CITY OF VAN WERT
VAN WERT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF VAN WERT
VAN WERT COUNTY
DECEMBER 31, 2017 AND 2016

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VAN WERT COUNTY
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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 years ended December 31, 2017 and 2016, 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 such 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, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2019, 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.

Keith Faber
Auditor of State
Columbus, Ohio

January 14, 2019

City of Van Wert
Van Wert County

Statement of Net Position - Cash Basis
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	$ 5,264,755	$ 4,200,210	$ 9,464,965
Cash and Cash Equivalents with Fiscal Agents	53,370		53,370
Total Assets	$ 5,318,125	$ 4,200,210	$ 9,518,335
Net Position:			
Restricted for:			
Capital Projects	$ 2,467,200		$ 2,467,200
Other Purposes	1,051,997		1,051,997
Unrestricted	1,798,928	$ 4,200,210	5,999,138
Total Net Position	$ 5,318,125	$ 4,200,210	$ 9,518,335

See Accompanying Notes to the Basic Financial Statements.

City of Van Wert
Van Wert County

Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

		Program Cash Receipts	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Current:			
Security of Persons and Property			
Police	$2,285,162	$16,669	$17,459
Fire	1,902,606	330,868	5,820
Other	475,967		
Public Health	150,000		
Leisure Time Activities	311,683	50,151	
Community Environment	361,236	1,075	
Transportation	2,825,660	5,720	510,854
General Government	1,423,827	880,055	18,922
Intergovernmental TIF	347,201		
Capital Outlay	740,748		
Debt Service			
Principal Retirement	55,000		
Interest & Fiscal Charges	60,975		
Total Governmental Activities	10,940,065	1,284,538	553,055
Business-Type Activities			
Water	1,622,637	1,772,709	65,783
Sewer	2,536,707	2,729,795	27,894
Total Business-Type Activities	4,159,344	4,502,504	93,677
Total	$15,099,409	$5,787,042	$646,732

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
Refund of prior year expense
Total General Receipts

Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements.

Net (Disbursements) Receipt and Change in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
($2,251,034)		($2,251,034)
(1,565,918)		(1,565,918)
(475,967)		(475,967)
(150,000)		(150,000)
(261,532)		(261,532)
(360,161)		(360,161)
(2,309,086)		(2,309,086)
(524,850)		(524,850)
(347,201)		(347,201)
(740,748)		(740,748)
(55,000)		(55,000)
(60,975)		(60,975)
(9,102,472)		(9,102,472)
	$215,855	215,855
	220,982	220,982
	436,837	436,837
(9,102,472)	436,837	(8,665,635)
330,883		330,883
42,791		42,791
42,791		42,791
4,261,259		4,261,259
903,058		903,058
2,052,405		2,052,405
134,640		134,640
295,934		295,934
99,081		99,081
145,893		145,893
237,546		237,546
347,201		347,201
63,899		63,899
8,957,381		8,957,381
19,649	(19,649)	
(125,442)	417,188	291,746
5,443,567	3,783,022	9,226,589
$5,318,125	$4,200,210	$9,518,335

City of Van Wert
Van Wert County

Statement of Assets And Fund Balances - Cash Basis
Governmental Funds
December 31, 2017

	Governmental Funds				
	General	Street Construction	Police & Fire	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	$ 1,645,989	$ 1,561,289	$ 801,903	$ 1,255,574	$ 5,264,755
Cash and Cash Equivalents with Fiscal Agents		53,370			53,370
Total Assets	$ 1,645,989	$ 1,614,659	$ 801,903	$ 1,255,574	$ 5,318,125
Fund Balances:					
Nonspendable	$ 6,493				$ 6,493
Restricted		$ 1,614,659	$ 801,903	$ 1,096,141	3,512,703
Committed	235,297			159,433	394,730
Assigned	345,690				345,690
Unassigned	1,058,509				1,058,509
Total Fund Balances	$ 1,645,989	$ 1,614,659	$ 801,903	$ 1,255,574	$ 5,318,125

See Accompanying Notes to the Basic Financial Statements.

City of Van Wert
Van Wert County

Statement of Revenues, Expenditures, and Change in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	Governmental Funds				
	General	Street Construction	Police & Fire	Other Governmental	Total Governmental Funds
Revenues					
Property Taxes	$330,883			$85,582	$416,465
Municipal Income Taxes	4,261,259	$2,052,405	$306,985	596,073	7,216,722
Permissive Motor Vehicle License Taxes				26,866	26,866
Payment In Lieu of Taxes				347,201	347,201
Other Local Taxes	47,847			86,793	134,640
Charges for Services	434,675	2,405		2,045	439,125
Fees, Licenses, and Permits	572,058			1,643	573,701
Fines and Forfeitures				372,968	372,968
Intergovernmental	282,859			502,883	785,742
Interest	139,365			6,528	145,893
Gifts and Donations				11,618	11,618
Other	119,775	76,682	14,890	112,686	324,033
Total Revenues	6,188,721	2,131,492	321,875	2,152,886	10,794,974
Expenditures					
Current:					
Security of Persons and Property					
Police	1,921,433			363,729	2,285,162
Fire	1,562,649			339,957	1,902,606
Other	471,396			4,571	475,967
Public Health	150,000				150,000
Leisure Time Activities	311,683				311,683
Community Environment				361,236	361,236
Transportation		2,426,355		399,305	2,825,660
General Government	1,302,510			122,555	1,425,065
Internal governmental TIF				347,201	347,201
Capital Outlay	43,144		644,859	52,745	740,748
Total Expenditures	5,762,815	2,426,355	644,859	1,991,299	10,825,328
Excess of Revenues Over (Under) Expenditures	425,906	(294,863)	(322,984)	161,587	(30,354)
Other Financing Sources (Uses)					
Debt Service:					
Principal Retirement				(55,000)	(55,000)
Interest and Fiscal Charges				(60,975)	(60,975)
Transfers In	147,086			64,327	211,413
Transfers Out	(166,449)	(3,249)		(20,828)	(190,526)
Total Other Financing Sources (Uses)	(19,363)	(3,249)		(72,476)	(95,088)
Change in Fund Balance	406,543	(298,112)	(322,984)	89,111	(125,442)
Fund Balance Begin of Year	1,239,446	1,912,771	1,124,887	1,166,463	5,443,567
Fund Balance End of Year	$1,645,989	$1,614,659	$801,903	$1,255,574	$5,318,125

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, 2017

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Receipts:				
Property Taxes	$330,949	$330,949	$330,883	($66)
Municipal Income Taxes	4,178,300	4,178,300	4,261,259	82,959
Other Local Taxes	44,000	44,000	47,847	3,847
Charges for Services	405,700	405,700	434,675	28,975
Fees, Licenses, and Permits	462,900	462,900	480,266	17,366
Intergovernmental	281,835	281,835	282,859	1,024
Interest	120,000	120,000	139,364	19,364
Other	100,850	100,850	211,567	110,717
Total Revenues	5,924,534	5,924,534	6,188,720	264,186
Disbursements:				
Current:				
Security of Persons and Property				
Police	2,018,328	2,048,384	1,933,108	115,276
Fire	1,734,134	1,748,834	1,564,512	184,322
Other	541,678	566,278	472,534	93,744
Public Health	150,000	150,000	150,000	
Leisure Time Activities	368,160	352,160	313,185	38,975
General Government	1,301,089	1,365,801	1,311,065	54,736
Capital Outlay	52,204	55,204	43,145	12,059
Total Expenditures	6,165,593	6,286,661	5,787,549	499,112
Excess of Revenues Over (Under) Expenditures	(241,059)	(362,127)	401,171	763,298
Other Financing Sources (Uses):				
Transfers In			63,650	63,650
Transfers Out	(94,765)	(121,892)	(120,892)	1,000
Total Other Financing Sources (Uses)	(94,765)	(121,892)	(57,242)	64,650
Change in Fund Balance	(335,824)	(484,019)	343,929	827,948
Fund Balance at Beginning of Year	1,008,538	1,008,538	1,008,538	
Prior Year Encumbrances Appropriated	33,491	33,491	33,491	
Fund Balance at End of Year	$706,205	$558,010	$1,385,958	$827,948

See Accompanying Notes to Basic Financial Statements

City of Van Wert
Van Wert County

Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2017

	Water	Sewer	Total Business - Type Activities
Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 931,082	$ 3,269,128	$ 4,200,210
	$ 931,082	$ 3,269,128	$ 4,200,210
Net Position			
Unrestricted	$ 931,082	$ 3,269,128	$ 4,200,210
Total Net Position	$ 931,082	$ 3,269,128	$ 4,200,210

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, 2017

	Water	Sewer	Total Business-Type Activities	Governmental Activity City Garage
Operating Revenues				
Charges for Services	$1,772,709	$2,729,795	$4,502,504	$233,776
Intergovernmental	65,783	27,894	93,677	
Total Operating Revenues	1,838,492	2,757,689	4,596,181	233,776
Operating Expenses				
Personal Services	885,263	820,999	1,706,262	113,229
Contractual Services	3,250	3,250	6,500	
Materials and Supplies	561,290	927,607	1,488,897	119,309
Capital Outlay	172,834	140,380	313,214	
Utility Deposits Refunded		40,895	40,895	
Debt Service				
Principal Retirement		536,482	536,482	
Interest and Fiscal Charges		67,094	67,094	
Total Operating Expenses	1,622,637	2,536,707	4,159,344	232,538
Income before Contributions and Transfers	215,855	220,982	436,837	1,238
Transfers out	(10,461)	(9,188)	(19,649)	(1,238)
Change in Net Position	205,394	211,794	417,188	0
Net Position Beginning of Year	725,688	3,057,334	3,783,022	0
Net Position End of Year	$931,082	$3,269,128	$4,200,210	$0

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, 2017

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	$ 36,789	$ 8,774
Cash and Cash Equivalents in Segregated Account		127,622
	$ 36,789	136,396
Liabilities:		
Deposits Held and Out to Others		127,622
Total Liabilities		127,622
<u>Net Position</u>		
Held for Fire Department		8,774
Endowment	$ 36,789	
Total Net Position	$ 36,789	$ 8,774

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, 2017

	Private Purpose Trust
Additions	
Interest	$373
	373
Deductions	
Other	
Total Deductions	
Change in Net Position	373
Net Position - Beginning of Year	36,416
Net Position - End of Year	$36,789

See Accompanying Notes to the Basic Financial Statements

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 2017.

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.

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 nonexchange 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. Nonmajor 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Fiduciary Funds

Fiduciary fund reporting focuses on net 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by City Council.

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

E. Cash and Investments

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

Cash and cash equivalents that are held separately within the Municipal Court of the City (Agency Fund) are recorded as “Cash and Cash Equivalents in Segregated Account”.

Cash and cash equivalents for retainage accounts that are held separately by financial institutions are recorded as “Cash and Cash Equivalents with Fiscal Agents”.

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 the year 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City also implemented GASB Statement No. 79 for 2016. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017 was $139,365 which includes $129,880 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 nonspendable.

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 9 and 10, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonoperating 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.

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 positon 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. 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.

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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

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

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

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

4. DEPOSITS AND INVESTMENTS (Continued)

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

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, $500,610 of the City's bank balance of $1,062,381 exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

Investments

As of December 31, 2017, the City had the following investments:

		Investment Maturities (in Years)			
Investment Type	Cost Value	Less than 1	1-2	3-5	More than 5
Federal Farm Credit Banks	$ 500,000			$ 500,000	
Federal Home Loan Bank	3,750,000			3,750,000	
Federal National Mortgage Association	1,000,000			1,000,000	
VW Municipal Court Improvement Bonds	1,300,000	$ 55,000	$ 125,000	205,000	$ 915,000
Repurchase Agreements	2,258,820	2,258,820			
Huntington Money Market	95,222	95,222			
STAR Ohio	86,556	86,556			
Total Investments	$ 8,990,598	$ 2,495,598	$ 125,000	$ 5,455,000	$ 915,000

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, federal farm credit banks and federal home loan bank 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

4. DEPOSITS AND INVESTMENTS (Continued)

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 and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name.

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

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, 2017:

Federal Farm Credit Banks	6%
Repurchase Agreements	25%
Federal National Mortgage Association	11%
Federal Home Loan Bank	42%
VW Municipal Ct Improvement Bonds	14%
Huntington Money Market	1%
STAR Ohio	1%
Total	100%

5. 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 2017, the taxes were allocated to the general fund, street construction fund, police and fire safety fund, and amended police and fire safety fund.

6. TAX ABATEMENTS

The City has 3 Community Reinvestment Areas established under ORC 3735.66 allowing tax exemption of certain properties for real property tax. As of December 31, 2017 the City had the following CRA agreements.

OWNERSHIP NAME	ADDRESS	# YRS	%	EXP	ABATEMENT
WANNAMACHER ENTERPRISES	550 BONNEWITZ	9	85%	2017	$26,475.32
VALAM HOSPITALITY, INC	140 VALUM DR.	9	90%	2019	$50,796.23
COLLEEN J. MILLER	504 ROSE DRIVE	5	50%	2017	$ 35.81
BARBARA WELCH	410 N. RACE ST.	5	50%	2017	$ 56.78
JERRY & MARCIA ETZLER	260 PARKVIEW	5	50%	2017	$ 892.48
WESTWOOD SENIOR APARTMENTS	1051 WESTWOOD DR	10	75%	2023	$11,898.79
HICKORY GROVES ESTATES LLC	10471 HICKORY LANE	5	50%	2019	$ 673.07
KIMBERLY C. BISSONETTE	431 N. CHESTNUT	5	50%	2017	$ 225.97
WEST PARK VILLAS LLC	189 & 191 CAMDEN DR	5	50%	2018	$ 483.97
WEST PARK VILLAS LLC	181 & 183 CAMDEN DR	5	50%	2018	$ 483.97
WEST PARK VILLAS LLC	383 & 385 RALPHS WAY	5	50%	2018	$ 483.97
WEST PARK VILLAS LLC	377 & 379 RALPHS WAY	5	50%	2018	$ 483.97
WEST PARK VILLAS LLC	371 & 373 RALPHS WAY	5	50%	2018	$ 483.97
WEST PARK VILLAS LLC	370 & 372 RALPHS WAY	5	50%	2018	$ 483.97
WEST PARK VILLAS LLC	182 & 184 CAMDEN DR	5	50%	2018	$ 483.97
FELT DEVELOPMENT	263 PARKVIEW DR	5	50%	2020	$ 430.62
WARREN STRALEY	563 S CHESTNUT ST	5	50%	2020	$ 20.97
HARRY SCHAFFNER	569 S CHESTNUT	5	50%	2020	$ 27.46
CLAIR & ARLENE DUDGEON	248 PRAIRE LANE	5	50%	2020	$ 502.09
GLENN & CONNIE GRUNDEN	268 PRAIRE LANE	5	50%	2020	$ 378.48
RHODES INVESTMENTS	872 N WASHINGTON	9	85%	2025	$ 4,675.10
TIN CAP INVESTMENTS	109 S. WASHINGTON ST	10	100%	2026	$ 99.92
STEPHEN & PAULETTE BROWN	247 PARKVIEW	5	50%	2018	$ 432.33
JORDAN & JENNA SHERRY	259 PRAIRIE LANE	5	50%	2023	$ 562.94
DUVALL FAMILY	247 PRAIRIE LANE	5	50%	2023	$ 622.85
THOMAS & CAROL SANDERSON	263 PRAIRIE LANE	5	50%	2021	$ 461.15
RON & DEBORAH DULL	309 S CHERRY STREET	5	50%	2021	$ 338.10
MAURICE & CHERYL WISTNER	264 PRAIRE LANE	5	50%	2023	$ 572.28
ADAM RIES	427 BOYD AVENUE	5	50%	2021	$ 41.06
TIN CAP INVESTMENTS (2)	145 E MAIN STREET	10	100%	2028	$ 935.99
GREGORY AMSTUTZ	1304 WOODLAND AVENU	5	50%	2023	$ 37.23
ROBERT CHAVARRIA	244 PARKVIEW DRIVE	5	50%	2023	$ 504.66
CLARK FAMILY TRUST	267 PRAIRE LANE	5	50%	2023	$ 470.35
ROBERT MYERS	198 PARKVIEW DRIVE	5	50%	2022	$ 637.48
CYNTHIA YOUNG	248 PARKVIEW DRIVE	5	50%	2022	$ 583.62
LARRY & DIANE MENGERINK	812 ELSON AVENUE	5	50%	2023	$ 32.53
THOMAS & TAMARA TOMLINSON	251 PRAIRIE LANE	5	50%	2023	$ 447.95
JAMES & THERESA KILE	252 PRAIRIE LANE	5	50%	2023	$ 461.58
CRAIG & MYRTLE MARIE DUFF	260 PRAIRIE LANE	5	50%	2023	$ 528.20

6. TAX ABATEMENTS (Continued)

The City has 2 Enterprise Zone Agreements established under ORC Chapter 5709. As of December 31, 2017 the City had the following Enterprise Zone Agreements

OWNERSHIP NAME	ADDRESS	# YRS	%	EXP	ABATEMENT
NATIONAL DOOR AND TRIM	1189 GRILL ROAD	5	100	2018	$ 3,337.42
ELMO ENGINEERING OH INC	1171 GRILL RD	10	100	2025	$ 9,934.84

7. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

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. 2017 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was $3.2 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	$156,844,210
Public Utility Personal Property	7,903,400
Total	$164,747,610

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. 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 2017, 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.

8. RISK MANAGEMENT (Continued)

Type of Coverage	Coverage	Deductible
Central Mutual Insurance		
Blanket Property and Contents, Replacement	$40,256,000	$5,000
Inland Marine	1,049,460	2,500
General Liability	4,000,000	0
Automobile Liability	4,000,000	0
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	270,761	500
Public Employee Dishonesty	100,000	500
Money and Securities	20,000	500

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

The City 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.

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, 2017, 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.

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, 2017:

	2017
Assets	$44,452,326
Liabilities	(13,004,011)
Net Position	$31,448,315

8. RISK MANAGEMENT (Continued)

At December 31, 2017, the liabilities above include approximately $11.8 million of estimated incurred claims payable. The assets above also include approximately $11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

2017 Contributions to PEP
$121,698

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

B. Workers' Compensation

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

C. Employee Medical Benefits

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 $2,008, $1,138, $1,339 and $670 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 $1,894, $1,073, $1,263, and $631 for medical.

9. DEFINED BENEFIT PENSION PLANS

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.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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.

9. DEFINED BENEFIT PENTION PLANS (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, including requirements for reduced and unreduced benefits):

after January 7, 2013	ten years after January 7, 2013	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

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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

	State and Local	Public Safety	Law Enforcement
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0	1.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* 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 $367,760 for year 2017.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F 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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 OP&F 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:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $479,320 for 2017.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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 and pension expense:

9. DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.020235%	0.1120697%	
Prior Measurement Date	0.019888%	0.9942794%	
Change in Proportionate Share	0.0003470%	-0.8822097%	
Proportionate Share of the Net Pension Liability	$4,595,024	$7,098,393	$11,693,417

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS actuarial consultants conducted an experience study for the period 2011 through 2015 comparing assumptions to actual results. The experience study incorporates both a historical review and forward looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions with the most notable being a reduction in the actuarially assumed rate of return from 8 percent to 7.5 percent for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuations are presented as follows:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvements back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvements scale to the above described tables.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates for 2015 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, 2015. The prior 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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio historically included the assets of the member-directed retiree medical accounts funded through the VEBA Trust; however, the VEBA Trust was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 8.3 percent for 2016.

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 2016 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 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.27 %

9. DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate used to measure the total pension liability was 8 percent for 2015. 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 contractually required rates, as actuarially determined. 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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$7,019,926	$4,595,024	$2,574,297

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F'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, 2016, are presented as follows:

Valuation Date	January 1, 2016, with actuaril liabilities rolled forward to December 31, 2016
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, plus productivity increase rate of .5 percent
Cost of Living Adjustments	3.00 percent simple, 2.60 percent simple increases based on lesser of the increase in CPI and 3 percent

9. DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates 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 average 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 OP&F's target asset allocation as of December 31, 2016, are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x
** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F'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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 City's proportionate share of the net pension liability calculated using the discount rate of 8.25 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 (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$9,454,204	$7,098,393	$5,101,791

Changes Between Measurement Date and Report Date In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

Social Security

Several City's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The City contributed an amount equal to 6.2 percent of participants' gross salaries. The City has paid all contributions required through December 31, 2017.

10. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vest RMA balance.

10. POSTEMPLOYMENT BENEFITS (Continued)

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 an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy **–** The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS 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 for Member-Directed Plan participants for 2017 was 4.0%.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015, were $26,258, $50,129 and $47,422, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F 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.

10. POSTEMPLOYMENT BENEFITS (Continued)

OP&F 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 OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employee units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements 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 OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees 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 contributions to OP&F for the years ended December 31, 2017 2016, and 2015 were $479,320, $510,078, and $426,519, respectively, of which $11,053, $11,736, and $9,803, respectively, were allocated to the healthcare plan. The full amount has been contributed for all three years.

11. DEBT

The changes in the City's notes payable during 2017 were as follows:

Governmental Activities	Outstanding 12/31/16	Issued	Retired	Outstanding 12/31/17
4.50% VW Municipal Court Improvement Bonds	$1,355,000		$55,000	$1,300,000
Total Governmental Activities	1,355,000		55,000	$1,300,000
Business Type Activities				
0.00% OPWC Allingham/Bonnewitz Pump Station	519,246		43,271	475,975
3.91% OWDA Loan #2549	11,285		5,533	5,752
4.12% OWDA Loan #2548	143,191		70,151	73,040
3.81% OWDA Loan #2550	1,652,384		343,335	1,309,049
4.65% OWDA Loan #3576	362,445		74,192	288,253
Total Business Type Activities	2,688,551		536,482	2,152,069
Total	$4,043,551		$591,482	$3,452,069

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.

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. Loans are being retired from the sewer enterprise fund.

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. Loan is being retired from the sewer enterprise fund.

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. Loan is being retired from the sewer enterprise fund.

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. Loan is being retired from the sewer enterprise fund.

11. DEBT (Continued)

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

	Business Type Activities				
	OWDA Loans		OPWC Loan	Municipal Court Bonds	
Year	Principal	Interest	Principal	Principal	Interest
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	241,833	3,991	43,271	65,000	50,400
2022			43,270	70,000	47,475
2023-2027			216,353	390,000	188,100
2028-2032			43,270	485,000	91,800
2033				110,000	4,950
	$ 1,676,094	$ 109,258	$ 475,976	$ 1,300,000	$ 550,575

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 unvoted 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, 2017 were an overall debt margin of $17,137,524 and an unvoted debt margin of $9,226,119.

12. FUND BALANCES

Fund balance is classified as nonspendable, 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
Nonspendable					
Unclaimed Monies	$6,493				$6,493
Total Nonspendable	6,493				6,493
Restricted for					
Street Construction		$1,615,659			1,615,659
Police & Fire Capital			$801,903		801,903
OtherPurposes				$1,096,141	1,096,141
Total Restricted		1,615,659	801,903	1,096,141	3,513,703
Committed to					
Other Purposes	235,297			159,433	394,730
Total Committed	235,297			159,433	394,730
Assigned to					
Unpaid Obligations	345,690				345,690
Total Assigned	345,690				345,690
Unassigned (deficits):	1,058,509				1,058,509
Total Fund Balances	$1,645,989	$1,615,659	$801,903	$1,255,574	$5,319,125

13. INTERFUND TRANSFERS

During 2017 the following transfers were made:

	Transfers From						
Transfers To	General	Street Construction	Other Governmental Funds	Water	Sewer	Garage	Total
General Fund	$102,122	$3,249	$20,828	$10,461	$9,188	$1,238	$147,086
Other Governmental Funds							
Economic Development	43,397						43,397
MC Special Projects	930						930
Parks Capital Improvement	20,000						20,000
Total	$166,449	$3,249	$20,828	$10,461	$9,188	$1,238	$211,413

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

Van Wert County Engineer	$ 50,000
Helms & Sons Excavating	187,083
Statewide Ford	53,795
Poggemeyer Design Group	68,806
OTT North America, LLC	21,000

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 $24,731 in the general fund. The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Balance

	General
Cash Basis	$1,645,989
Funds budgeted elsewhere**	(235,300)
Adjustment for Encumbrances	(24,731)
Budget Basis	$1,385,958

** 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.

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 2017 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.

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 8)

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 8)

20. REVOLVING LOAN FUND

In 2017 the City merged their Economic Development Revolving Loan Fund with Van Wert County. In September the merger was complete and $214,883 was transferred from the city Revolving Loan Fund to Van Wert County. The combined Revolving Loan Fund is administered by contract by the Van Wert Area Economic Development Corporation.

21. SUBSEQUENT EVENT

On April 26, 2018, the City entered into a loan agreement with Ohio Water Development Authority (OWDA) for the construction of a pump station and retention basin for a total of $7,053,200 for 20 years at 0% interest. Payments to begin on January 1, 2020.

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City of Van Wert
Van Wert County

Statement of Net Position - Cash Basis
December 31, 2016

	Primary Government Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	$ 5,443,567	$ 3,783,022	$ 9,226,589
Total Assets	$ 5,443,567	$ 3,783,022	$ 9,226,589
Net Position:			
Restricted for:			
Capital Projects	$ 3,063,593		$ 3,063,593
Debt Service	18,094		18,094
Other Purposes	959,205		959,205
Unrestricted	1,402,675	3,783,022	5,185,697
Total Net Position	$ 5,443,567	$ 3,783,022	$ 9,226,589

See accompanying notes to the basic financial statements.

City of Van Wert
Van Wert County

Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

		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	$2,267,580	$16,292	$14,453	$4,458
Fire	1,897,312	310,673	1,500	6,590
Other	486,930			
Public Health	150,000			
Leisure Time Activities	328,884	57,364		
Community Environment	392,972	1,730		
Transportation	3,433,210	7,585	508,009	1,038
General Government	1,301,663	819,263	25,750	44,607
Intergovernmental TIF	448,543			
Capital Outlay	1,021,392			
Debt Service				
Principal Retirement	55,000			
Interest & Fiscal Charges	63,450			
Total Governmental Activities	11,846,936	1,212,907	549,712	56,693
Business-Type Activities				
Water	1,752,629	1,762,723	40,829	140,053
Sewer	2,281,064	2,552,393	14,701	
Total Business-Type Activities	4,033,693	4,315,116	55,530	140,053
Total	$15,880,629	$5,528,023	$605,242	$196,746

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
Refund of prior year expense
Total General Receipts

Transfers

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See accompanying notes to the basic financial statements.

Primary Government		
Governmental Activities	Business-Type Activities	Total
($2,232,377)		($2,232,377)
(1,578,549)		(1,578,549)
(486,930)		(486,930)
(150,000)		(150,000)
(271,520)		(271,520)
(391,242)		(391,242)
(2,916,578)		(2,916,578)
(412,043)		(412,043)
(448,543)		(448,543)
(1,021,392)		(1,021,392)
(55,000)		(55,000)
(63,450)		(63,450)
(10,027,624)		(10,027,624)
	$190,976	190,976
	286,030	286,030
	477,006	477,006
(10,027,624)	477,006	(9,550,618)
317,249		317,249
41,066		41,066
41,066		41,066
4,063,379		4,063,379
864,110		864,110
1,963,886		1,963,886
124,037		124,037
298,393		298,393
101,559		101,559
128,024		128,024
175,849		175,849
448,543		448,543
193,611		193,611
8,760,772		8,760,772
19,165	(19,165)	
(1,247,687)	457,841	(789,846)
6,691,254	3,325,181	10,016,435
$5,443,567	$3,783,022	$9,226,589

City of Van Wert
Van Wert County

Statement of Assets And Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

	Governmental Funds				
	General	Street Construction	Police & Fire	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	$ 1,239,446	$ 1,912,771	$ 1,124,887	$ 1,166,463	$ 5,443,567
Total Assets	$ 1,239,446	$ 1,912,771	$ 1,124,887	$ 1,166,463	$ 5,443,567
Fund Balances:					
Nonspendable	$ 4,750				$ 4,750
Restricted		$ 1,912,771	$ 1,124,887	$ 998,484	4,036,142
Committed	197,417			167,979	365,396
Assigned	517,760				517,760
Unassigned	519,519				519,519
Total Fund Balances	$ 1,239,446	$ 1,912,771	$ 1,124,887	$ 1,166,463	$ 5,443,567

See accompanying notes to the basic financial statements.

City of Van Wert
Van Wert County

Statement of Revenues, Expenditures, and Change in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2016

	Governmental Funds				
	General	Street Construction	Police & Fire	Other Governmental	Total Governmental Funds
Revenues					
Property Taxes	$317,249			$82,132	$399,381
Municipal Income Taxes	4,063,379	$1,963,885	$289,455	574,656	6,891,375
Permissive Motor Vehicle License Taxes				27,058	27,058
Payment In Lieu of Taxes				448,543	448,543
Other Local Taxes	44,079			79,958	124,037
Charges for Services	409,533			3,330	412,863
Fees, Licenses, and Permits	545,842			805	546,647
Fines and Forfeitures				351,469	351,469
Intergovernmental	285,185			495,659	780,844
Interest	123,138			4,886	128,024
Gifts and Donations				31,174	31,174
Other	89,177	269	14,038	141,575	245,059
Total Revenues	5,877,582	1,964,154	303,493	2,241,245	10,386,474
Expenditures					
Current:					
Security of Persons and Property					
Police	1,927,111			340,469	2,267,580
Fire	1,557,660			339,652	1,897,312
Other	484,555			2,375	486,930
Public Health	150,000				150,000
Leisure Time Activities	328,884				328,884
Community Environment				392,972	392,972
Transportation		2,900,067		533,143	3,433,210
General Government	1,204,855			97,997	1,302,852
Internal governmental TIF				448,543	448,543
Capital Outlay	52,973		821,569	146,850	1,021,392
Total Expenditures	5,706,038	2,900,067	821,569	2,302,001	11,729,675
Excess of Revenues Over (Under) Expenditures	171,544	(935,913)	(518,076)	(60,756)	(1,343,201)
Other Financing Sources (Uses)					
Debt Service:					
Principal Retirement				(55,000)	(55,000)
Interest and Fiscal Charges				(63,450)	(63,450)
Reimbursement from prior year		193,611			193,611
Transfers In	139,244			40,268	179,512
Transfers Out	(152,901)	(3,113)		(3,145)	(159,159)
Total Other Financing Sources (Uses)	(13,657)	190,498		(81,327)	95,514
Change in Fund Balance	157,887	(745,415)	(518,076)	(142,083)	(1,247,687)
Fund Balance Beginning of Year	1,081,559	2,658,186	1,642,963	1,308,546	6,691,254
Fund Balance End of Year	$1,239,446	$1,912,771	$1,124,887	$1,166,463	$5,443,567

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, 2016

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Receipts:				
Property Taxes	$310,000	$310,000	$317,249	$7,249
Municipal Income Taxes	4,128,228	4,128,228	4,063,379	(64,849)
Other Local Taxes	37,500	37,500	44,079	6,579
Charges for Services	375,342	375,342	409,533	34,191
Fees, Licenses, and Permits	409,000	409,000	545,842	136,842
Intergovernmental	309,365	309,365	285,185	(24,180)
Interest	90,000	90,000	123,138	33,138
Other	51,300	51,300	89,177	37,877
Total Revenues	5,710,735	5,710,735	5,877,582	166,847
Disbursements:				
Current:				
Security of Persons and Property				
Police	2,017,400	1,961,783	1,936,016	25,767
Fire	1,712,540	1,613,350	1,578,292	35,058
Other	524,432	533,578	484,555	49,023
Public Health	150,000	150,000	150,000	
Leisure Time Activities	351,981	353,663	331,878	21,785
General Government	1,227,511	1,229,079	1,205,815	23,264
Capital Outlay	57,750	57,500	52,973	4,527
Total Expenditures	6,041,614	5,898,953	5,739,529	159,424
Excess of Revenues Over (Under) Expenditures	(330,879)	(188,218)	138,053	326,271
Other Financing Sources (Uses):				
Transfers In			59,304	59,304
Transfers Out	(34,605)	(57,430)	(111,791)	(54,361)
Total Other Financing Sources (Uses)	(34,605)	(57,430)	(52,487)	4,943
Change in Fund Balance	(365,484)	(245,648)	85,566	331,214
Fund Balance at Beginning of Year	877,256	877,256	877,256	
Prior Year Encumbrances Appropriated	45,716	45,716	45,716	
Fund Balance at End of Year	$557,488	$677,324	$1,008,538	$331,214

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, 2016

	Water	Sewer	Total Business - Type Activities
Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 725,688	$ 3,057,334	$ 3,783,022
Total Assets	$ 725,688	$ 3,057,334	$ 3,783,022
Net Position			
Unrestricted	$ 725,688	$ 3,057,334	$ 3,783,022
Total Net Position	$ 725,688	$ 3,057,334	$ 3,783,022

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, 2016

	Water	Sewer	Total Business-Type Activities	Governmental Activity City Garage
Operating Revenues				
Charges for Services	$1,762,723	$2,552,393	$4,315,116	$227,963
Intergovernmental	180,882	14,701	195,583	
Total Operating Revenues	1,943,605	2,567,094	4,510,699	227,963
Operating Expenses				
Personal Services	902,744	808,497	1,711,241	110,019
Contractual Services	3,415	3,415	6,830	
Materials and Supplies	529,391	647,431	1,176,822	116,756
Capital Outlay	317,079	193,150	510,229	
Utility Deposits Refunded		38,640	38,640	
Debt Service				
Principal Retirement		517,419	517,419	
Total Operating Expenses	1,752,629	2,208,552	3,961,181	226,775
Operating Income (Loss)	190,976	358,542	549,518	1,188
Non Operating Revenue (Expenses)				
Interest Expense		(72,512)	(72,512)	(72,512)
Transfers out	(10,168)	(8,997)	(19,165)	(1,188)
Total Non Operating Revenue (Expenses)	(10,168)	(81,509)	(91,677)	(73,700)
Change in Net Position	180,808	277,033	457,841	0
Net Position Beginning of Year	544,880	2,780,301	3,325,181	
Net Position End of Year	$725,688	$3,057,334	$3,783,022	$0

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, 2016

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 36,416	$8,836
Cash and Cash Equivalents in Segregated Account		129,674
	$ 36,416	$ 138,510
Liabilities:		
Deposits Held and Out to Others		$ 129,674
Net Position		
Held for Fire Department		8,836
Endowment	$ 36,416	
Total Net Position	$ 36,416	$ 8,836

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, 2016

	Private Purpose Trust
Additions	
Interest	$178
	178
Net Position - Beginning of Year	36,238
Net Position - End of Year	$36,416

See accompanying notes to the basic financial statements.

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 2016.

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.

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 nonexchange 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. Nonmajor 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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.

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.

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 the year 2016, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 was $123,138 which includes $114,393 assigned from other City funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

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 9 and 10, 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating 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.

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 positon 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. 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.

4. 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 and STAR Plus).

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

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 undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,000,804 of the City's bank balance of $1,549,358 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.

4. 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.

Investments

As of December 31, 2016, the City had the following investments:

		Investment Maturities (in Years)			
Investment Type	Cost Value	Less than 1	1-2	3-5	More than 5
Federal Farm Credit Banks	$ 500,000			$ 500,000	
Federal Home Loan Bank	3,000,000			3,000,000	
Federal National Mortgage Association	1,750,000			1,750,000	
VW Municipal Court Improvement Bonds	1,355,000	$ 55,000	$ 115,000	200,000	$ 985,000
Repurchase Agreements	1,350,091	1,350,091			
Huntington Money Market	46,092	46,092			
STAR Ohio	58,857	58,857			
Total Investments	$ 8,060,040	$ 1,510,040	$ 115,000	$ 5,450,000	$ 985,000

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, federal farm credit banks, and federal home loan banks 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, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name.

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

4. DEPOSITS AND INVESTMENTS (Continued)

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, 2016:

Federal Farm Credit Banks	6%
Repurchase Agreements	17%
Federal National Mortgage Association	22%
Federal Home Loan Bank	37%
VW Municipal Ct Improvement Bonds	16%
Huntington Money Market	1%
STAR Ohio	1%
Total	100%

5. 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 2016, the taxes were allocated to the general fund, street construction fund, the police and fire safety fund, and the amended police and fire safety fund.

6. TAX ABATEMENTS

The City has 3 Community Reinvestment Areas established under ORC 3735.66 allowing tax exemption of certain properties for real property tax. As of December 31, 2016 the City had the following CRA agreements

OWNERSHIP NAME	ADDRESS	# YRS	%	EXP	Abatement
WANNAMACHER ENTERPRISES	550 BONNEWITZ	9	85%	2017	$ 26,417
VALAM HOSPITALITY, INC	140 VALUM DR.	9	90%	2019	$ 50,685
COLLEEN J. MILLER	504 ROSE DRIVE	5	50%	2017	$ 36
BARBARA WELCH	410 N. RACE ST.	5	50%	2017	$ 57
JERRY & MARCIA ETZLER	260 PARKVIEW	5	50%	2017	$ 893
WESTWOOD SENIOR APARTMENTS	1051 WESTWOOD DR	10	75%	2023	$ 11,873
HICKORY GROVES ESTATES LLC	10471 HICKORY LANE	5	50%	2019	$ 673
KIMBERLY C. BISSONETTE	431 N. CHESTNUT	5	50%	2017	$ 226

(Continued)

6. TAX ABATEMENTS

OWNERSHIP NAME	ADDRESS	# YRS	%	EXP	Abatement
WEST PARK VILLAS LLC	189 & 191 CAMDEN DR	5	50%	2018	$ 484
WEST PARK VILLAS LLC	181 & 183 CAMDEN DR	5	50%	2018	$ 484
WEST PARK VILLAS LLC	383 & 385 RALPH'S WAY	5	50%	2018	$ 484
WEST PARK VILLAS LLC	377 & 379 RALPH'S WAY	5	50%	2018	$ 484
WEST PARK VILLAS LLC	371 & 373 RALPH'S WAY	5	50%	2018	$ 484
WEST PARK VILLAS LLC	370 & 372 RALPH'S WAY	5	50%	2018	$ 484
WEST PARK VILLAS LLC	182 & 184 CAMDEN DR	5	50%	2018	$ 484
FELT DEVELOPMENT	263 PARKVIEW DR	5	50%	2020	$ 431
WARREN STRALEY	563 S CHESTNUT ST	5	50%	2020	$ 21
HARRY SCHAFFNER	569 S CHESTNUT ST	5	50%	2020	$ 27
CLAIR & ARLENE DUDGEON	248 PRAIRE LANE	5	50%	2020	$ 502
GLENN & CONNIE GRUNDEN	268 PRAIRE LANE	5	50%	2020	$ 379
RHODES INVESTMENTS	872 N WASHINGTON	9	85%	2025	$ 4,665
STEPHEN & PAULETTE BROWN	247 PARKVIEW	5	50%	2018	$ 432
JORDAN & JENNA SHERRY	259 PRAIRE LANE	5	50%	2023	$ 563
DUVALL FAMILY	247 PRAIRIE LANE	5	50%	2023	$ 623
THOMAS & CAROL SANDERSON	263 PRAIRE LANE	5	50%	2021	$ 461
RON & DEBORAH DULL	309 S CHERRY STREET	5	50%	2021	$ 338
MAURICE & CHERYL WISTNER	264 PRAIRE LANE	5	50%	2023	$ 572
ROBERT MYERS	198 PARKVIEW DRIVE	5	50%	2022	$ 618
CYNTHIA YOUNG	248 PARKVIEW DRIVE	5	50%	2022	$ 390
GOLDEN HERITAGE FOODS	550 BONNEWITZ AVE	9	85%	2017	$ 30,096
TIN CAP INVESTMENTS	109 S WASHINGTON	10	100%	2025	$ 886

The City has 2 Enterprise Zone Agreements established under ORC Chapter 5709. As of December 31, 2016 the City had the following Enterprise Zone Agreements

OWNERSHIP NAME	ADDRESS	# YRS	%	EXP	Abatement
CENTRAL MUTUAL INSURANCE	800 S WASHINGTON ST	10	100%	2016	$321,462
BRAUN INDUSTRIES INCORPORATED	1170 PRODUCTION DRIVE	10	35%	2016	$ 7,232

7. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

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.

7. PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was $3.2 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	$151,355,860
Public Utility Personal Property	7,920,900
Total	$159,276,760

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. 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 2016, 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	$41,717,000	$5,000
Inland Marine	867,232	2,500
General Liability	4,000,000	0
Automobile Liability	4,000,000	0
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	270,761	500

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

The City 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.

8. RISK MANAGEMENT (Continued)

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.

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, 2016, 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.

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, 2016:

	2016
Assets	$42,182,281
Liabilities	(13,396,700)
Net Position	$28,785,581

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately $11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the City's share of these unpaid claims collectible in future years is approximately $76,000.

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.

2016 contributions to PEP
$120,705

8. RISK MANAGEMENT (Continued)

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

B. Workers' Compensation

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

C. Employee Medical Benefits

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 $1,891, $1,072, $1,261 and $630 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 $1,783, $1,011, $1,189, and $594 for medical.

9. DEFINED BENEFIT PENSION PLANS

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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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.

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 including requirements for reduced and unreduced benefits):

9. DEFINED BENEFIT PENSION PLANS (Continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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 and Service Requirements:**	**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 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 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:	**Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	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 and Service Requirements:**	**Age and Service Requirements:**
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	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 and Service Requirements:**	**Age and Service Requirements:**
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	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:	**Formula:**	**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	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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:

9. DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* 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 $350,904 for year 2016.

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.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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:

	Police		Firefighters	
2016 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee:				
January 1, 2016 through Decmber 31, 2016	12.25	%	12.25	%
2016 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50		0.50	
Total Employer	19.50	%	24.00	%
Employee:				
January 1, 2016 through December 31, 2016	12.25	%	12.25	%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was $510,078 for 2016.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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:

9. DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS	OP&F	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.019988%	0.0994280%	
Prior Measurement Date	0.019577%	0.1029200%	
Change in Proportionate Share	0.0004110%	-0.0034920%	
			Total
Proportionate Share of the Net			
Pension Liability	$3,462,174	$6,396,270	$9,858,444

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, 2015, 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	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% 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.

9. DEFINED BENEFIT PENSION PLANS (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 .4 percent for 2015.

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 2015 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	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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	$5,516,088	$3,462,174	$1,729,761

9. DEFINED BENEFIT PENSION PLANS (Continued)

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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, 2015, are presented below:

Valuation Date	January 1, 2015
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 plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3% simple; 2.6% simple for increases based on the lesser of the increase in CPI and 3%

Mortality rates 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, 2015 are summarized below:

9. DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	10 Year Expected Real Rate of Return	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	-	-	-
Domestic Equity	16.00%	6.50%	7.80%
Non-US Equity	16.00%	6.70%	8.00%
Core Fixed Income *	20.00%	3.50%	5.35%
Global Inflation Protected *	20.00%	3.50%	4.73%
High Yield	15.00%	6.35%	7.21%
Real Estate	12.00%	5.80%	7.43%
Private Markets	8.00%	9.50%	10.73%
Timber	5.00%	6.55%	7.35%
Master Limited Partnerships	8.00%	9.65%	10.75%
Total	120%		

Note: Assumptions are geometric
* Levered 2x.
**Numbers are net of expected inflation.

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.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$8,435,827	$6,396,270	$4,668,570

10. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded 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 the 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 an Other Post Employment Benefit (OPEB) as described in GASB Statement 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. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members.

10. POSTEMPLOYMENT BENEFITS

The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

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, 2016, 2015, and 2014 was $50,129, $47,422, and $49,835, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare 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 an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. 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 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.

10. POSTEMPLOYMENT BENEFITS

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2016 through December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The 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, 2016, 2015, and 2014 were $11,736, $9,803, and $10,928. The full amount has been contributed for all three years.

Social Security

One City Council member contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The City contributed an amount equal to 6.2 percent of participants' gross salaries. The City has paid all contributions required through December 31, 2016.

11. DEBT

The changes in the City's notes payable during 2016 were as follows:

Governmental Activities	Outstanding 12/31/15	Issued	Retired	Outstanding 12/31/16
4.50% VW Municipal Court Improvement Bonds	$ 1,410,000		$ 55,000	$ 1,355,000
Total Governmental Activities	1,410,000		55,000	1,355,000
Business Type Activities				
0.00% OPWC Allingham/Bonnewitz Pump Station	562,517		43,271	519,246
3.91% OWDA Loan #2549	16,608		5,323	11,285
4.12% OWDA Loan #2548	210,539		67,348	143,191
3.81% OWDA Loan #2550	1,983,002		330,618	1,652,384
4.65% OWDA Loan #3576	433,304		70,859	362,445
Total Business Type Activities	3,205,970		517,419	2,688,551
Total	$ 4,615,970		$ 572,419	$ 4,043,551

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.

11. DEBT (Continued)

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. Loans are being retired from the sewer enterprise fund.

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. Loan is being retired from the sewer enterprise fund.

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. Loan is being retired from the sewer enterprise fund.

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. Loan is being retired from the sewer enterprise fund.

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

	Business Type Activities				
	OWDA Loans		OPWC Loan	Municipal Court Bonds	
Year	Principal	Interest	Principal	Principal	Interest
2017	$ 493,212	$ 67,094	$ 43,270	$ 55,000	$ 60,975
2018	513,015	50,944	43,270	55,000	58,500
2019	451,590	34,681	43,270	60,000	56,025
2020	469,658	19,642	43,271	65,000	53,325
2021	241,830	3,991	43,271	65,000	50,400
2022-2026			216,353	375,000	204,975
2027-2031			86,541	465,000	112,725
2032-2033				215,000	14,625
	$ 2,169,305	$ 176,352	$ 519,246	$ 1,355,000	$ 611,550

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 unvoted 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, 2016 were an overall debt margin of $16,204,814 and an unvoted debt margin of $8,760,221.

12. FUND BALANCES

Fund balance is classified as nonspendable, 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
Nonspendable					
Unclaimed Monies	$4,750				$4,750
Total Nonspendable	4,750				4,750
Restricted for					
Street Construction		$1,912,771			1,912,771
Police & Fire Capital			$1,124,887		1,124,887
OtherPurposes				$998,484	998,484
Total Restricted		1,912,771	1,124,887	998,484	4,036,142
Committed to					
Other Purposes	197,417			167,979	365,396
Total Committed	197,417			167,979	365,396
Assigned to					
Projected Budget Shortage	484,269				484,269
Unpaid Obligations	33,491				33,491
Total Assigned	517,760				517,760
Unassigned (deficits):	519,519				519,519
Total Fund Balances	$1,239,446	$1,912,771	$1,124,887	$1,166,463	$5,443,567

13. INTERFUND TRANSFERS

During 2016 the following transfers were made:

	Transfers From						
Transfers To	General	Street Construction	Other Governmental Funds	Water	Sewer	Garage	Total
General Fund	$112,633	$3,113	$3,145	$10,168	$8,997	$1,188	$139,244
Other Governmental Funds							
Economic Development	39,979						39,979
MC Special Projects	289						289
Total	$152,901	$3,113	$3,145	$10,168	$8,997	$1,188	$179,512

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

Smeal Fire Apparatus	$313,973
Choice One	27,087
Peran Electric	84,708
Kohli & Kahliher	70,918
Stephen Campbell & Assoc	11,000
Pelton Engineering	18,345
Statewide Ford	29,908
T&D Interiors	11,380
Lee Kinstle	31,525

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 $33,491 in the general fund. The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

	Net Change in Fund Balance
	General
Cash Basis	**$1,239,446**
Funds budgeted elsewhere**	**(197,417)**
Adjustment for Encumbrances	**(33,491)**
Budget Basis	**$1,008,538**

** 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.

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.

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2016 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.

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 8)

19. PUBLIC ENTITY RISK POOL (Continued)

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 8)

20. SUBSEQUENT EVENT

In February 2017, the City Board of Control approved the City's share in the amount of $335,808 of the Ohio Department of Transportation Statewide Transportation Improvement Program, PID 87151, for the improvement of that portion of SR116, SR118, US 127, US 224 within the corporation limits of City of Van Wert. The project consists of resurfacing, lying within the City of Van Wert.

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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, the 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 years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2019 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 2017-002 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 2017-001.

City'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 subject the City's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

January 14, 2019

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, 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 Admin. Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the City prepared its financial statements for years 2017 and 2016 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while presumably material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 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 did not file GAAP statements in years 2017 and 2016.

The City should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows, equity and the disclosures required to accurately and completely present the City's financial condition.

Officials' 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 2017-002

Accuracy of Financial Reporting - Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of its financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The City posted all transactions to the accounting system; however, not all transactions were posted to the correct accounts and/or funds. Also, some activity was not properly reported in the annual financial statement reports filed. The following items were not properly recorded during 2017 and 2016:

FINDING NUMBER 2017-002
(Continued)

- In 2017, the cash balance and ending net position of the Private Purpose Trust was not properly updated and reflected on the Statement of Net Position – Fiduciary Funds. An adjustment of $373 to increase both was made to the financial statements.
- In 2017, the Water and Sewer funds incorrectly recorded revenue as Intergovernmental revenue instead of as Other operating revenue. An adjustment of $65,783 and $27,894, respectively, was made to properly reflect revenue received in the appropriate category on the financial statements.
- In 2017, the Internal Service fund activity was not properly reported as eliminated on the Statement of Activities. An adjustment was made to reduce transfers in the Governmental funds and reduce General Government expenditures in the amount of $1,238 to properly reflect the activity in the entity wide statements.
- In 2016, the Internal Service fund activity was not properly reported as eliminated on the Statement of Activities. An adjustment was made to reduce transfers in the Governmental funds and reduce General Government expenditures in the amount of $1,188 to properly reflect the activity in the entity wide statements.
- In 2017, the municipal court bank account balance was not reported in the annual financial report filed. An adjustment was made to record the municipal court reconciled bank account balance in the agency funds under cash and cash equivalents in segregated accounts. The amount recorded was $127,622.
- In 2016, the municipal court bank account balance was not properly reported in the annual financial report filed. An adjustment was made to properly record the municipal court reconciled bank account balance in the agency funds under cash and cash equivalents in segregated accounts. The amount recorded was decreased by $10,818.
- In 2017, the City did not properly reflect the activity of the City garage internal service fund. An adjustment to increase transfers out of $50, an increase to personal services expenses of $2,553, and increase to materials and supplies expenses of $3,210 and an increase to charges for services revenue of $5,813 was made to properly reflect 2017 activity on the financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.168-1800.179) - *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governmental Accounting Standards Board (GASB) Statement No. 63 paragraphs 8 and 11 (GASB Codification 1800.155 and .162) – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* indicates net position represents the difference between all other elements in a statement of financial position and should be displayed in three components—*net investment in capital assets; restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. The following errors were noted as a result of the City not properly implementing GASB Statements No 54 and 63:

- In 2017 and 2016, the City did not properly classify its fund balance in the General fund in accordance with GASB 54 guidance for the fund statements. The subsequent year appropriations, for both years, exceeded estimated receipts and therefore, the difference should have been classified as assigned. As a result, the fund balance was reclassified by $320,959 in 2017 and $484,269 in 2016 from Unassigned Fund Balance to Assigned Fund Balance in the General Fund.
- In 2017, the City did not properly classify a portion of the unrestricted net position on the Statement of Net Position – Cash Basis. An adjustment for $394,729 to reclassify a portion of restricted for other purposes to unrestricted net position was made.

FINDING NUMBER 2017-002
(Continued)

- In 2016, the City did not properly classify a portion of the unrestricted net position on the Statement of Net Position – Cash Basis. An adjustment for $365,396 to reclassify a portion of restricted for other purposes to unrestricted net position was made.
- In 2017, the City incorrectly reported Other Governmental encumbered fund balances separately as Assigned fund balances on the Statement of Assets and Fund Balances – Cash Basis. These balances should have been reported as Other Governmental Restricted fund balances. An adjustment of $782,615 to restricted fund balances was made to properly reflect fund balances for special revenue funds per GASB 54 guidance.

The following errors were noted in the General fund budgetary statements presented for 2017 and 2016:

- In 2017, the beginning fund balance per prior year report should have been reported as $1,008,538. The statement had a beginning balance of $1,042,030. An adjustment of $33,492 was made to beginning fund balance.
- In 2016, the beginning fund balance per the prior year audit report should have been reported as $877,256. The statement had a beginning balance of $1,039,460. An adjustment of $162,204 was made to beginning fund balance.
- In 2016, $348 of unclaimed revenue was not properly included in actual revenues.
- In 2016, $18,193 of transfers out was not properly included in actual expenditures.

The accompanying financial statements and the City's records have been adjusted accordingly. In addition to the adjustments listed above, we also identified additional misstatements in the financial statements of $8,840 to $102,121 for 2017 and $11,048 to $94,441 for 2016 that we have brought to the City's attention.

In addition to the above noted errors to the financial statements, there were numerous errors found in the information presented in the notes to the financial statements. Numerous amounts were not properly updated from year to year. A few notes did not contain all the required information. The tax abatement note disclosure had inaccurate information for 2017 presented.

The failure to correctly classify financial activity in the accounting system and financial statements may impact the user's understanding of the financial operations, the City's ability to make sound financial decisions, the City's ability to comply with budgetary laws, and may result in material misstatement to the financial statements.

Policies and procedures should be implemented to provide for a review of the classification of the revenues and expenditures prior to completion of the annual financial statements to determine accurate classifications. The City should also utilize the shells and other resources available on the Auditor of State's website to make sure they are using the most up to date information available. The City should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54.

Officials' Response:

GASB 54 has been reviewed for future proper classifications. Financial statements are prepared in February of each year, not all required information is available at that time.

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2015-001	Failure to file annual financial report in accordance with GAAP.	No	See Finding 2017-001
2015-002	Accuracy of Financial Statements	No	See Finding 2017-002

OHIO AUDITOR OF STATE
KEITH FABER

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
FEBRUARY 12, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
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