



Dave Yost • Auditor of State

**CITY OF VAN WERT
VAN WERT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Mayor and Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Van Wert, Van Wert County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

We applied no procedures to the Management's Discussion and Analysis presented on pages 3-9 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 11, 2015

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Using this Annual Report

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the City did financially during 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

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

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

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

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

Reporting the Government's Most Significant Funds

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

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

The City's four major governmental funds are the General Fund, the Street Construction Fund, the Police and Fire Capital Fund and the Municipal Court Bond Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Highlights

Fund balances of governmental funds increased \$868,509 or 14.9 percent. The fund most affected by the increase in cash and cash equivalents is the Street Construction Fund. 2015 will see a reconstruction project on South Washington Street and 2016 on West Main Street.

The City's general receipts are primarily property and income taxes. These receipts represent respectively 3.2 percent and 52.5 percent of the total cash received for governmental activities during the year. The Water Fund net position increased \$12,419 and the Sewer Fund net position increased \$610,235.

The Government as a Whole

Table 1 provides a summary of the City's net position for 2014 compared to 2013 on a cash basis:

**Table 1
Net Position**

	Governmental Activities		Business Type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Assets						
Equity in Pooled Cash & Cash Equivalents	\$6,707,756	\$5,839,247	\$2,942,695	\$2,320,041	\$9,650,451	\$8,159,288
Total Assets	6,707,756	5,839,247	2,942,695	2,320,041	9,650,451	8,159,288
Net Position:						
Restricted for:						
Capital Projects	3,443,997	2,745,306			3,443,997	2,745,306
Debt Service	18,094	18,093			18,094	18,093
Other Purposes	2,116,304	1,459,848			2,116,304	1,459,848
Unrestricted(Deficit)	1,129,361	1,616,000	2,942,695	2,320,041	4,072,056	3,936,041
Total Net Position	\$6,707,756	\$5,839,247	\$2,942,695	\$2,320,041	\$9,650,451	\$8,159,288

The net position of governmental activities increase \$868,509 or 14.9 percent during 2014, The primary reason contributing to the increase in balance was the buildup in Street Construction for South Washington and West Main Street upcoming projects and bond proceeds for the Municipal Court project.

Table 2 reflects the changes in net position.

**Table 2
Changes in Net Position**

	Governmental Activities 2014	Governmental Activities 2013	Business Type Activities 2014	Business Type Activities 2013
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$946,271	\$936,467	\$4,600,983	\$4,286,177
Operating Grants and Contributions	565,925	798,236	76,126	132,568
Capital Grants and Contributions	858,859	2,197,988		
Total Program Receipts	2,371,055	3,932,691	4,677,109	4,418,745

(Continued)

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

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

	Governmental Activities 2014	Governmental Activities 2013	Business Type Activities 2014	Business Type Activities 2013
Receipts:				
General Receipts:				
Property and Other Local Taxes	391,106	384,165		
Income Tax	6,457,958	6,263,437		
Other Local Taxes	105,541	106,624		
Grants and Entitlements not Restricted to Specific Programs	667,955	918,566		
Franchise Fees	101,535	107,765		
Interest	90,666	22,516		
Refund of Prior Year Expenditures		20,286		
Payment in Lieu of Taxes	400,245	343,237		
Miscellaneous	215,528	635,338		
Other Debt Proceeds	1,500,000			
Total General Receipts	<u>9,930,534</u>	<u>8,801,934</u>		
Total Receipts	12,301,589	12,734,625	4,677,109	4,418,745
Disbursements				
General Government	1,182,820	1,210,792		
Intergovernmental	400,245	343,237		
Security of Persons and Property	4,439,309	4,339,076		
Public Health Services	145,200	137,560		
Leisure Time Activities	256,632	240,285		
Community Environment	222,352	484,837		
Transportation	2,063,861	3,270,756		
Capital Outlay	2,638,855	3,212,471		
Principal Retirement	40,000			
Interest and Fiscal Charges	52,688			
Water/Sewer			4,045,573	4,118,093
Total Disbursements	<u>11,441,962</u>	<u>13,239,014</u>	<u>4,045,573</u>	<u>4,118,093</u>
Excess(deficiency) Before Transfers	859,627	(504,389)	631,536	300,652
Transfers	8,882	61,171	(8,882)	(61,171)
Increase (Decrease) in Net Position	<u>868,509</u>	<u>(443,218)</u>	<u>622,654</u>	<u>239,481</u>
Nets Position, Beginning of Year	<u>5,839,247</u>	<u>6,282,465</u>	<u>2,320,041</u>	<u>2,080,560</u>
Net Position, End of Year	<u>\$6,707,756</u>	<u>\$5,839,247</u>	<u>\$2,942,695</u>	<u>\$2,320,041</u>

Program receipts for governmental activities represent 19 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges for emergency medical services.

General receipts for governmental activities represent 81 percent the City's total receipts, and of this amount, 70 percent are local taxes. State and federal grants and entitlements and other debt proceeds make up the balance of the City's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

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

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

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 18 percent and 39 percent, respectively, of all governmental disbursements. General Government also represents a significant cost at 10.5 percent of total disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service.

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

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2014	Net Cost of Services 2014	Total Cost Of Services 2013	Net Cost of Services 2013
General Government	\$1,182,820	\$582,947	\$1,210,792	\$595,325
Security of Persons and Property	4,439,309	4,086,041	4,339,076	4,029,456
Public Health Services	145,200	145,200	137,560	137,560
Leisure Time Activities	256,632	200,717	240,285	194,902
Community Environment	222,352	221,902	484,837	215,592
Transportation	2,063,861	1,548,740	3,270,756	2,764,674
Capital Outlay	2,638,855	1,792,427	3,212,471	1,025,577
Intergovernmental	400,245	400,245	343,237	343,237
Principle Retirement	40,000	40,000		
Interest & fiscal charges	52,688	52,688		
Total Expenses	<u>\$11,441,962</u>	<u>\$9,070,907</u>	<u>\$13,239,014</u>	<u>\$9,306,323</u>

The dependence upon property and income tax receipts is apparent as over 70 percent of governmental activities are supported through these general receipts.

Business-type Activities

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

The Government's Funds

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

Total governmental funds had receipts of \$10,800,078 and disbursements of \$11,334,964. The fund balance of the General Fund decreased \$578,536. This decrease was due in part to the windfall revenues from Inheritance Tax and an Atrazine legal settlement received in 2013 and not the current year.

The fund balance of the Street Construction Fund increased \$225,082; the fund balance of the Municipal Court Fund increased \$478,401; and the fund balance of the Police and Fire Capital Fund increased \$504,959.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net position, the Water enterprise fund experienced an increase and the Sewer enterprise Fund experienced an increase in net position for 2014.

General Fund Budgeting Highlights

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

During 2014, actual receipts were slightly above original budgeted receipts. Income Tax Revenues increased about 3% and Real Estate Revenues increased about 2%.

Final disbursements including transfers were budgeted at \$6,833,101 while actual disbursements plus transfers were \$6,401,243.

Debt Administration

At December 31, 2014 the City's outstanding debt included for improvements to buildings and structures, \$3,099,281 in Ohio Water Development Authority Loans for wastewater infrastructure and improvements and \$605,785 in Ohio Public Works bonds for wastewater improvements. In 2014 the City issued \$1,500,000 in Municipal Court Improvement Bonds for the purchase and renovation of a building for the Municipal Court. Current balance on the bonds is \$1,460,000. For further information regarding the City's debt, refer to Note 11 to the basic financial statements.

Current Issues

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Martha W. Balyeat, City Auditor, City of Van Wert, 515 E Main Street, Van Wert, Ohio 45891.

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**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Woodland Union Cemetery
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$6,707,756	\$2,942,695	\$9,650,451	\$425,486
Total Assets	<u>6,707,756</u>	<u>2,942,695</u>	<u>9,650,451</u>	<u>425,486</u>
Net Position:				
Restricted for:				
Capital Projects	3,443,997		3,443,997	6,232
Debt Service	18,094		18,094	
Other Purposes	2,116,304		2,116,304	316,111
Unrestricted (Deficit)	1,129,361	2,942,695	4,072,056	103,143
Total Net Position	<u>\$6,707,756</u>	<u>\$2,942,695</u>	<u>\$9,650,451</u>	<u>\$425,486</u>

See accompanying notes to basic financial statements.

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	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	\$2,125,548	\$22,604	\$2,175	
Fire	1,835,849	284,015	39,923	\$4,515
Other	477,912	36		
Public Health	145,200			
Leisure Time Activities	256,632	55,915		
Community Environment	222,352	450		
Transportation	2,063,861	6,400	507,753	968
General Government	1,182,820	576,851	16,074	6,948
Intergovernmental	400,245			
Capital Outlay	2,638,855			846,428
Debt Service:				
Principal Retirement	40,000			
Interest and Fiscal Charges	52,688			
Total Governmental Activities	<u>11,441,962</u>	<u>946,271</u>	<u>565,925</u>	<u>858,859</u>
Business-Type Activities:				
Water	1,868,729	1,840,389	44,790	
Sewer	2,176,844	2,760,594	31,336	
Total Business-Type Activities	<u>4,045,573</u>	<u>4,600,983</u>	<u>76,126</u>	
Component Unit				
Woodland Union Cemetery	148,485	98,779	13,244	
Total	<u>\$15,636,020</u>	<u>\$5,646,033</u>	<u>\$655,295</u>	<u>\$858,859</u>

General Receipts:

Property Taxes Levied for:

General Purposes
Police Pension
Fire Pension
Cemetery

Income Taxes Levied for:

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

Total General Receipts

Change in Net Assets

Net Position (Deficit) at Beginning of Year (Restated)

Net Position (Deficit) at End of Year

See accompanying notes to basic financial statements.

Net (Disbursement) Receipt and Change in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Woodland Union Cemetary
(\$2,100,769)		(\$2,100,769)	
(1,507,396)		(1,507,396)	
(477,876)		(477,876)	
(145,200)		(145,200)	
(200,717)		(200,717)	
(221,902)		(221,902)	
(1,548,740)		(1,548,740)	
(582,947)		(582,947)	
(400,245)		(400,245)	
(1,792,427)		(1,792,427)	
(40,000)		(40,000)	
(52,688)		(52,688)	
<u>(9,070,907)</u>		<u>(9,070,907)</u>	
	16,450	16,450	
	<u>615,086</u>	<u>615,086</u>	
	<u>631,536</u>	<u>631,536</u>	
			(\$36,462)
<u>(9,070,907)</u>	<u>631,536</u>	<u>(8,439,371)</u>	<u>(36,462)</u>
310,740		310,740	
40,183		40,183	
40,183		40,183	
			27,089
3,805,012		3,805,012	
813,474		813,474	
1,839,472		1,839,472	
105,541		105,541	
667,955		667,955	
101,535		101,535	
90,666		90,666	263
215,528		215,528	10,856
400,245		400,245	
1,500,000		1,500,000	
8,882	(8,882)		
<u>9,939,416</u>	<u>(8,882)</u>	<u>9,930,534</u>	<u>38,208</u>
<u>868,509</u>	<u>622,654</u>	<u>1,491,163</u>	<u>1,746</u>
<u>5,839,247</u>	<u>2,320,041</u>	<u>8,159,288</u>	<u>423,740</u>
<u>\$6,707,756</u>	<u>\$2,942,695</u>	<u>\$9,650,451</u>	<u>\$425,486</u>

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Governmental Funds					Total Governmental Funds
	General	Street Construction	Police & Fire	Municipal Court Bond	Other Governmental	
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$964,548	\$2,164,861	\$1,208,961	\$478,401	\$1,890,985	\$6,707,756
Total Assets	<u>964,548</u>	<u>2,164,861</u>	<u>1,208,961</u>	<u>478,401</u>	<u>1,890,985</u>	<u>6,707,756</u>
Fund Balances:						
Non-spendable Fund Balance	6,283					6,283
Restricted Fund Balance		2,164,861	1,208,961	478,401	1,722,062	5,574,285
Committed Fund Balance					168,923	168,923
Assigned Fund Balance	534,507					534,507
Unassigned Fund Balance	423,758					423,758
Total Fund Balances (Deficit)	<u>\$964,548</u>	<u>\$2,164,861</u>	<u>\$1,208,961</u>	<u>\$478,401</u>	<u>\$1,890,985</u>	<u>\$6,707,756</u>

See accompanying notes to basic financial statements.

CITY OF VAN WERT
VAN WERT COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS AND COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Funds					Component Unit	
	General	Street Construction	Police & Fire	Municipal Court Bond	Other Governmental	Total Governmental Funds	Woodland Union Cemetery
Revenues:							
Property Taxes	\$310,740				\$80,366	\$391,106	\$26,789
Municipal Income Taxes	3,805,012	\$1,839,472	\$813,474			6,457,958	
Permissive Motor Vehicle License Taxes					26,300	26,300	
Other Local Taxes	37,506				68,035	105,541	
Special Assessments							300
Charges for Services	381,004				8,397	389,401	67,774
Sale of Lots							31,005
Fees, Licenses, and Permits	387,990				7,902	395,892	
Fines and Forfeitures					262,478	262,478	
Intergovernmental	647,154	3,610			1,388,605	2,039,369	8,244
Payment in Lieu of Taxes					400,245	400,245	
Interest	87,261				3,405	90,666	263
Gifts and Donations					7,498	7,498	
Other	104,569	82		\$6,984	121,989	233,624	15,856
Total Revenues	5,761,236	1,843,164	813,474	6,984	2,375,220	10,800,078	150,231
Expenditures:							
Current:							
Security of Persons and Property:							
Police	2,066,593				58,955	2,125,548	
Fire	1,750,556				85,293	1,835,849	
Other	476,302				1,610	477,912	
Public Health	145,200					145,200	148,485
Leisure Time Activities	256,632					256,632	
Community Environment	51,000				171,352	222,352	
Transportation		1,615,196			448,666	2,063,862	
General Government	1,079,674	1,954	860		86,021	1,168,509	
Intergovernmental					400,245	400,245	
Capital Outlay	328,049		307,655	1,028,583	974,568	2,638,855	
Total Expenditures	6,154,006	1,617,150	308,515	1,028,583	2,226,710	11,334,964	148,485
Excess of Revenues Over (Under) Expenditures	(392,770)	226,014	504,959	(1,021,599)	148,510	(534,886)	1,746
Other Financing Sources (Uses):							
Refund of Prior Year Receipt	(14,924)					(14,924)	
Refund of Prior Year Expenditures		1,512				1,512	
Other Debt Proceeds				1,500,000		1,500,000	
Debt Service:						0	
Principal Retirement					(40,000)	(40,000)	
Interest and Fiscal Charges					(52,688)	(52,688)	
Transfers In	39,557				184,017	223,574	
Transfers Out	(210,399)	(2,444)			(1,237)	(214,080)	
Total Other Financing Sources (Uses)	(185,766)	(932)		1,500,000	90,092	1,403,394	
Change in Fund Balance	(578,536)	225,082	504,959	478,401	238,602	868,508	1,746
Fund Balance Beginning of Year	1,543,084	1,939,779	704,002		1,652,383	5,839,248	423,740
Fund Balance End of Year	<u>\$964,548</u>	<u>\$2,164,861</u>	<u>\$1,208,961</u>	<u>\$478,401</u>	<u>\$1,890,985</u>	<u>\$6,707,756</u>	<u>\$425,486</u>

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts:				
Property Taxes	\$290,920	\$290,920	\$310,740	\$19,820
Municipal Income Taxes	3,797,500	3,797,500	3,805,012	7,512
Other Local Taxes	38,000	38,000	37,506	(494)
Charges for Services	387,676	387,676	381,004	(6,672)
Fees, Licenses, and Permits	415,368	415,368	387,990	(27,378)
Intergovernmental	580,093	580,093	647,154	67,061
Interest	25,000	25,000	87,261	62,261
Gifts and Donations	1,500	1,500		(1,500)
Other	54,758	54,758	104,569	49,811
Total Revenues	<u>5,590,815</u>	<u>5,590,815</u>	<u>5,761,236</u>	<u>170,421</u>
Disbursements:				
Current:				
Security of Persons and Property:				
Police	2,213,471	2,220,471	2,076,168	144,303
Fire	1,856,441	1,856,441	1,754,413	102,028
Other	511,527	527,169	479,465	47,704
Public Health	145,200	145,200	145,200	
Leisure Time Activities	299,437	300,537	257,951	42,586
Community Environment	51,000	51,000	51,000	
General Government	1,098,956	1,144,369	1,079,674	64,695
Capital Outlay	305,338	357,608	332,049	25,559
Total Expenditures	<u>6,481,370</u>	<u>6,602,795</u>	<u>6,175,920</u>	<u>426,875</u>
Excess of Revenues Under Expenditures	<u>(890,555)</u>	<u>(1,011,980)</u>	<u>(414,684)</u>	<u>597,296</u>
Other Financing Sources (Uses):				
Advances In	500,000	500,000		(500,000)
Transfers Out	(65,382)	(230,306)	(225,323)	4,983
Total Other Financing Sources (Uses)	<u>434,618</u>	<u>269,694</u>	<u>(225,323)</u>	<u>(495,017)</u>
Change in Fund Balance	(455,937)	(742,286)	(640,007)	102,279
Fund Balance (Deficit) at Beginning of Year	1,106,900	1,106,900	1,106,900	
Prior Year Encumbrances Appropriated	354,589	354,589	354,589	
Fund Balance at End of Year	<u>\$1,005,552</u>	<u>\$719,203</u>	<u>\$821,482</u>	<u>\$102,279</u>

See accompanying notes to basic financial statements.

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2014**

	Water	Sewer	Total Business-Type Activities
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$529,798	\$2,412,897	\$2,942,695
Total Assets	529,798	2,412,897	2,942,695
Net Position:			
Unrestricted (Deficit)	529,798	2,412,897	2,942,695
Total Net Position	\$529,798	\$2,412,897	\$2,942,695

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, 2014**

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>	<u>Governmental Activity Internal Service</u>
Operating Revenues:				
Charges for Services	\$1,840,389	\$2,760,593	\$4,600,982	\$296,113
Intergovernmental	15,660	14,800	30,460	602
Other	29,130	16,536	45,666	152
Total Operating Revenues	<u>1,885,179</u>	<u>2,791,929</u>	<u>4,677,108</u>	<u>296,867</u>
Operating Expenses:				
Personal Services	932,388	796,021	1,728,409	102,806
Contractual Services	3,095	3,095	6,190	
Materials and Supplies	563,901	574,370	1,138,271	187,681
Capital Outlay	192,012	152,825	344,837	5,768
Utility Deposits Refunded		32,760	32,760	
Debt Service:				
Principal Retirement	173,711	481,486	655,197	
Total Operating Expenses	<u>1,865,107</u>	<u>2,040,557</u>	<u>3,905,664</u>	<u>296,255</u>
Operating Income (Loss)	20,072	751,372	771,444	612
Non-Operating (Expenses):				
Interest Expense	(3,622)	(136,286)	(139,908)	
Total Non-Operating (Expenses)	<u>(3,622)</u>	<u>(136,286)</u>	<u>(139,908)</u>	
Income (Loss) before Transfers	16,450	615,086	631,536	612
Transfers Out	(4,031)	(4,851)	(8,882)	(612)
Change in Net Position	12,419	610,235	622,654	
Net Position Beginning of Year	<u>517,379</u>	<u>1,802,662</u>	<u>2,320,041</u>	
Net Position End of Year	<u>\$529,798</u>	<u>\$2,412,897</u>	<u>\$2,942,695</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**CITY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$36,205	\$18,845
Cash and Cash Equivalents in Segregated Account		133,296
Total Assets	36,205	152,141
Liabilities:		
Deposits Held and Due to Others		133,296
Total Liabilities		133,296
Net Position:		
Held for Fire Department		18,845
Endowment	36,205	
Total Net Position	\$36,205	\$18,845

See accompanying notes to 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, 2014

	<u>Private Purpose Trust</u>
Additions:	
Interest	<u>\$10</u>
Deductions:	
Other	<u> </u>
Total Deductions	
Change in Net Position	10
Net Position - Beginning of Year	<u>36,195</u>
Net Position - End of Year	<u><u>\$36,205</u></u>

See accompanying notes to basic financial statements.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. REPORTING ENTITY

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

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

A. Primary Government

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

B. Component Units

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

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

C. Joint Ventures/Jointly Governed Organizations

A joint venture is a legal entity or other organization that results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the City does not report assets for equity interests in joint ventures. The City also participates in two jointly governed organizations, and two public entity risk pools. These organizations are described in Notes 17 and 18.

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the City.

2. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

Municipal Court Bond Fund – The Municipal Court Bond Fund accounts for all financial resources resulting from the issuance of Improvement Bonds for the purchase and remodeling of a building for the Municipal Court.

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

2. Proprietary Funds

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

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Fiduciary Funds

Fiduciary fund reporting focuses on net 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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Cash and Investments

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

Cash and cash equivalents that are held separately within the Municipal Court of the City (Agency Fund) are recorded as "Cash and Cash Equivalents in Segregated 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 2014, the City invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The City's money market fund investment is recorded at the amount reported by First Bank of Berne on December 31, 2014. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2014.

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 2014 was \$87,261 which includes \$78,719 assigned from other City funds.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 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:

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. 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.

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;

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,280,521 of the City's bank balance of \$4,043,855 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of December 31, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>	<u>More than 5</u>
Federal Farm Credit Banks	\$749,974		\$249,969	\$500,005	
Federal Home Loan Mortgage Corporation	1,502,609		1,000,008	502,601	
Federal Home Loan Bank	1,000,000			1,000,000	
Federal National Mortgage Association	249,884			249,884	
VW Municipal Court Improvement Bonds	1,460,000	50,000	110,000	180,000	1,120,000
Repurchase Agreements	816,090	816,090			
STAR Ohio	134,538	134,538			
Total Investments	<u>\$5,913,095</u>	<u>\$1,000,628</u>	<u>\$1,359,977</u>	<u>\$2,432,490</u>	<u>\$1,120,000</u>

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

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

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

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, 2014:

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Farm Credit Banks	13%
Repurchase Agreements	14%
Federal National Mortgage Association	4%
Federal Home Loan Bank	17%
Federal Home Loan Mortgage Corporation	25%
VW Municipal Ct Improvement Bonds	25%
STAR Ohio	2%
Total	<u>100%</u>

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 2014, the taxes were allocated to the general fund, street construction fund and police and fire safety fund.

6. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, 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. 2014 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.2 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$151,767,370
Public Utility Personal Property	6,750,440
Total	\$158,517,810

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.

7. INTERFUND ACTIVITY

As of December 31, 2014, \$500,000 of advances related to the Job Ready Site Project had not been repaid. Cash advances are generally made to provide working capital for operations or projects or to provide cash flow resources. This will be repaid once the project is completed.

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 2014, 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.

Blanket Property and Contents, Replacement	\$37,582,000	\$5,000
Inland Marine	1,103,232	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	264,215	500
Computer – Software	73,789	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.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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 Risk Pooling Services, Inc. (YORK), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by YORK. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

B. Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$150,000 for property claims (latest information available).

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 PEP member.

C. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	2013	2012
Assets	\$34,411,883	\$34,389,569
Liabilities	(12,760,194)	(14,208,353)
Net Assets-Unrestricted	\$21,651,689	\$20,181,216

As of December 31, 2013 and 2012, respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the City's share of these unpaid claims collectible in future years is approximately \$157,828.

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.

Contributions to PEP	
2013	2012
\$113,457	\$112,983

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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 (via certified mail) 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

D. Workers' Compensation

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

E. Employee Medical Benefits

The City contracted with Medical Mutual as the Health Care Provider for the City's health insurance for medical and prescription drug coverage and with Standard Life Insurance as the Health Care Provider for the City's term life insurance, and accidental death and dismemberment and Vision Service plan for insurance for vision. Premiums for family, employee and children, employee and spouse and single were \$1,573.02, \$948.12, \$1,115.47 and \$557.74 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 \$1,552.54, \$879.77, \$1,035.03, and \$517.51 for medical.

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 2 percent for 2014. The portion of the employer contribution allocated to health care for members in the combined plan was 2 percent for 2014. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012, were \$377,200, \$357,898, and \$228,156, respectively. For 2014, 93 percent has been contributed. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$8,273 made by the City and \$5,909 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy – The Ohio Revised Code required plan members to contribute 10.75% from January 1, 2014 to July 1, 2014 and 11.5% from July 2, 2014 to December 31, 2014 of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's contribution to OPF for police and firefighters pension was \$210,170 and \$260,197 for the year ended December 31, 2014, \$205,769 and \$251,125 for the year ended December 31, 2013, and \$136,178 and \$177,800 for the year ended December 31, 2012. For 2014, 92 percent has been contributed for police and 92 percent has been contributed for firefighters. The full amount has been contributed for 2013 and 2012.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members was 2 percent during calendar year 2014.

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

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012, was \$49,835, \$3,615, and \$122,470 respectively. For 2014, 93 percent has been contributed. The full amount has been contributed for 2013 and 2012.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

B. Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$5,464 and \$5,464 for the year ended December 31, 2014, \$38,432 and \$38,014 for the year ended December 31, 2013, \$72,094 and \$69,574 for the year ended December 31, 2012. For 2014, 92 percent has been contributed for police and 92 percent has been contributed for firefighters. The full amount has been contributed for 2013 and 2012.

11. NOTES PAYABLE

The changes in the City's notes payable during 2014 were as follows:

	<u>Outstanding 12/31/13</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/14</u>
Governmental Activities				
4.50% VW Municipal Court Improvement Bonds		\$1,500,000	\$40,000	\$1,460,000
Total Governmental Activities		1,500,000	40,000	1,460,000
	<u>Outstanding 12/31/13</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/14</u>
Business Type Activities				
OPWC Allingham/Bonnewitz Pump				
0.00% Station	\$649,056	0	\$43,271	\$605,785
3.91% OWDA Loan #2549	26,656	0	4,926	21,730
4.12% OWDA Loan #2548	337,270	0	62,073	275,197
3.81% OWDA Loan #2550	2,607,956	0	306,581	2,301,375
4.65% OWDA Loa #3576	565,614	0	64,635	500,979
4.17% OWDA Loan #4733	173,711	0	173,711	
Total Business Type Activities	<u>\$4,360,263</u>	<u>\$0</u>	<u>\$655,197</u>	<u>\$3,705,066</u>
Total	<u>\$4,360,263</u>	<u>\$1,500,000</u>	<u>\$695,197</u>	<u>\$5,165,066</u>

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

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

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. NOTES PAYABLE (Continued)

A. Van Wert Municipal Court Improvement Bonds

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

B. Ohio Water Development Authority (OWDA)

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

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

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

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

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.

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

<u>Year</u>	<u>OWDA Loans</u>		<u>OPWC Loan</u>	<u>Municipal Court Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2015	\$455,823	\$118,675	\$43,271	\$50,000	\$65,700
2016	474,167	100,353	43,270	55,000	63,450
2017	493,210	81,289	43,271	55,000	60,975
2018	513,016	61,486	43,270	55,000	58,500
2019	451,591	41,654	43,270	60,000	56,025
2020-2024	711,474	28,379	216,352	345,000	236,700
2024-2028			173,081	430,000	152,100
2029-2033				410,000	47,250
	<u>\$3,099,281</u>	<u>\$431,836</u>	<u>\$605,785</u>	<u>\$1,460,000</u>	<u>740,700</u>

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. NOTES PAYABLE (Continued)

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and un-voted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2014 were an overall debt margin of \$16,038,585 and an un-voted debt margin of \$8,112,695.

12. FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Street Construction</u>	<u>Municipal Ct. Bond</u>	<u>Police & Fire</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:						
Unclaimed Monies	\$6,283					\$6,283
Total Non-spendable	<u>6,283</u>					<u>6,283</u>
Restricted for:						
Street Construction		\$2,164,861				2,164,861
Police & Fire Capital				\$1,208,961		1,208,961
Other Purposes			478,401		1,722,062	2,200,463
Total Restricted		<u>2,164,861</u>	<u>478,401</u>	<u>1,208,961</u>	<u>1,722,062</u>	<u>5,574,285</u>
Committed to:						
Other Purposes					168,923	168,923
Total Committed					<u>168,923</u>	<u>168,923</u>
Assigned to:						
Projected Budget Shortage	512,592					512,592
Unpaid Obligations	21,915					21,915
Total Assigned	<u>534,507</u>					<u>534,507</u>
Unassigned (deficits):	423,758					423,758
Total Fund Balances	<u>\$964,548</u>	<u>\$2,164,861</u>	<u>\$478,401</u>	<u>\$1,208,961</u>	<u>\$1,890,985</u>	<u>\$6,707,756</u>

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. INTERFUND TRANSFERS

During 2014 the following transfers were made:

	Transfers From						Total
Transfers To	General	Street Construction	Governmental Funds	Water	Sewer	Garage	
General Fund	\$26,382	\$2,444	\$1,237	\$4,031	\$4,851	\$612	\$39,557
Other Governmental Funds							
Parks Capital	50,000						50,000
Economic Development	134,017						134,017
Total	\$210,399	\$2,444	\$1,237	\$4,031	\$4,851	\$612	\$223,574

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

Westerheide Construction	\$475,490
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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 \$21,915 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	(\$578,536)
Funds budgeted elsewhere**	(39,556)
Adjustment for Encumbrances	(21,915)
Budget Basis	(\$640,007)

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

16. CONTINGENT LIABILITIES

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. 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 2014 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.

B. 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. 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).

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

18. 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)

19. COMPONENT UNITS

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

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

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

Demand Deposits	\$262,841
Certificates of Deposit	162,645
Total Deposits	<u>\$425,486</u>

Deposits are insured by the Federal Depository Insurance Corporation.

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

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

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

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

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

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

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Dave Yost • Auditor of State

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

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

To the City Mayor and Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 11, 2015, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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. We consider finding 2014-002 described in the accompanying schedule of findings 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 2014-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 11, 2015

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Financial Statement Reporting - Noncompliance

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

Ohio Adm. Code §117-2-03(B) requires the City to report its annual financial report in accordance with generally accepted accounting principles (GAAP).

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

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

Official's Response:

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

FINDING NUMBER 2014-002

Accuracy of Financial Statements - Material Weakness

Classification errors identified on the Statement of Cash Basis Assets and Fund Balances for 2014 included:

- General Fund - Assigned Fund Balance was understated and Unassigned Fund Balance was overstated by \$512,592.
- Municipal Court Bond - Fund Equity in Pooled Cash and Cash Equivalents and Restricted Fund Balance were understated by \$9,355.
- Other Governmental – Equity in Pooled Cash and Cash Equivalents and Restricted Fund Balance were overstated by \$9,355.

Classification errors identified on the Statement of Fiduciary Net Position for 2014 included:

- Agency – Equity in Pooled Cash and Cash Equivalents and Net Position Held for Fire Department were overstated by \$5,534. Cash and Cash Equivalents in Segregated Account and Deposits Held and Due to Others were understated by \$52,275.

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

**FINDING NUMBER 2014-002
(Continued)**

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

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

Official's Response:

Classification corrections have been made in all worksheets used for report preparation. These specific items have been marked for review for 2015 reports.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Failure to file annual financial report in accordance with GAAP.	No	Not Corrected, Repeated as Finding Number 2014-001.
2013-002	Expenditures Exceeding Appropriations	Yes	
2013-003	Accuracy of Financial Statements	No	Partially Corrected, Repeated as Finding Number 2014-002.
2013-004	Input of Approved Utility Rates	Yes	

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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
JUNE 11, 2015