



Dave Yost • Auditor of State

**CITY OF VAN WERT
VAN WERT COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis – For the Year Ended December 31, 2015 | 3 |
| Basic Financial Statements: | |
| Statement of Net Position – Cash Basis – December 31, 2015 | 9 |
| Statement of Activities – Cash Basis – For the Year Ended December 31, 2015..... | 10 |
| Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2015..... | 12 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Cash Basis – Governmental Funds - For the Year Ended December 31, 2015..... | 13 |
| Statement of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Basis) and Actual – General Fund For the Year Ended December 31, 2015..... | 14 |
| Statement of Fund Net Position – Cash Basis – Proprietary Funds December 31, 2015..... | 15 |
| Statement of Revenues, Expenses and Changes in Fund Net Position Cash Basis – Proprietary Funds – For the Year Ended December 31, 2015..... | 16 |
| Statement of Fiduciary Net Position - Cash Basis – Fiduciary Funds December 31, 2015..... | 17 |
| Statement of Changes in Fiduciary Net Position - Cash Basis – Fiduciary Funds For the Year Ended December 31, 2015..... | 18 |
| Notes to the Basic Financial Statements - For the Year Ended December 31, 2015..... | 19 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 49 |
| Schedule of Findings..... | 51 |
| Schedule of Prior Audit Findings..... | 53 |

This page intentionally left blank.



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 cash-basis financial statements of the governmental activities, business-type activities, 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 year ended December 31, 2015, 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 2 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, business type activities, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

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 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, 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 October 5, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 5, 2016

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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 of Van Wert's (the City) 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 City as a Whole

The statement of net position and the statement of activities reflect how the City did financially during 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances 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, 2015
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 City'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 Capital Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide 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, 2015
UNAUDITED
(Continued)**

Highlights

Fund balances of governmental funds decreased \$16,502 or less than 1 percent.

The City's general receipts are primarily property and income taxes. These receipts represent respectively 4 percent and 67 percent of the total cash received for governmental activities during the year. The Water Fund net position increased \$15,082 and the Sewer Fund net position increased \$367,404. The increase in the Sewer Fund is for anticipated combined sewer overflow project in the future.

The City as a Whole

Table 1 provides a summary of the City's net position for 2014 compared to 2015 on a cash basis:

**Table 1
Net Position**

| | Governmental Activities | | Business Type Activities | | Total | Total |
|---|--------------------------------|--------------------|---------------------------------|--------------------|---------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets: | | | | | | |
| Equity in Pooled Cash & Cash Equivalents | \$6,610,900 | \$6,707,756 | \$3,325,181 | \$2,942,695 | \$9,936,081 | \$9,650,451 |
| Cash & Cash Equivalents With Fiscal Agent | 80,354 | | | | 80,354 | |
| Total Assets | <u>6,691,254</u> | <u>6,707,756</u> | <u>3,325,181</u> | <u>2,942,695</u> | <u>10,016,435</u> | <u>9,650,451</u> |
| Net Position | | | | | | |
| Restricted for: | | | | | | |
| Capital Projects | 4,417,238 | 3,443,997 | | | 4,417,238 | 3,443,997 |
| Debt Service | 18,093 | 18,094 | | | 18,093 | 18,094 |
| Other Purposes | 1,143,137 | 2,116,304 | | | 1,143,137 | 2,116,304 |
| Unrestricted(Deficit) | 1,112,786 | 1,129,361 | 3,325,181 | 2,942,695 | 4,437,967 | 4,072,056 |
| Total Net Position | <u>\$6,691,254</u> | <u>\$6,707,756</u> | <u>\$3,325,181</u> | <u>\$2,942,695</u> | <u>\$10,016,435</u> | <u>\$9,650,451</u> |

The net position of governmental activities decreased \$16,502 or less than 1 percent during 2015.

Table 2 reflects the changes in net position.

**Table 2
Changes in Net Position**

| | Governmental Activities | Governmental Activities | Business Type Activities | Business Type Activities |
|------------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Receipts: | | | | |
| Program Receipts: | | | | |
| Charges for Services and Sales | \$1,001,155 | \$946,271 | \$4,341,428 | \$4,600,983 |
| Operating Grants and Contributions | 528,889 | 565,925 | 32,920 | 76,126 |
| Capital Grants and Contributions | 49,322 | 858,859 | 259,554 | |
| Total Program Receipts | <u>1,579,366</u> | <u>2,371,055</u> | <u>4,633,902</u> | <u>4,677,109</u> |

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)**

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

| | Governmental Activities 2015 | Governmental Activities 2014 | Business Type Activities 2015 | Business Type Activities 2014 |
|--|---|---|--|--|
| Receipts: | | | | |
| General Receipts: | | | | |
| Property and Other Local Taxes | 399,807 | 391,106 | | |
| Income Tax | 6,649,663 | 6,457,958 | | |
| Other Local Taxes | 115,347 | 105,541 | | |
| Grants and Entitlements not Restricted to Specific Programs | 466,266 | 667,955 | | |
| Franchise Fees | 99,546 | 101,535 | | |
| Interest | 116,912 | 90,666 | | |
| Payment in Lieu of Taxes | 189,952 | 400,245 | | |
| Miscellaneous | 292,896 | 215,528 | | |
| Other Debt Proceeds | | 1,500,000 | | |
| Total General Receipts | 8,330,389 | 9,930,534 | | |
| Total Receipts | 9,909,755 | 12,301,589 | 4,633,902 | 4,677,109 |
| Disbursements: | | | | |
| General Government | 1,127,966 | 1,182,820 | | |
| Intergovernmental | 189,952 | 400,245 | | |
| Security of Persons and Property | 4,524,513 | 4,439,309 | | |
| Public Health Services | 150,000 | 145,200 | | |
| Leisure Time Activities | 294,371 | 256,632 | | |
| Community Environment | 402,060 | 222,352 | | |
| Transportation | 1,966,764 | 2,063,861 | | |
| Capital Outlay | 1,167,434 | 2,638,855 | | |
| Principal Retirement | 50,000 | 40,000 | | |
| Interest and Fiscal Charges | 65,700 | 52,688 | 118,675 | |
| Water/Sewer | | | 4,120,238 | 4,045,573 |
| Total Disbursements | 9,938,760 | 11,441,962 | 4,238,913 | 4,045,573 |
| Excess(deficiency) Before Transfers | (29,005) | 859,627 | 394,989 | 631,536 |
| Transfers | 12,503 | 8,882 | (12,503) | (8,882) |
| Increase (Decrease) in Net Position | (16,502) | 868,509 | 382,486 | 622,654 |
| Net Position, Beginning of Year | 6,707,756 | 5,839,247 | 2,942,695 | 2,320,041 |
| Net Position, End of Year | \$6,691,254 | \$6,707,756 | \$3,325,181 | \$2,942,695 |

Program receipts for governmental activities represent 16 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 for governmental activities represent 84 percent the City's total receipts, and of this amount, 85 percent are local taxes. State and federal grants and entitlements and payment in lieu of taxes make up the majority of 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, 2015
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, capital outlay and security of persons and property, which account for 20 percent, 12 percent and 46 percent, respectively, of all governmental disbursements. General Government also represents a significant cost at 11 percent of total disbursements. 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**

| | Total Cost Of Services 2015 | Net Cost of Services 2015 | Total Cost Of Services 2014 | Net Cost of Services 2014 |
|----------------------------------|--|--|--|--|
| General Government | \$1,127,966 | \$454,421 | \$1,182,820 | \$582,947 |
| Security of Persons and Property | 4,524,513 | 4,229,509 | 4,439,309 | 4,086,041 |
| Public Health Services | 150,000 | 150,000 | 145,200 | 145,200 |
| Leisure Time Activities | 294,371 | 241,522 | 256,632 | 200,717 |
| Community Environment | 402,060 | 400,760 | 222,352 | 221,902 |
| Transportation | 1,966,764 | 1,441,050 | 2,063,861 | 1,548,740 |
| Capital Outlay | 1,167,434 | 1,136,480 | 2,638,855 | 1,792,427 |
| Intergovernmental | 189,952 | 189,952 | 400,245 | 400,245 |
| Principle Retirement | 50,000 | 50,000 | 40,000 | 40,000 |
| Interest & fiscal charges | 65,700 | 65,700 | 52,688 | 52,688 |
| Total Expenses | \$9,938,760 | \$8,359,394 | \$11,441,962 | \$9,070,907 |

The dependence upon property and income tax receipts is apparent as over 71 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, 2015
UNAUDITED
(Continued)**

The Government's Funds

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

Total governmental funds had receipts of \$10,513,060, including other financing sources and disbursements of \$10,529,562, including other financing uses. The fund balance of the General Fund increased \$117,011.

The fund balance of the Street Construction Fund increased \$493,325, and the fund balance of the Police and Fire Capital Fund increased \$434,002.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net position, the Water enterprise fund experienced an increase and the Sewer enterprise Fund experienced an increase in net position for 2015.

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 2015, actual receipts were slightly above original budgeted receipts. Real Estate Revenues were 3% above projected and Intergovernmental receipts were 46% above projected due a reimbursement from a Port Authority grant for expenses at the Mega Site.

Final disbursements including transfers were budgeted at \$6,489,728 while actual disbursements plus transfers were \$6,131,981.

Debt Administration

At December 31, 2015 the City's outstanding debt included for improvements to buildings and structures, \$2,643,453 in Ohio Water Development Authority Loans for wastewater infrastructure and improvements, \$562,517 in Ohio Public Works bonds for wastewater improvements and \$1,410,000 in Municipal Court Improvement Bonds for the purchase and renovation of a building for the Municipal Court. For further information regarding the City's debt, refer to Note 11 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 45891.

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015**

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,610,900 | \$3,325,181 | \$9,936,081 |
| Cash and Cash Equivalents with Fiscal Agent | 80,354 | | 80,354 |
| Total Assets | 6,691,254 | 3,325,181 | 10,016,435 |
| Net Position: | | | |
| Restricted for: | | | |
| Capital Projects | 4,417,238 | | 4,417,238 |
| Debt Service | 18,093 | | 18,093 |
| Other Purposes | 1,143,137 | | 1,143,137 |
| Unrestricted (Deficit) | 1,112,786 | 3,325,181 | 4,437,967 |
| Total Net Position | \$6,691,254 | \$3,325,181 | \$10,016,435 |

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, 2015**

| | Program Cash Receipts | | | |
|---------------------------------------|-------------------------------|---|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Police | \$2,219,723 | \$19,109 | \$2,897 | |
| Fire | 1,830,170 | 256,237 | 5,635 | \$11,126 |
| Other | 474,620 | | | |
| Public Health | 150,000 | | | |
| Leisure Time Activities | 294,371 | 52,849 | | |
| Community Environment | 402,060 | 1,300 | | |
| Transportation | 1,966,764 | 4,010 | 514,462 | 7,242 |
| General Government | 1,127,967 | 667,650 | 5,895 | |
| Intergovernmental | 189,952 | | | |
| Capital Outlay | 1,167,434 | | | 30,954 |
| Debt Service: | | | | |
| Principal Retirement | 50,000 | | | |
| Interest and Fiscal Charges | 65,700 | | | |
| Total Governmental Activities | <u>9,938,761</u> | <u>1,001,155</u> | <u>528,889</u> | <u>49,322</u> |
| Business-Type Activities: | | | | |
| Water | 2,006,997 | 1,750,264 | 19,044 | 259,554 |
| Sewer | 2,231,916 | 2,591,164 | 13,876 | |
| Total Business-Type Activities | <u>4,238,913</u> | <u>4,341,428</u> | <u>32,920</u> | <u>259,554</u> |
| Total | <u>\$14,177,674</u> | <u>\$5,342,583</u> | <u>\$561,809</u> | <u>\$308,876</u> |

General Receipts:

Property Taxes Levied for:

General Purposes
Police Pension
Fire Pension

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
Payment in Lieu of Taxes

Total General Receipts

Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to basic financial statements.

Net (Disbursement) Receipt and Change in Net Position

Primary Government

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|--|---------------------|
| | | |
| (\$2,197,717) | | (\$2,197,717) |
| (1,557,172) | | (1,557,172) |
| (474,620) | | (474,620) |
| (150,000) | | (150,000) |
| (241,522) | | (241,522) |
| (400,760) | | (400,760) |
| (1,441,050) | | (1,441,050) |
| (454,422) | | (454,422) |
| (189,952) | | (189,952) |
| (1,136,480) | | (1,136,480) |
| (50,000) | | (50,000) |
| <u>(65,700)</u> | | <u>(65,700)</u> |
| <u>(8,359,395)</u> | | <u>(8,359,395)</u> |
| | | |
| | \$21,865 | 21,865 |
| | <u>373,124</u> | <u>373,124</u> |
| | <u>394,989</u> | <u>394,989</u> |
| | | |
| <u>(8,359,395)</u> | <u>394,989</u> | <u>(7,964,406)</u> |
| | | |
| | | |
| 317,690 | | 317,690 |
| 41,059 | | 41,059 |
| 41,058 | | 41,058 |
| | | |
| 3,914,115 | | 3,914,115 |
| 836,163 | | 836,163 |
| 1,899,385 | | 1,899,385 |
| 115,347 | | 115,347 |
| 466,266 | | 466,266 |
| 99,546 | | 99,546 |
| 116,912 | | 116,912 |
| 292,897 | | 292,897 |
| 189,952 | | 189,952 |
| <u>8,330,390</u> | | <u>8,330,390</u> |
| | | |
| 12,503 | (12,503) | |
| <u>(16,502)</u> | <u>382,486</u> | <u>365,984</u> |
| | | |
| <u>6,707,756</u> | <u>2,942,695</u> | <u>9,650,451</u> |
| <u>\$6,691,254</u> | <u>\$3,325,181</u> | <u>\$10,016,435</u> |

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

| | Governmental Funds | | | | Total Governmental Funds |
|---|---------------------------|--------------------------------|------------------------------|-------------------------------|---|
| | General | Street Construction | Police & Fire | Other Governmental | |
| Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,081,559 | \$2,658,186 | \$1,642,963 | \$1,228,192 | \$6,610,900 |
| Cash and Cash Equivalents with Fiscal Agent | | | | 80,354 | 80,354 |
| Total Assets | <u>1,081,559</u> | <u>2,658,186</u> | <u>1,642,963</u> | <u>1,308,546</u> | <u>6,691,254</u> |
| Fund Balances: | | | | | |
| Non-spendable Fund Balance | 4,402 | | | | 4,402 |
| Restricted Fund Balance | | 2,658,186 | 1,642,963 | 1,114,411 | 5,415,560 |
| Committed Fund Balance | 158,587 | | | 194,135 | 352,722 |
| Assigned Fund Balance | 450,536 | | | | 450,536 |
| Unassigned Fund Balance | 468,034 | | | | 468,034 |
| Total Fund Balances | <u>\$1,081,559</u> | <u>\$2,658,186</u> | <u>\$1,642,963</u> | <u>\$1,308,546</u> | <u>\$6,691,254</u> |

See accompanying notes to the basic financial statements.

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Governmental Funds | | | | Total Governmental Funds |
|---|---------------------------|--------------------------------|------------------------------|-------------------------------|---|
| | General | Street Construction | Police & Fire | Other Governmental | |
| Revenues: | | | | | |
| Property Taxes | \$317,690 | | | \$82,117 | \$399,807 |
| Municipal Income Taxes | 3,914,115 | \$1,899,385 | \$836,163 | | 6,649,663 |
| Permissive Motor Vehicle License Taxes | | | | 29,488 | 29,488 |
| Other Local Taxes | 40,991 | | | 74,356 | 115,347 |
| Charges for Services | 345,500 | | | 7,416 | 352,916 |
| Fees, Licenses, and Permits | 431,674 | | | 5,961 | 437,635 |
| Fines and Forfeitures | | | | 309,798 | 309,798 |
| Intergovernmental | 450,663 | 444 | | 537,167 | 988,274 |
| Payment in Lieu of Taxes | | | | 189,952 | 189,952 |
| Interest | 112,600 | | | 4,312 | 116,912 |
| Gifts and Donations | | | | 5,959 | 5,959 |
| Other | 34,076 | | 11,126 | 268,802 | 314,004 |
| Total Revenues | 5,647,309 | 1,899,829 | 847,289 | 1,515,328 | 9,909,755 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | | | | | |
| Police | 2,159,512 | | | 60,211 | 2,219,723 |
| Fire | 1,778,781 | | | 51,389 | 1,830,170 |
| Other | 473,539 | | | 1,081 | 474,620 |
| Public Health | 150,000 | | | | 150,000 |
| Leisure Time Activities | 294,371 | | | | 294,371 |
| Community Environment | 51,000 | | | 351,060 | 402,060 |
| Transportation | | 1,403,296 | | 563,468 | 1,966,764 |
| General Government | 1,069,123 | | | 59,591 | 1,128,714 |
| Intergovernmental | | | | 189,952 | 189,952 |
| Capital Outlay | 34,332 | | 413,287 | 719,815 | 1,167,434 |
| Total Expenditures | 6,010,658 | 1,403,296 | 413,287 | 1,996,567 | 9,823,808 |
| Excess of Revenues Over (Under) Expenditures | (363,349) | 496,533 | 434,002 | (481,239) | 85,947 |
| Other Financing Sources (Uses): | | | | | |
| Debt Service: | | | | | |
| Principal Retirement | | | | (50,000) | (50,000) |
| Interest and Fiscal Charges | | | | (65,700) | (65,700) |
| Advance In | 500,000 | | | | 500,000 |
| Advance Out | | | | (500,000) | (500,000) |
| Transfers In | 66,127 | | | 37,178 | 103,305 |
| Transfers Out | (85,767) | (3,208) | | (1,079) | (90,054) |
| Total Other Financing Sources (Uses) | 480,360 | (3,208) | | (579,601) | (102,449) |
| Change in Fund Balance | 117,011 | 493,325 | 434,002 | (1,060,840) | (16,502) |
| Fund Balance Beginning of Year | 964,548 | 2,164,861 | 1,208,961 | 2,369,386 | 6,707,756 |
| Fund Balance End of Year | \$1,081,559 | \$2,658,186 | \$1,642,963 | \$1,308,546 | \$6,691,254 |

See accompanying notes to the basic financial statements.

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| Property Taxes | \$308,522 | \$308,522 | \$317,690 | \$9,168 |
| Municipal Income Taxes | 3,888,790 | 3,888,790 | 3,914,115 | 25,325 |
| Other Local Taxes | 37,500 | 37,500 | 40,991 | 3,491 |
| Charges for Services | 379,995 | 379,995 | 345,500 | (34,495) |
| Fees, Licenses, and Permits | 387,842 | 387,842 | 431,674 | 43,832 |
| Intergovernmental | 309,315 | 309,315 | 450,663 | 141,348 |
| Interest | 87,300 | 87,300 | 112,600 | 25,300 |
| Other | 30,500 | 30,500 | 34,076 | 3,576 |
| Total Revenues | <u>5,429,764</u> | <u>5,429,764</u> | <u>5,647,309</u> | <u>217,545</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Police | 2,219,750 | 2,254,750 | 2,186,748 | 68,002 |
| Fire | 1,873,730 | 1,876,980 | 1,784,865 | 92,115 |
| Other | 541,522 | 541,522 | 473,539 | 67,983 |
| Public Health | 150,000 | 150,000 | 150,000 | |
| Leisure Time Activities | 347,633 | 347,633 | 296,053 | 51,580 |
| Community Environment | 51,000 | 51,000 | 51,000 | |
| General Government | 1,148,194 | 1,148,194 | 1,079,726 | 68,468 |
| Capital Outlay | 46,350 | 46,350 | 34,332 | 12,018 |
| Total Expenditures | <u>6,378,179</u> | <u>6,416,429</u> | <u>6,056,263</u> | <u>360,166</u> |
| Excess of Revenues | | | | |
| Under Expenditures | (948,415) | (986,665) | (408,954) | 577,711 |
| Other Financing Sources (Uses): | | | | |
| Advance In | 500,000 | 500,000 | 500,000 | |
| Transfers In | | | 18,531 | 18,531 |
| Transfers Out | (73,299) | (73,299) | (75,718) | (2,419) |
| Total Other Financing Sources (Uses) | <u>426,701</u> | <u>426,701</u> | <u>442,813</u> | <u>16,112</u> |
| Change in Fund Balance | (521,714) | (559,964) | 33,859 | 593,823 |
| Fund Balance (Deficit) at Beginning of Year | 821,482 | 821,482 | 821,482 | |
| Prior Year Encumbrances Appropriated | 21,915 | 21,915 | 21,915 | |
| Fund Balance at End of Year | <u>\$321,683</u> | <u>\$283,433</u> | <u>\$877,256</u> | <u>\$593,823</u> |

See accompanying notes to the basic financial statements.

CITY OF VAN WERT
VAN WERT COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

| | <u>Water</u> | <u>Sewer</u> | <u>Total Business-Type Activities</u> |
|--|------------------|--------------------|---|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$544,880 | \$2,780,301 | \$3,325,181 |
| Total Assets | <u>544,880</u> | <u>2,780,301</u> | <u>3,325,181</u> |
| Net Position: | | | |
| Unrestricted | 544,880 | 2,780,301 | 3,325,181 |
| Total Net Position | <u>\$544,880</u> | <u>\$2,780,301</u> | <u>\$3,325,181</u> |

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, 2015**

| | <u>Water</u> | <u>Sewer</u> | <u>Total Business-Type Activities</u> | <u>Governmental Activity Internal Service</u> |
|----------------------------------|------------------|--------------------|---|---|
| Operating Revenues: | | | | |
| Charges for Services | \$1,750,264 | \$2,591,164 | \$4,341,428 | \$238,272 |
| Intergovernmental | 1,467 | 1,273 | 2,740 | 162 |
| Other | 17,587 | 12,603 | 30,190 | |
| Total Operating Revenues | <u>1,769,318</u> | <u>2,605,040</u> | <u>4,374,358</u> | <u>238,434</u> |
| Operating Expenses: | | | | |
| Personal Services | 903,740 | 791,457 | 1,695,197 | 106,506 |
| Contractual Services | 3,214 | 3,214 | 6,428 | |
| Materials and Supplies | 505,975 | 645,111 | 1,151,086 | 131,180 |
| Capital Outlay | 594,068 | 134,608 | 728,676 | |
| Utility Deposits Refunded | | 39,755 | 39,755 | |
| Debt Service: | | | | |
| Principal Retirement | | 499,096 | 499,096 | |
| Total Operating Expenses | <u>2,006,997</u> | <u>2,113,241</u> | <u>4,120,238</u> | <u>237,686</u> |
| Operating Income (Loss) | (237,679) | 491,799 | 254,120 | 748 |
| Non-Operating (Expenses): | | | | |
| Grants | 259,544 | | 259,544 | |
| Interest Expense | | (118,675) | (118,675) | |
| Total Non-Operating (Expenses) | <u>259,544</u> | <u>(118,675)</u> | <u>140,869</u> | |
| Income (Loss) before Transfers | 21,865 | 373,124 | 394,989 | 748 |
| Transfers Out | <u>(6,783)</u> | <u>(5,720)</u> | <u>(12,503)</u> | <u>(748)</u> |
| Change in Net Position | 15,082 | 367,404 | 382,486 | |
| Net Position Beginning of Year | <u>529,798</u> | <u>2,412,897</u> | <u>2,942,695</u> | |
| Net Position End of Year | <u>\$544,880</u> | <u>\$2,780,301</u> | <u>\$3,325,181</u> | <u>\$0</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, 2015**

| | Private Purpose Trust | Agency |
|---|----------------------------------|---------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$36,238 | \$13,696 |
| Cash and Cash Equivalents in Segregated Account | | 150,307 |
| Total Assets | 36,238 | 164,003 |
| Liabilities: | | |
| Deposits Held and Due to Others | | 150,307 |
| Net Position: | | |
| Held for Fire Department | | 13,696 |
| Endowment | 36,238 | |
| Total Net Position | \$36,238 | \$13,696 |

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, 2015

| | <u>Private Purpose Trust</u> |
|----------------------------------|----------------------------------|
| Additions: | |
| Interest | <u>\$33</u> |
| Deductions: | |
| Other | <u> </u> |
| Total Deductions | <u> </u> |
| Change in Net Position | 33 |
| Net Position - Beginning of Year | <u>36,205</u> |
| Net Position - End of Year | <u><u>\$36,238</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, 2015**

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. There were no component units of the City of Van Wert in 2015.

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, two public entity risk pools, and is associated with a related organization. These organizations are described in Notes 17, 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, 2015
(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. 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 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 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, 2015
(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.

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:

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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position and changes in net position. 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 and Fire Department Welfare Trust.

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.

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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Account".

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 2015, 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, 2015. 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, 2015.

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 2015 was \$112,600 which includes \$98,941 assigned from other City funds.

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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 20, 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:

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).

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. 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 position/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. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No.71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB Statement No. 68". The implementation of these statements did not result in any changes to net position reported as of December 31, 2015, as the net pension liability is not reported in financial statements prepared following another comprehensive basis of accounting. See Note 10 to the basic financial statements.

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.

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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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".

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, \$2,805,351 of the City's bank balance of \$3,555,350 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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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, 2015, the City had the following investments:

| <u>Investment Type</u> | <u>Cost Value</u> | <u>Investment Maturities (in Years)</u> | | | |
|--|--------------------|---|------------------|--------------------|--------------------|
| | | <u>Less than 1</u> | <u>1-2</u> | <u>3-5</u> | <u>More than 5</u> |
| Federal Farm Credit Banks | \$750,000 | | | \$750,000 | |
| Federal Home Loan Mortgage Corporation | 250,005 | | \$250,005 | | |
| Federal Home Loan Bank | 2,000,000 | | | 2,000,000 | |
| Federal National Mortgage Association | 500,000 | | | 500,000 | |
| VW Municipal Court Improvement Bonds | 1,410,000 | \$55,000 | 110,000 | 190,000 | \$1,055,000 |
| Repurchase Agreements | 977,879 | 977,879 | | | |
| Huntington Money Market | 766,705 | 766,705 | | | |
| STAR Ohio | 161,413 | 161,413 | | | |
| Total Investments | <u>\$6,816,002</u> | <u>\$1,960,997</u> | <u>\$360,005</u> | <u>\$3,440,000</u> | <u>\$1,055,000</u> |

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 AA+ 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
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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 total investments as of December 31, 2015:

| | |
|--|-------------|
| Federal Farm Credit Banks | 11% |
| Repurchase Agreements | 14% |
| Federal National Mortgage Association | 7% |
| Federal Home Loan Bank | 29% |
| Federal Home Loan Mortgage Corporation | 4% |
| VW Municipal Ct Improvement Bonds | 21% |
| Huntington Money Market | 11% |
| STAR Ohio | 3% |
| 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 2015, 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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. PROPERTY TAXES (Continued)

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. 2015 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$3.2 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

| | |
|----------------------------------|-----------------------------|
| Real Property | \$151,355,860 |
| Public Utility Personal Property | <u>7,920,900</u> |
| Total | <u><u>\$159,276,760</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 ACTIVITY

As of December 31, 2015, \$500,000 of advances related to the Job Ready Site Project were repaid.

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 2015, 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.

| Type of Coverage | Coverage | Deductible |
|--|--------------|------------|
| Central Mutual Insurance: | | |
| Blanket Property and Contents, Replacement | \$42,893,883 | \$5,000 |
| Inland Marine | 828,732 | 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 | 270,076 | 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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. RISK MANAGEMENT (Continued)

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015

| | 2014 | 2015 |
|--------------|--------------|--------------|
| Assets | \$35,402,177 | \$38,307,677 |
| Liabilities | (12,363,257) | (12,759,127) |
| Net Position | \$23,038,920 | \$25,548,550 |

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the City's share of these unpaid claims collectible in future years is approximately \$77,000.

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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. RISK MANAGEMENT (Continued)

| <u>Contributions to PEP</u> | |
|-----------------------------|------------------|
| <u>2014</u> | <u>2015</u> |
| <u>\$115,439</u> | <u>\$121,960</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.

D. 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.

E. Employee Medical Benefits

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 Standard Life Insurance as the Health Care Provider for the City's term life insurance, and accidental death and dismemberment and Vision Service plan for insurance for vision. Premiums for family, employee and children, employee and spouse and single were \$1,609.47 \$912.09, \$1,073.08 and \$536.05 for medical. In 2013 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 \$1,517.76, \$860.06, \$1,011.85, and \$505.57 for medical.

10. NET PENSION LIABILITY

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|--|---|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit or any age with 30 years of service. | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit or Age 52 with at least 31 years of service. | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit or Age 55 with at least 32 years of service. |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>State And Local</u> | <u>Public Safety</u> | <u>Law Enforcement</u> |
|--|----------------------------|--------------------------|----------------------------|
| 2015 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0% | 18.1% | 18.1% |
| Employee | 10.0% | * | ** |
| 2015 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 12.0% | 16.1% | 16.1% |
| Post-employment Health Care Benefits | 2.0% | 2.0% | 2.0% |
| Total Employer | <u>14.0%</u> | <u>18.1%</u> | <u>18.1%</u> |
| Employee | <u>10.0%</u> | <u>12.0%</u> | <u>13.0%</u> |

*This rate is determined by OPERS' Board and has no maximum rate established by ORC.

**This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$385,786 for year 2015.

B. Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. 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 report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>Police</u> | <u>Firefighters</u> |
|---|----------------|---------------------|
| 2015 Statutory Maximum Contribution Rates: | | |
| Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates: | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | <u>19.50 %</u> | <u>24.00 %</u> |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$475,802 for 2015.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

C. Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | OPERS | OP&F | Total |
|--|--------------|-----------------|--------------|
| Proportionate Share of the Net Pension Liability | \$2,361,205 | \$5,331,706 | \$7,692,911 |
| Proportion of the Net Pension Liability | 0.019577% | 0.1029200% | |

D. Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|--|---------------|----------------------------------|
| Wage Inflation | | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 to 10.05 | percent including wage inflation |
| COLA or Ad Hoc COLA | | 3 percent, simple |
| Investment Rate of Return | | 8 percent |
| Actuarial Cost Method | | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|------------------------------|---|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 19.90 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 19.10 | 7.40 |
| Other investments | 18.00 | 4.59 |
| Total | <u>100.00 %</u> | <u>5.28 %</u> |

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|--------------------------------|--|--------------------------------|
| City's proportionate share of the net pension liability | \$4,344,919 | \$2,361,205 | \$676,973 |

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

E. Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

| | |
|----------------------------|-------------------------------|
| Valuation Date | January 1, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 2.60 percent and 3.00 percent |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. NET PENSION LIABILITY (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------------|------------------------------|---|
| Cash and Cash Equivalents | % | (0.25) % |
| Domestic Equity | 16.00 | 4.47 |
| Non-US Equity | 16.00 | 4.47 |
| Core Fixed Income * | 20.00 | 1.62 |
| Global Inflation Protected * | 20.00 | 1.33 |
| High Yield | 15.00 | 3.39 |
| Real Estate | 12.00 | 3.93 |
| Private Markets | 8.00 | 6.98 |
| Timber | 5.00 | 4.92 |
| Master Limited Partnerships | 8.00 | 7.03 |
| Total | <u>120.00 %</u> | |

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

| | <u>1% Decrease (7.25%)</u> | <u>Current Discount Rate (8.25%)</u> | <u>1% Increase (9.25%)</u> |
|--|--------------------------------|--|--------------------------------|
| City's proportionate share of the net pension liability | \$7,374,527 | \$5,331,706 | \$3,602,019 |

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. DEBT

The changes in the City's notes payable during 2015 were as follows:

| Governmental Activities | Outstanding 12/31/14 | Issued | Retired | Outstanding 12/31/15 |
|--|---------------------------------|---------------|----------------|---------------------------------|
| 4.50% VW Municipal Court Improvement Bonds | \$1,460,000 | | \$50,000 | \$1,410,000 |
| Total Governmental Activities | 1,460,000 | | 50,000 | 1,410,000 |
| Business Type Activities: | | | | |
| 0.00% OPWC Alligham/Bonnewitz Pump Station | 605,787 | | 43,270 | 562,517 |
| 3.91% OWDA Loan #2549 | 21,729 | | 5,121 | 16,608 |
| 4.12% OWDA Loan #2548 | 275,196 | | 64,657 | 210,539 |
| 3.81% OWDA Loan #2550 | 2,301,375 | | 318,373 | 1,983,002 |
| 4.65% OWDA Loan #3576 | 500,979 | | 67,675 | 433,304 |
| Total Business Type Activities | 3,705,066 | | 499,096 | 3,205,970 |
| Total | \$5,165,066 | \$0 | \$549,096 | \$4,615,970 |

A. Van Wert Municipal Court Improvement Bonds

On February 16, 2013, the City issued \$1,500,000 in un-voted general obligation bonds to for the purpose of acquiring and renovating a building for use as a municipal court. The bonds were issued for a twenty year period with final maturity in 2033. The bonds will be paid from the Municipal Court Special Projects Fund.

B. Ohio Water Development Authority (OWDA)

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, including interest.

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. Total loan amount of \$1,166,155 payable over 20 years. The City is making semi-annual payments of \$45,097 including interest.

C. 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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. DEBT (Continued)

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

| Year | Business Type Activities | | | | |
|-----------|--------------------------|------------------|------------------|-----------------------|------------------|
| | OWDA Loans | | OPWC Loan | Municipal Court Bonds | |
| | Principal | Interest | Principal | Principal | Interest |
| 2016 | \$474,148 | \$82,643 | \$43,270 | \$55,000 | \$63,450 |
| 2017 | 493,212 | 67,094 | 43,271 | 55,000 | 60,975 |
| 2018 | 513,014 | 50,944 | 43,271 | 55,000 | 58,500 |
| 2019 | 451,590 | 34,681 | 43,270 | 60,000 | 56,025 |
| 2020 | 469,657 | 19,642 | 43,271 | 65,000 | 53,325 |
| 2021-2025 | 241,832 | 3,991 | 216,352 | 360,000 | 221,175 |
| 2026-2030 | | | 129,812 | 445,000 | 132,750 |
| 2031-2033 | | | | 315,000 | 28,800 |
| | <u>\$2,643,453</u> | <u>\$258,995</u> | <u>\$562,517</u> | <u>\$1,410,000</u> | <u>\$675,000</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, 2015 were an overall debt margin of \$16,161,542 and an un-voted debt margin of \$8,197,704.

12. 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 |
|---------------------------|--------------------|---------------------|--------------------|--------------------------|--------------------|
| Non-spendable: | | | | | |
| Unclaimed Monies | \$4,402 | | | | \$4,402 |
| Total Non-spendable | 4,402 | | | | 4,402 |
| Restricted for: | | | | | |
| Street Construction | | \$2,658,186 | | | 2,658,186 |
| Police & Fire Capital | | | | | |
| Other Purposes | | | \$1,642,963 | \$1,114,411 | 2,757,374 |
| Total Restricted | | 2,658,186 | 1,642,963 | 1,114,411 | 5,415,560 |
| Committed to: | | | | | |
| Other Purposes | 158,587 | | | 194,135 | 352,722 |
| Total Committed | 158,587 | | | 194,135 | 352,722 |
| Assigned to: | | | | | |
| Projected Budget Shortage | 404,819 | | | | 404,819 |
| Unpaid Obligations | 45,717 | | | | 45,717 |
| Total Assigned | 450,536 | | | | 450,536 |
| Unassigned (deficits): | 468,034 | | | | 468,034 |
| Total Fund Balances | <u>\$1,081,559</u> | <u>\$2,658,186</u> | <u>\$1,642,963</u> | <u>\$1,308,546</u> | <u>\$6,691,254</u> |

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

13. INTERFUND TRANSFERS

During 2015 the following transfers were made:

| <u>Transfers To</u> | <u>Transfers From General</u> | <u>Street Construction</u> | <u>Other Governmental Funds</u> | <u>Water</u> | <u>Sewer</u> | <u>Garage</u> | <u>Total</u> |
|----------------------------------|-----------------------------------|--------------------------------|---|----------------|----------------|---------------|------------------|
| General Fund | \$48,589 | \$3,208 | \$1,079 | \$6,783 | \$5,720 | \$748 | \$66,127 |
| Other Governmental Funds: | | | | | | | |
| Economic Development | 37,178 | | | | | | 37,178 |
| Total | <u>\$85,767</u> | <u>\$3,208</u> | <u>\$1,079</u> | <u>\$6,783</u> | <u>\$5,720</u> | <u>\$748</u> | <u>\$103,305</u> |

Transfers to the General Fund were for funds that rolled with the General for reporting purposes (27th pay and retirement).

14. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

| | |
|------------------------|-----------|
| Kalida Truck Equipment | \$22,500 |
| Smeal Fire Apparatus | \$569,953 |

15. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash). The encumbrances outstanding at year end (budgetary basis) amount to \$45,716 in the general fund. The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

| <u>Net Change in Fund Balance</u> | |
|-----------------------------------|------------------|
| | <u>General</u> |
| Cash Basis | \$1,081,559 |
| Funds budgeted elsewhere** | (158,587) |
| Adjustment for Encumbrances | (45,716) |
| Budget Basis | <u>\$877,256</u> |

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a OCBOA basis. This includes the 27th pay and Retirement funds.

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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 \$3,796 in 2015 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.

18. RELATED ORGANIZATION

The constitution and laws of the State of Ohio establish the rights and privileges for the Woodland Union Cemetery, Van Wert County, (the Cemetery). Pleasant Township and the City of Van Wert appoint a three-member Board of Trustees to direct cemetery operations. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies. Although the City serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Woodland Union Cemetery, 10968 Woodland Avenue, Van Wert, Ohio 45891.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 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)

20. POST-EMPLOYMENT 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 two cost-sharing multiple-employer defined benefit postemployment health care trusts which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of another postemployment benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

20. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their 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 earnable salary of active members. In 2015, state and local employers contributed 14 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees and the traditional pension and combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a retiree medical account for member-directed plan members.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members in both the traditional pension and combined plans was 2 percent for 2015. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided.

Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the VEBA for participants in the member-directed plan was 4.5 percent for 2015.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$55,112, \$49,835, and \$3,615, respectively. The full amount has been contributed for 2015, 2014, and 2013.

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 statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of another 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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

20. POST-EMPLOYMENT BENEFITS (Continued)

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.

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 to contribute to the pension plan at rates expressed as a percentage of the 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.

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 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of the 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 for the years ended December 31, 2015, 2014, and 2013, was \$10,873, \$10,928, and \$76,446, respectively. The full amount has been contributed for 2015, 2014, and 2013.

21. SUBSEQUENT EVENT

In January 2016, the City Board of Control approved the City's share in the amount of \$1,919,142 of the Ohio Department of Transportation Statewide Transportation Improvement Program, PID 96261, Washington Street Phase III consisting of complete utility replacement, storm, sanitary, and water. After utility work the street will be completely excavated and reconstructed from sub grade to finish asphalt including new curb and gutter. The project also involves replacement of traffic control devices at two intersections and twin 60 inch culvert replacement at the steam crossing.

This page intentionally left blank.



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 cash-basis financial statements of the governmental activities, business type activities, 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 year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 5, 2016, wherein we 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

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 2015-001.

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

October 5, 2016

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2015-001

Financial Statement Reporting – Noncompliance

Ohio Rev. Code §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 Administrative Code §117-2-03(B) further clarifies the requirements of Ohio Rev. Code §117.38.

Ohio Adm. Code §117-2-03(B) requires the City to report its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the City prepared its financial statements for 2015 following the cash accounting basis. This is a comprehensive accounting basis 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.

Pursuant to Ohio Rev. Code §117.38, the City may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The City should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, equity and the disclosures required to provide a complete presentation of financial status.

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.

FINDING NUMBER 2015-002

Accuracy of Financial Statement reporting – Material Weakness

Transactions were posted to the general ledger and annual report; however, not all transactions were posted to the correct line item accounts or funds. The following items were not properly posted during 2015:

- In 2015, the City incorrectly classified Ohio Public Works Commission funding for a water project as capital projects governmental type activity instead of as part of the Water Fund Enterprise activity. Grant revenues of \$259,554, transfer in of \$241,000, and capital outlay expenditures of \$466,276 were reclassified to the Water Fund. The fund has been reclassified by the City for reporting purposes.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.173-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 and establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds. The following errors were noted as a result of the City not properly implementing GASB Statement No 54:

**FINDING NUMBER 2015-002
(Continued)**

- The GASB 54 fund classification for the Reserve for Retirement Fund and the 27th Pay Fund requires that the funds be classified as committed as the City has put the restriction on the use of the funds. The balances of the Reserve for Retirement Fund of \$68,506 and Reserve for 27th Pay Fund of \$90,081 were incorrectly shown as Unassigned instead of Committed in the General Fund.

The 2015 annual report required audit adjustments and reclassifications for proper presentation. The adjustments are reflected on the accompanying financial statements. Other less significant items were noted that were not adjusted to the financial statements.

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 determine accurate classifications.

Official's Response:

Classification corrections have been made in all worksheets used for report preparation. These specific items have been marked for review for 2016 reports.

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|---------------|--------------------------------------|
| 2014-001 | Ohio Rev. Code §117.38 and Ohio Adm. Code §117-2-03(B) - Failure to file annual financial report in accordance with GAAP. | Not Corrected | Repeated as Finding Number 2015-001. |
| 2014-002 | Material Weakness - Accuracy of Financial Statements | Not Corrected | Repeated as Finding Number 2015-002. |

This page intentionally left blank.



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
NOVEMBER 29, 2016