented as a General Government disbursement instead of excluding the Internal Service Fund activity.
- Sewer Fund retainage for \$12,096 was not presented as a sewer fund disbursement.
- Water Fund retainage was presented as a disbursement for \$5,789 that does not exist.

Classification errors identified on the Budget and Actual – General Fund Statements for 2012 included:

- Advances In for \$5,326 was posted as a Transfer in the actual column for Other Financing Sources.
- Failed to present \$5,326 budgeted for Advances In the original and final columns for Other Financing Sources.
- Failed to present \$628 in Other receipts in the actual column.

Classification errors identified on the Budget and Actual – General Fund Statements for 2011 included:

- Excluded encumbrances outstanding at December 31, 2011 from the actual disbursements in the amount of \$46,710.
- Failed to present \$856 in Other receipts in the actual column
- Understated Fire and Other disbursements by \$3,000 and \$2, respectively.
- Overstated Public Health disbursements by \$27,000

The accompanying Management's Discussion and Analysis and financial statements have been revised to correct these reporting errors.

Sound financial reporting is the responsibility of the fiscal officer and city council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The City should perform a review of the annual financial statements. This review should include, but not be limited to, a comparison to the previous year for correct classifications and reasonableness and a determination that the statements are balanced and agree to the City's records.

**Official's Response:**

All financial statements are prepared in house with a very limited staff. With a 2 year audit it is difficult and cumbersome to make comparisons to the audited previous year. The City is pressured by the State Auditor's office to have all statements completed in a two month period. There is little time to perform a complete review of the financial statements prior to turning them over to the State Auditor's office.

**FINDING NUMBER 2012-002  
(Continued)**

**Auditor of State's Analysis**

**Ohio Rev. Code Section 117.38** established the required report filing time as sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file within one hundred fifty days. The City has elected not to file under generally accepted accounting principles. (see Finding 2012-001)

**3. GASB 54 Classifications**

**FINDING NUMBER 2012-003**

**Material Weakness**

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds.

The City had the following classification errors noted in 2012:

- General Fund budget reserve balance of \$270,944 was presented as Restricted instead of Unassigned.
- Outstanding encumbrances in the Street Construction, Police and Fire, and the Job Ready Site funds of \$428,161, \$303,506, and \$236,933, respectively, were incorrectly classified as Assigned instead of the entire balance classified as Restricted.
- The DARE fund included under Other Governmental Funds in the amount of \$10,320, was incorrectly presented as Unassigned instead of Committed.
- The Economic Development fund included under Other Governmental Funds in the amount of \$109,181 was incorrectly presented as Restricted instead of Committed (the Economic Development fund was internally imposed by ordinance).
- The Fire Department Welfare Trust fund included under Other Governmental Funds in the amount of \$30,024 was incorrectly presented as Assigned instead of Committed (the Fire Department Welfare Trust Fund was internally imposed by ordinance).
- Other Governmental Funds for \$61,806 were incorrectly classified as Assigned instead of Restricted.

The City had the following classification errors noted in 2011:

- General Fund budget reserve balance of \$265,471 was presented as Restricted instead of Unassigned.
- The reserve funds for Retirement and the 27<sup>th</sup> Pay were presented in the Other Governmental Funds as Restricted instead of rolling the funds into the General Fund as Committed. All activity and balances were removed from the Other Governmental Funds and rolled into the General Fund.
- Street Construction fund had portions of the fund balance, \$203,476 and \$17,318, classified as Assigned and Committed, respectively, instead of the entire balance Restricted.
- Police & Fire Fund income tax balance of \$181,230 and \$806,177 was incorrectly classified as Assigned and Unassigned, respectively, instead of Restricted. (Income tax imposed by levy language).
- The DARE fund included under Other Governmental Funds in the amount of \$11,049, was incorrectly presented as Unassigned instead of Committed.

**FINDING NUMBER 2012-003**  
**(Continued)**

- The Economic Development Fund included under Other Governmental Funds in the amount of \$81,469 was incorrectly presented as Restricted instead of Committed (the Economic Development fund was internally imposed by ordinance).
- The Fire Department Welfare Trust fund included under Other Governmental Funds in the amount of \$38,020 was incorrectly presented as Assigned instead of Committed (the Fire Department Welfare Trust Fund was internally imposed by ordinance).
- Other Governmental Funds for \$46,771 were incorrectly classified as Assigned instead of Restricted.

The accompanying financial statements have been revised to correct these reporting errors.

The City's Fiscal Officer should review the Auditor of State Bulletin 2011-004 and other resources for guidance in correctly classifying the fund balances. The City should perform a review of the classification of the fund balances prior to completion of the annual financial statements to assure consistency with prior year.

**Official's Response:**

New GASB 54 classifications were not implemented properly. Amendments have been made for future.



**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding Number 2012-001
2010-02	Accuracy of Financial Statements	No	Repeated as Finding Number 2012-002

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# Dave Yost • Auditor of State

**CITY OF VAN WERT**

**VAN WERT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 10, 2013**