



Mary Taylor, CPA  
Auditor of State



**CITY OF VAN WERT  
VAN WERT COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Mayor and Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the remaining fund information of the City of Van Wert, Van Wert County, (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Insurance claims reported in the self-insurance fund (an Internal Service Fund) are processed by a service organization that is independent of the City. The service organization did not provide us with evidence regarding the design or proper operation of its internal controls. We were unable to perform procedures to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 72 percent of the disbursements for the Internal Service Fund.

Ohio Administrative Code Section 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. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding insurance claims, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the remaining fund information of the City of Van Wert, Van Wert County, as of December 31, 2008, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

May 27, 2009

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

**Using this Annual Report**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the City did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

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

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

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

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

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

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

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

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

**Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The City's two major enterprise funds are the Water and Sewer funds. When the services are provided to other departments of the City, the service is reported as an internal service fund. The City has two internal service funds. One is used to account for employee health-care claims and the other one accounts 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, 2008  
UNAUDITED  
(Continued)**

**Highlights**

Fund balances of governmental funds increased \$474,734 or 11 percent. The fund most affected by the increase in cash and cash equivalents was the Street Construction Fund due to the building of reserves for the South Shannon Street reconstruction project scheduled for 2010, and the Police and Fire fund due to reduced capital outlay expenditures.

The City's general receipts are primarily property and income taxes. These receipts represents respectively 5 percent and 58 percent of the total cash received for governmental activities during the year. The Water and Sewer Funds net assets decreased \$354,964 and \$900,388 respectively.

**The Government as a Whole**

Table 1 provides a summary of the City's net assets for 2008 compared to 2007 on a cash basis:

**Table 1  
Net Assets**

	Governmental Activities		Business Type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Equity in Pooled Cash & Cash Equivalents	\$5,065,743	\$4,626,694	\$2,499,508	\$3,846,740	\$7,565,251	\$8,473,434
Cash & Cash Equivalents with Fiscal Agents		135,853	95,346	3,466	95,346	139,319
<b>Total Assets</b>	<u>5,065,743</u>	<u>4,762,547</u>	<u>2,594,854</u>	<u>3,850,206</u>	<u>7,660,597</u>	<u>8,612,753</u>
<b>Net Assets</b>						
<b>Restricted for:</b>						
Capital Projects	2,765,241	23,360	162,944		2,928,185	23,360
Debt Service	17,831	2,172,970			17,831	2,172,970
Other Purposes	737,892	896,936			737,892	896,936
Unrestricted	1,544,779	1,669,281	2,431,910	3,850,206	3,976,689	5,519,487
<b>Total Net Assets</b>	<u>\$5,065,743</u>	<u>\$4,762,547</u>	<u>\$2,594,854</u>	<u>\$3,850,206</u>	<u>\$7,660,597</u>	<u>\$ 8,612,753</u>

The net assets of governmental activities increased by \$303,196 or 6 percent during 2008. The primary reason contributing to the increase in cash balances was due to building reserves for the South Shannon reconstruction project scheduled for 2010.

Table 2 reflects the changes in net assets.

**Table 2  
Changes in Net Assets**

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities
	2008	2007	2008	2007
<b>Receipts</b>				
<b>Program Receipts:</b>				
Charges for Services and Sales	\$ 831,463	\$804,380	\$3,926,352	\$3,986,202
Operating Grants and Contributions	882,908	1,127,231	1,325,811	43,386
Capital Grants and Contributions	591,457	1,798,843	596,884	2,493,828
<b>Total Program Receipts</b>	<u>2,305,828</u>	<u>3,730,454</u>	<u>5,849,047</u>	<u>6,523,416</u>

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

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

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>	<b>Business Type Activities 2008</b>	<b>Business Type Activities 2007</b>
<b>Receipts</b>				
<b>General Receipts</b>				
Property and Other Local Taxes	414,056	466,873		
Income Tax	6,318,519	6,425,693		
Other Local Taxes	72,059	69,277		
Grants and Entitlements not Restricted to Specific Programs	1,160,323	764,566		
Franchise Fees	92,995	88,025		
Interest	316,121	423,339		
Miscellaneous	180,166	137,099		
Total General Receipts	<u>8,554,239</u>	<u>8,374,872</u>		
Total Receipts	10,860,067	12,105,326	5,849,047	6,523,416
<b>Disbursements</b>				
General Government	1,507,070	1,322,167		
Security of Persons and Property	4,737,459	4,439,521		
Public Health Services	131,072	129,064		
Leisure Time Activities	322,844	337,351		
Community Environment	652,669	988,603		
Transportation	2,598,695	4,472,842		
Capital Outlay	595,421	855,167		
Principal Retirement	15,000	136,935		
Interest and Fiscal Charges	4,260	11,697		
Water/Sewer			7,096,780	6,298,051
Total Disbursements	<u>10,564,490</u>	<u>12,693,347</u>	<u>7,096,780</u>	<u>6,298,051</u>
Excess(deficiency) Before Transfers	295,577	(588,021)	(1,247,733)	225,365
Transfers	7,619	10,703	(7,619)	(10,703)
Increase (Decrease) in Net Assets	303,196	(577,318)	( 1,255,352)	214,662
Nets Assets, Beginning of Year	<u>4,762,547</u>	<u>5,339,865</u>	<u>3,850,206</u>	<u>3,635,544</u>
Net Assets, End of Year	<u>\$5,065,743</u>	<u>\$4,762,547</u>	<u>\$2,594,854</u>	<u>\$3,850,206</u>

Program receipts for governmental activities represent 21 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges for emergency medical services.

General receipts represent 79 percent the City's total receipts, and of this amount, 80 percent are local taxes. State and federal grants and entitlements make up the balance of the City's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

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

**Governmental Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 25 percent and 45 percent, respectively, of all governmental disbursements. General Government also represents a significant cost at 14 percent of total receipts. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service.

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

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2008</b>	<b>Net Cost of Services 2008</b>	<b>Total Cost Of Services 2007</b>	<b>Net Cost of Services 2007</b>
General Government	\$ 1,507,070	\$1,058,897	\$ 1,322,167	\$ 870,199
Security of Persons and Property	4,737,459	4,436,883	4,439,521	4,165,714
Public Health Services	131,072	131,072	129,064	129,064
Leisure Time Activities	322,844	235,972	337,351	255,538
Community Environment	652,669	(756)	988,603	431,333
Transportation	2,598,695	2,066,962	4,472,842	2,358,946
Capital Outlay	595,421	310,372	855,167	603,467
Principal Retirement	15,000	15,000	136,935	136,935
Interest and Fiscal Charges	4,260	4,260	11,697	11,697
<b>Total Expenses</b>	<b>\$10,564,490</b>	<b>\$8,258,662</b>	<b>\$12,693,347</b>	<b>\$8,962,893</b>

The dependence upon property and income tax receipts is apparent as over 78 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, 2008  
UNAUDITED  
(Continued)**

**The Government's Funds**

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

Total governmental funds had receipts of \$10,989,374 and disbursements of \$10,514,640. The fund balance of the General Fund decreased \$29,925.

The fund balance of the Street Construction Fund increased \$267,945, and the fund balance of the Police and Fire Capital Fund increased \$328,734.

**Business-Type Activities Financial Analysis**

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Water and Sewer enterprise funds experienced a decrease in assets for 2008. These decreases were due to the Sewer Fund expenses for a new lift station and the building of a third reservoir from the Water Fund.

**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 2008, actual receipts were above original budgeted receipts due to a windfall of \$500,000 from inheritance tax, reported as intergovernmental revenue. Revenues from real estate tax and municipal income tax actually declined \$159,991.

Final disbursements including transfers were budgeted at \$6,882,011 while actual disbursements plus transfers were \$6,414,510. The final result was a decrease in fund balance of \$29,262.

**Debt Administration**

At December 31, 2008 the City's outstanding debt included \$345,000 in general obligation bonds issued for improvements to buildings and structures, in addition to \$7,038,417 in Ohio Water Development Authority Loans for wastewater infrastructure and improvements and \$865,410 in Ohio Public Works bonds for wastewater improvements. For further information regarding the City's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

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

**Contacting the Government's Financial Management**

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

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Woodland Union Cemetery
<b>Assets:</b>				
Cash and Cash Equivalents	\$5,065,743	\$2,499,508	\$7,565,251	\$379,701
Cash and Cash Equivalents with Fiscal Agent		95,346	95,346	
Total Assets	5,065,743	2,594,854	7,660,597	379,701
<b>Net Assets:</b>				
<b>Restricted for:</b>				
Capital Projects	2,765,241	162,944	2,928,185	
Debt Service	17,831		17,831	
Other Purposes	737,892		737,892	281,272
Unrestricted	1,544,779	2,431,910	3,976,689	98,429
Total Net Assets	<u>\$5,065,743</u>	<u>\$2,594,854</u>	<u>\$7,660,597</u>	<u>\$379,701</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, 2008**

	<b>Program Cash Receipts</b>			
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	
<b>Governmental Activities:</b>				
<b>Current:</b>				
Security of Persons and Property	\$175,992			
Police	2,333,466	22,661	4,909	
Fire	1,806,411	265,431	7,575	
Other	421,590			
Public Health	131,072			
Leisure Time Activities	322,844	73,980	12,892	
Community Environment	652,669	12,668	334,349	306,408
Transportation	2,598,695	8,550	523,183	
General Government	1,507,070	448,173		
Capital Outlay	595,421			285,049
<b>Debt Service:</b>				
Principal Retirement	15,000			
Interest and Fiscal Charges	4,260			
Total Governmental Activities	<u>10,564,490</u>	<u>831,463</u>	<u>882,908</u>	<u>591,457</u>
<b>Business-Type Activities</b>				
Water	2,527,779	1,596,565	2,498	581,934
Sewer	4,569,001	2,329,787	1,323,313	14,950
Total Business-Type Activities	<u>7,096,780</u>	<u>3,926,352</u>	<u>1,325,811</u>	<u>596,884</u>
<b>Component Unit</b>				
Woodland Union Cemetery	151,233	105,762	15,491	
Total	<u>\$17,812,503</u>	<u>\$4,863,577</u>	<u>\$2,224,210</u>	<u>\$1,188,341</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  
Transfers  
Total General Receipts and Transfers

Change in Net Assets

Net Assets (Deficit) at Beginning of Year

Net Assets (Deficit) at End of Year

*See accompanying notes to basic financial statements.*

<b>Net (Disbursement) Receipt and Change in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Woodlawn Union Cemetery</b>
(\$175,992)		(\$175,992)	
(2,305,896)		(2,305,896)	
(1,533,405)		(1,533,405)	
(421,590)		(421,590)	
(131,072)		(131,072)	
(235,972)		(235,972)	
756		756	
(2,066,962)		(2,066,962)	
(1,058,897)		(1,058,897)	
(310,372)		(310,372)	
(15,000)		(15,000)	
(4,260)		(4,260)	
<u>(8,258,662)</u>		<u>(8,258,662)</u>	
	(\$346,782)	(346,782)	
	(900,951)	(900,951)	
	<u>(1,247,733)</u>	<u>(1,247,733)</u>	
			(\$29,980)
<u>(8,258,662)</u>	<u>(1,247,733)</u>	<u>(9,506,395)</u>	<u>(29,980)</u>
329,427		329,427	
42,315		42,315	
42,314		42,314	
			28,210
3,710,821		3,710,821	
793,317		793,317	
1,814,381		1,814,381	
72,059		72,059	
1,160,323		1,160,323	
92,995		92,995	
316,121		316,121	8,371
180,166		180,166	8,097
7,619	(7,619)		
<u>8,561,858</u>	<u>(7,619)</u>	<u>8,554,239</u>	<u>44,678</u>
303,196	(1,255,352)	(952,156)	14,698
<u>4,762,547</u>	<u>3,850,206</u>	<u>8,612,753</u>	<u>365,003</u>
<u>\$5,065,743</u>	<u>\$2,594,854</u>	<u>\$7,660,597</u>	<u>\$379,701</u>

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
DECEMBER 31, 2008

	Governmental Funds				Total	Component Unit
	General	Street Construction	Police and Fire	Other Governmental	Governmental Funds	Woodland Union Cemetery
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$990,364	\$1,876,773	\$867,862	\$944,316	\$4,679,315	\$379,701
<b>Total Assets</b>	<u>990,364</u>	<u>1,876,773</u>	<u>867,862</u>	<u>944,316</u>	<u>4,679,315</u>	<u>379,701</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	59,187	111,387	115,406	68,841	354,821	
Reserved for Unclaimed Money	3,947				3,947	
Unreserved, Designated for 27th Pay				61,874	61,874	
Unreserved, Designated for Retirement				106,264	106,264	
<b>Unreserved, Reported in:</b>						
General Fund	927,230				927,230	
Special Revenue Funds				668,900	668,900	
Debt Service Fund				17,831	17,831	
Capital Projects Funds		1,765,386	752,456	20,606	2,538,448	
Component Unit						379,701
<b>Total Fund Balances (Deficit)</b>	<u>\$990,364</u>	<u>\$1,876,773</u>	<u>\$867,862</u>	<u>\$944,316</u>	<u>\$4,679,315</u>	<u>\$379,701</u>

See accompanying notes to basic financial statements.

CITY OF VAN WERT  
VAN WERT COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008

Total Governmental Fund Balances \$4,679,315

Amounts reported for governmental activities in the statement of  
net assets are different due to:

Governmental activities' net assets include the internal service  
funds' cash and cash equivalents. The proprietary funds'  
statements include these assets.

386,428

Net Assets of Governmental Activities

\$5,065,743

*See accompanying notes to the basic financial statements.*

CITY OF VAN WERT  
VAN WERT COUNTY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Funds				Total	Component Unit
	General	Street Construction	Police and Fire	Other Governmental	Governmental Funds	Woodland Union Cemetery
<b>Revenues</b>						
Property Taxes	\$329,427			\$84,629	\$414,056	\$28,210
Municipal Income Taxes	3,710,821	1,814,381	793,317		6,318,519	
Permissive Motor Vehicle License Taxes				25,466	25,466	
Other Local Taxes	16,000			56,059	72,059	
Special Assessments				19,312	19,312	
Charges for Services	398,090			12,669	410,759	105,762
Fees, Licenses, and Permits	352,929			4,303	357,232	
Fines and Forfeitures				31,772	31,772	
Intergovernmental	1,121,849	306,408		1,161,599	2,589,856	15,491
Interest	299,497			16,624	316,121	8,371
Gifts and Donations	13,992			22,714	36,706	8,000
Other	102,129	463		165,618	268,210	97
<b>Total Revenues</b>	<b>6,344,734</b>	<b>2,121,252</b>	<b>793,317</b>	<b>1,600,765</b>	<b>10,860,068</b>	<b>165,931</b>
<b>Expenditures</b>						
<b>Current:</b>						
Security of Persons and Property	175,992				175,992	
Police	2,227,535			61,790	2,289,325	
Fire	1,706,375			63,898	1,770,273	
Other	421,590				421,590	
Public Health	131,072				131,072	147,337
Leisure Time Activities	320,578			259	320,837	
Community Environment	63,145			589,524	652,669	
Transportation		1,852,558		729,641	2,582,199	
General Government	1,122,073			313,216	1,435,289	
Capital Outlay	126,088		464,583	4,750	595,421	3,896
<b>Debt Service:</b>						
Principal Retirement				15,000	15,000	
Interest and Fiscal Charges				4,260	4,260	
<b>Total Expenditures</b>	<b>6,294,448</b>	<b>1,852,558</b>	<b>464,583</b>	<b>1,782,338</b>	<b>10,393,927</b>	<b>151,233</b>
Excess of Revenues Over (Under) Expenditures	50,286	268,694	328,734	(181,573)	466,141	14,698
<b>Other Financing Sources (Uses)</b>						
Transfers In	40,514			88,792	129,306	
Transfers Out	(60,875)	(749)		(59,089)	(120,713)	
<b>Total Other Financing Sources (Uses)</b>	<b>(20,361)</b>	<b>(749)</b>		<b>29,703</b>	<b>8,593</b>	
Change in Fund Balance	29,925	267,945	328,734	(151,870)	474,734	14,698
Fund Balance Beginning of Year	960,439	1,608,828	539,128	1,096,186	4,204,581	365,003
Fund Balance End of Year	<u>\$990,364</u>	<u>\$1,876,773</u>	<u>\$867,862</u>	<u>\$944,316</u>	<u>\$4,679,315</u>	<u>\$379,701</u>

See accompanying notes to the basic financial statements.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$474,734
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Amounts reported for governmental activities in the statement of activities are different due to:

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund revenues (expenses).	<u>(171,538)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$303,196</u></u>
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*See accompanying notes to the basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
<b>Receipts:</b>				
Property Taxes	\$371,900	\$371,900	\$329,427	(\$42,473)
Municipal Income Taxes	3,881,000	3,881,000	3,710,821	(170,179)
Other Local Taxes	2,400	9,064	16,000	6,936
Charges for Services	360,650	360,650	398,090	37,440
Fees, Licenses, and Permits	423,000	423,000	352,929	(70,071)
Intergovernmental	597,550	597,550	1,121,849	524,299
Interest	300,000	300,000	299,497	(503)
Gifts and Donations	11,500	11,500	13,992	2,492
Other	18,500	57,019	102,129	45,110
Total Revenues	<u>5,966,500</u>	<u>6,011,683</u>	<u>6,344,734</u>	<u>333,051</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	183,173	183,351	175,992	7,359
Police	2,292,003	2,318,046	2,231,183	86,863
Fire	1,884,465	1,888,515	1,707,376	181,139
Other	426,376	483,230	421,590	61,640
Public Health	131,072	131,072	131,072	0
Leisure Time Activities	374,151	376,401	328,560	47,841
Community Environment	41,000	65,000	63,145	1,855
General Government	1,124,684	1,194,221	1,168,629	25,592
Capital Outlay	181,300	181,300	126,088	55,212
Total Expenditures	<u>6,638,224</u>	<u>6,821,136</u>	<u>6,353,635</u>	<u>467,501</u>
Excess of Revenues Under Expenditures	(671,724)	(809,453)	(8,901)	800,552
<b>Other Financing Sources (Uses):</b>				
Transfers In		17,933	40,514	22,581
Transfers Out	10,978	(60,875)	(60,875)	
Change in Fund Balance	(660,746)	(852,395)	(29,262)	823,133
Fund Balance (Deficit) at Beginning of Year	884,412	884,412	884,412	
Prior Year Encumbrances Appropriated	76,027	76,027	76,027	
Fund Balance at End of Year	<u>\$299,693</u>	<u>\$108,044</u>	<u>\$931,177</u>	<u>\$823,133</u>

See accompanying notes to basic financial statements.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>	<u>Governmental Activity Internal Service</u>
<b>Assets</b>				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,489,726	\$1,009,782	\$2,499,508	\$386,428
Cash and Cash Equivalents with Fiscal Agent	3,466	91,880	95,346	
Total Assets	<u>1,493,192</u>	<u>1,101,662</u>	<u>2,594,854</u>	<u>386,428</u>
<b>Net Assets</b>				
Restricted for Capital Projects		162,944	162,944	
Unrestricted	1,493,192	938,718	2,431,910	386,428
Total Net Assets	<u>\$1,493,192</u>	<u>\$1,101,662</u>	<u>\$2,594,854</u>	<u>\$386,428</u>

*See accompanying notes to the basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>	<u>Governmental Activity Internal Service</u>
<b>Operating Revenues</b>				
Charges for Services	\$1,596,565	\$2,329,787	\$3,926,352	\$1,488,090
Other	39,974	31,263	71,237	66,937
Total Operating Revenues	<u>1,636,539</u>	<u>2,361,050</u>	<u>3,997,589</u>	<u>1,555,027</u>
<b>Operating Expenses</b>				
Personal Services	780,651	806,472	1,587,123	94,214
Contractual Services	2,640	2,640	5,280	208,408
Materials and Supplies	510,887	642,232	1,153,119	182,039
Claims				1,240,930
Capital Outlay	1,233,601	2,499,996	3,733,597	
Utility Deposits Refunded		27,199	27,199	
Debt Service				
Principal Retirement		345,510	345,510	
Total Operating Expenses	<u>2,527,779</u>	<u>4,324,049</u>	<u>6,851,828</u>	<u>1,725,591</u>
Operating Income (Loss)	(891,240)	(1,962,999)	(2,854,239)	(170,564)
<b>Non-Operating Revenues (Expenses)</b>				
Intergovernmental Grants	305,003	441,590	746,593	
Loan Proceeds	239,455	865,410	1,104,865	
Interest Expense		(244,952)	(244,952)	
Total Non-Operating Revenues (Expenses)	<u>544,458</u>	<u>1,062,048</u>	<u>1,606,506</u>	
Income (Loss) before Transfers	(346,782)	(900,951)	(1,247,733)	(170,564)
Transfers In		8,450	8,450	
Transfers Out	(8,182)	(7,887)	(16,069)	(974)
Change in Net Assets	(354,964)	(900,388)	(1,255,352)	(171,538)
Net Assets Beginning of Year	<u>1,848,156</u>	<u>2,002,050</u>	<u>3,850,206</u>	<u>557,966</u>
Net Assets End of Year	<u>\$1,493,192</u>	<u>\$1,101,662</u>	<u>\$2,594,854</u>	<u>\$386,428</u>

*See accompanying notes to the basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2008**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$35,524	
Cash and Cash Equivalents in Segregated Account		\$75,345
Total Assets	35,524	75,345
<b>Liabilities</b>		
Deposits Held and Due to Others		75,345
Total Liabilities		\$75,345
<b>Net Assets</b>		
Endowment	35,524	
Total Net Assets	\$35,524	

*See accompanying notes to the basic financial statements.*

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSET - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$963
Total Additions	<u>963</u>
<b>Deductions</b>	
Other	<u>          </u>
<b>Total Deductions</b>	<u>          </u>
Change in Net Assets	963
Net Assets - Beginning of Year	<u>34,561</u>
Net Assets - End of Year	<u><u>\$35,524</u></u>

*See accompanying notes to the basic financial statements.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 provides the following services to its citizens: police and fire protection, emergency medical transportation, parks and recreation, building inspection, street maintenance and repairs, water and 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 16). 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 13 and 14.

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, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

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

The statement of net assets presents the cash balance of the governmental and business-type activities 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 is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the City.

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

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

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

**General** - The General Fund accounts for all financial resources, except those required to be accounted for 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 Safety Fund** – The Police and Fire Safety Fund accounts for all financial resources resulting from the .22 percent income tax. The Police and Fire Safety Fund is for the capital purchases for the City safety departments (police and fire departments).

The other governmental funds of the City account for grants and other resources whose use is restricted for 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, 2008  
(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 funds account for monies received for the activities of the self insurance program for employee health benefits and the City garage services.

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's trust fund accounts for an endowment in which only the income is to be used to remove dead or dangerous trees from the City property between the sidewalk and the streets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for the activity of the municipal court.

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the 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, 2008  
(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 Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the 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 the City Council during the year.

**E. Cash and Investments**

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

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

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

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

During 2008, the City invested in nonnegotiable certificates of deposit, federally insured certificates of deposit (CDARS), repurchase agreements, federal agency securities and STAR Ohio. Investments are reported at cost, except for StarOhio.

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, 2008.

Interest earnings are allocated to City funds according to State statutes and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$299,497, which includes \$259,940 assigned from other City funds.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(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 their use. 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. Assets have been restricted for the retirement of debt and for various capital projects. Restricted assets for other purposes represent the amounts reported in the special revenue funds that are restricted as to use. Unclaimed monies that have legal restriction on their use are reported as restricted. Restricted assets of the enterprise fund represent amounts restricted for capital asset construction.

**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 Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. Business-type restricted net assets include resources restricted for capital construction. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of December 31, 2008.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**M. Fund Balance Reserves/Designations**

The City reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for unclaimed monies and encumbrances.

The City has also designated funds to accommodate the 27<sup>th</sup> pay year and for retirement expenses.

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

**3. ACCOUNTABILITY AND COMPLIANCE**

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

**4. BUDGETARY BASIS OF ACCOUNTING**

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

The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budget basis) for the General Fund amounted to \$59,187.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

Monies held by the City are classified by State statute into three categories. Active monies are public monies 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 withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

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.

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

**B. Deposits** - At December 31, 2008, the carrying amount of deposits was \$3,729,146. Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,020,152 of the City's bank balance of \$3,910,588 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.

**C. Investments** - As of December 31, 2008 the City had the following investments:

	<b>Total</b>	<b>Less Than Six Months</b>	<b>More Than Two Years</b>
Federal Home Loan Bank	\$1,000,000		\$1,000,000
Federal Home Loan Mortgage Corporation	1,750,000		1,750,000
Federal National Mortgage Association	500,000		500,000
Repurchase Agreements	662,841	662,841	
STAR Ohio	128,452	128,452	
<b>Total</b>	<b>\$4,041,293</b>	<b>\$791,293</b>	<b>\$3,250,000</b>

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 that 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 that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The security underlying the repurchase agreement, the federal national mortgage association notes, federal home loan corporation notes and the federal home loan bank notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAA 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.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

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 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."

With the exception of U.S. Treasury securities and collateralized Bank Certificates of Deposit, and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The City invested 80 percent of their total portfolio in Federal Government securities.

	<b>Fair Value</b>	<b>Percentage Of Portfolio</b>
Federal Home Loan Bank	\$1,000,000	24.75 %
Federal Home Loan Mortgage Corporation	1,750,000	43.30 %
Federal National Mortgage Association	500,000	12.37 %
Repurchase Agreements	662,841	16.40 %
STAR Ohio	128,452	3.18 %
Total	\$4,041,293	100.00 %

**6. INCOME TAXES**

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.

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 2008, the taxes were allocated to the general fund, street construction fund and police and fire safety fund.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**7. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007 on the assessed values as of January 1, 2007 the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2006 and were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

2008 tangible property taxes are levied after October 1, 2007 on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 was 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder due September 20.

The full tax rate for all City operations for the year ended December 31, 2008, was \$3.2 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$112,838,430
Commercial/Industrial	37,660,460
Public Utility Property	9,050
Tangible Personal Property	
General	6,290
Public Utilities	5,162,890
Total Assessed Value	<u>\$155,677,120</u>

**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 2008 the City contracted through Purmort Brothers Insurance Agency with Central Mutual Insurance for buildings and contents coverage in the amount \$33,224,000. The City also contracted through Purmort Brothers Insurance Agency with the Public Entities Pool of Ohio for the remaining coverage.

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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

**Casualty Coverage** - For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**Property Coverage** - Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2008.

For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2008 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**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, 2008 and 2006 (latest information available).

	<b>2007</b>	<b>2006</b>
Assets	\$37,560,071	\$36,123,194
Liabilities	(117,340,825)	(16,738,904)
Retained earnings	\$20,219,246	\$19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

The City's share of these unpaid claims collectible in future years is approximately \$113,740. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below. 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.

<u>Contributions to PEP</u>	
2006	\$101,407
2007	106,617
2008	98,904

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

**C. 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. Gates McDonald and Company provides administrative, cost control and actuarial services to the GRP.

**D. Employee Medical Benefits**

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic health and dental coverage through Variable Protection Agency, the third party administrator (TPA) of the program, which reviews and pays the claims. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$45,000 per employee per year.

The family, employee plus spouse, employee plus children, and single premiums were \$130.16, \$76.70, \$86.66 and \$43.50 for medical. The TPA charges the City a medical administration fee of \$17 per employee per month, in addition to other monthly service fees.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**9. DEFINED BENEFIT PENSION PLAN**

**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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll.

The City's contribution rate for 2008 was 14 percent of covered payroll. For 2008, the employer contribution allocated to the health care plan was 7 percent of the covered payroll. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008 2007, and 2006 were \$173,287, \$209,228, and \$217,201 respectively. 92.4 percent has been contributed for 2008 and the full amount has been contributed for 2007 and 2006. Contributions made by the plan members to the member-directed plan for 2008 were \$6,743 and \$9,440 was made by the City.

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

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are established by State statute. A portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan.

The City's pension contributions to OP&F for police and firefighters were \$150,990 and \$177,564 respectively, for the year ended December 31, 2008; \$138,828 and \$175,894 respectively for the year ended December 31, 2007; and \$126,965 and \$169,389 for the year ended December 31, 2006. For 2008, 75.00 percent for police and 71.82 percent for firefighters has been contributed and the full amount has been contributed for 2007 and 2006.

**10. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB 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 healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 - 7377.

**Funding Policy** - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll from January 1 through December 31, 2008.

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

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

The City's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$182,727, \$137,815, and \$106,240, respectively. 92.41 percent has been contributed for 2008 and the full amount has been contributed for 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006. January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

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

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

OP&F provides access to postemployment healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

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

**Funding Policy** – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401 (h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401 (h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment mounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

The City's contributions to OP&F which were allocated to fund postemployment healthcare benefits of police and firefighters were \$79,936 and \$69,481 for the year ended December 31, 2008, \$73,497 and \$68,828 for the year ended December 31, 2007, and \$83,743 and \$80,786 for the year ended December 31, 2006. For 2008, contributions equaled 75 and 71.82 percent of police and firefighters, respectively, and the full amount had been contributed for 2007 and 2006.

**11. LONG TERM DEBT**

	Interest Rate	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Bonds						
Westwood Street Improvement	5.8- 7.1%	\$ 60,000		\$ 15,000	\$ 45,000	\$ 15,000
Original Amount \$295,000						
Total Governmental Activities		<u>\$ 60,000</u>		<u>\$ 15,000</u>	<u>\$ 45,000</u>	<u>\$ 15,000</u>
<b>Business-Type Activities</b>						
Revenue Bonds						
Ohio Public Works						
Allingham/Bonnewitz						
Pump Station Improvements	0.00%	0	865,410	0	865,410	43,270
OWDA Loan #2549	3.91%	48,796		4,405	44,391	4,580
OWDA Loan #2548	4.12%	660,951		48,600	612,351	50,623
OWDA Loan #2550	3.81%	4,122,163		143,450	3,978,713	253,858
OWDA Loan #3576	4.65%	896,809		49,055	847,754	51,362
OWDA Loan #4733	4.17%	1,259,603	295,605		1,555,208	
Various Purpose Bonds	1.6 to 3.65%	400,000		100,000	300,000	100,000
Original Amount \$865,000						
		<u>\$7,388,322</u>	<u>1,161,015</u>	<u>\$345,510</u>	<u>\$8,203,827</u>	<u>\$503,693</u>

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

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

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

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**11. LONG TERM DEBT (Continued)**

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

OWDA Loans number 2548 and 2549 relate to a Wastewater Sludge Processing project. The OWDA has approved up to \$1,137,460 in loans to the City for this project. The OWDA loan 2548 will be repaid in semiannual installments of \$37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 2548 includes capitalized interest of \$25,486. The OWDA loan 2549 is being repaid in semiannual installments of \$3,340 including interest, over 20 years which is based upon an amortization schedule developed for a \$92,085 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 estimated 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. As of December 31, 2008, \$1,555,208 had been disbursed, which includes a \$5,168 OWDA fee, with capitalized interest of \$56,150 and \$12,190 for 2008 and 2007, respectively. 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. The City will begin making payments on January 1, 2010.

**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 will begin making payments on July 1, 2009.

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

<b>Governmental Activities:</b>	<b>General Obligation</b>	
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2009	\$15,000	\$ 3,195
2010	15,000	2,130
2011	15,000	1,065
	\$45,000	\$6,390

<b>Year</b>	<b>General Obligation</b>		<b>Business Type Activities OWDA Loans</b>		<b>OPWC</b>	<b>Loan</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2009	\$100,000	\$10,250	\$ 360,423	\$ 214,837	\$ 43,270	\$0
2010	100,000	7,100	374,891	200,369	43,270	0
2011	100,000	3,650	389,943	185,317	43,270	0
2012			405,603	169,657	43,270	0
2013			421,895	153,364	43,270	0
2014-2018			2,367,374	498,088	216,353	0
2019-2023			1,163,078	70,033	216,352	0
2024-2028					216,353	0
	\$300,000	\$21,000	\$5,483,208	\$1,459,309	\$865,410	\$0

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**11. LONG TERM DEBT (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 unvoted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008 were an overall debt margin of \$16,346,098 and an unvoted debt margin of \$8,562,242.

**12. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2008, consisted of the following:

	<u>General</u>	<u>Street Construction</u>	<u>Other Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>City Garage</u>
<b>Transfer To</b>	\$40,514		\$ 88,792		\$8,450	
<b>Transfer From</b>	60,875	\$749	59,089	\$8,182	7,887	\$ 974

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and establish reserve funds for future costs associated with a twenty-seventh pay or severance.

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Van Wert County Regional Planning Commission** - (the Commission) is a jointly governed organization among the County, City of Van Wert, and Cities and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board.

The Board is comprised of thirty members of which two-thirds are elected officials. The County must be represented by the three County Commissioners, a County Health Official, the County Engineer, the County Recorder, the County Auditor, the Sheriff and the County Extension Agent. Other members include: a representative from all participating Boards of Township Trustees: the Mayor or a Council member of each participating incorporated village; two representatives from the City of Van Wert, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission are representatives from public utility, minority groups, business industry, Ministerial Association, farm organizations, Chamber of Commerce and other representatives as deemed necessary by the Commission.

The Commission makes studies, maps, plan, recommendations and reports, concerning the physical, environmental, social, economic, and governmental characteristic, functions, and services of the County. The City did contribute in \$3,741 in 2008 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.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**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.

**14. INSURANCE PURCHASING POOLS**

**A. Ohio Municipal League Group Rating Plan (GRP)** - The City participates in the 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.

**B. Public Entities Pool of Ohio (PEP)** - The City belongs to the 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). 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)

**15. CONTINGENT LIABILITIES**

**Federal and State Grants**

For the period January 1, 2008 to December 31, 2008 the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**16. COMPONENT UNIT**

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**16. COMPONENT UNIT (Continued)**

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

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

Demand Deposits	\$210,159
Certificates of Deposit	<u>169,542</u>
Total Deposits	<u>\$379,701</u>

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

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

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

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

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

- Commercial property
- Commercial General Liability
- Commercial Inland Marine
- Commercial Auto Policy

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

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**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/State's Program	AF-06-191-1	14.228	\$608
	AC-06-191-1		3,937
	AT-07-191-1		60,457
	AT-05-191-1		3,194
Sub-total Community Development Block Grants/State's Program			<u>68,196</u>
Community Development Block Grant/Revolving Loan Fund (1)		14.228	<u>129,938</u>
Total Community Development Block Grants			198,134
HOME Investment Partnerships Program	AC-06-191-2	14.239	<u>242,022</u>
Total U.S. Department of Housing and Urban Development			<u>440,156</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	07N014	20.205	<u>306,408</u>
Total U.S. Department of Transportation			<u>306,408</u>
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Congressionally Mandated Projects	XP-00E06101	66.202	<u>305,003</u>
Total U.S. Department of Environmental Protection Agency			<u>305,003</u>
Total Federal Assistance			<u><u>\$1,051,567</u></u>

(1) Represents federally funded revolving loan program, from which additional loans and administrative expenditures have been expended from revolving loan repayments. (See Note B)

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City (passed through the Ohio Department of Development). The initial loan of this money was recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans as reported in the amount of \$115,000 on the federal schedule.

Activity in the CDBG revolving loan fund during 2008 is as follows;

<b>Revolving Loans</b>	<b>Loans Receivable</b>	<b>Cash Balance</b>
Beginning Balance	\$863,288	\$ 23,573
Loan Repayment Receipts	(117,011)	117,011
Loan Interest Repayment Receipts		27,341
Program Income		150
Loan Disbursements	115,684	(115,684)
Administration		(14,254)
Ending Balances	\$861,961	\$ 38,137

Delinquent amounts due As of December 31, 2008: \$9,649

These loans are collateralized by mortgages on the property and equipment.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2009 which was qualified for lack of evidence regarding the processing of claims and, we also noted the City uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-003 through 2008-007 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2008-003 through 2008-007 are material weaknesses.

We also noted certain matters that we reported to the City's management in a separate letter dated May 27, 2009.

**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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated May 27, 2009.

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.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 27, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the City Mayor and Council:

### Compliance

We have audited the compliance of City of Van Wert, Van Wert County (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Van Wert complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended December 31, 2008. In a separate letter to the City's management dated May 27, 2009, we reported a matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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**Internal Control Over Compliance  
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

May 27, 2009

**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2008**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #20.205: Highway Planning and Construction CFDA #66.202: Congressionally Mandated Projects
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2008-001**

**Noncompliance – Financial Statement Reporting**

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

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

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

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

**Client 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 2008-002**

**Noncompliance - Investment Policy**

**Ordinance Number 02-10-059, dated November 25, 2002**, amended the City's investment policy to require that it will diversify its investments by security type and institution. With the exception of U.S. Treasury Securities and collateralized certificates of deposit, and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

At December 31, 2008, the City's total investment portfolio was \$4,041,293 and the amount of investment in federal agency securities with one financial institution was \$3,250,000 resulting in the amount invested with one financial institution exceeding the 50 percent limit by \$1,229,353.

The City should establish procedures to monitor the investment process to determine that the established policies are being followed.

**Client Response:**

Investments were made to secure favorable interest rates in a declining rate market. The Finance Committee will be asked to review the current investment policy for any necessary amendments.

### **FINDING NUMBER 2008-003**

#### **Material Weakness - Insurance Claims Processing - SAS 70**

The City contracts with a third party to administer health insurance claims. A SAS 70 audit was not conducted on the third party administrator for the year 2008, nor could alternative procedures be applied. Those claims represented 86 percent of the disbursements of the internal service fund.

Internal controls should be in place that provide reasonable assurance that payment of insurance claims are made only after proper management approval. Because of the failure to require approval from the proper level of management, and without a Tier II SAS 70 review of the third party administrator's internal control procedures, claims may be reimbursed without the approval or knowledge of management.

Procedures should be implemented requiring documentation of the accounting procedures performed to ensure health insurance charges are being sufficiently monitored. The City should enter into a contract with their third party administrator which would require them to have a yearly Tier II SAS 70 audit in accordance with AICPA guidelines.

#### **Client Response:**

In 2009 the City changed from a self insured insurance plan to a fully insured plan. Due to this change the business relationship with the third party administrator was discontinued. Due to the lack of a business relationship, the third party administrator asked the City to pay for the SAS 70. Based in favorable past experience with third party administrator, the City chose to forego the SAS 70 and the additional charge.

### **FINDING NUMBER 2008-004**

#### **Material Weakness - Utility Department - Segregation of Duties**

One employee in the Utility Department had the ability to perform the following duties:

- Input the rates;
- Calculate the billings;
- Collect over-the-counter monies;
- Input data into the computer;
- Deposit with the bank; and
- Perform bank reconciliations.

Allowing one employee to input rates, prepare customer billings, collect customer payments, post the payments to the system, deposit amounts collected, send delinquent notices, and perform monthly bank reconciliations allowed for the possibility of the manipulation of the records or misappropriation of assets without being promptly detected in the normal course of business.

The duties of inputting, receiving, posting, depositing, and reconciling should be segregated to establish a system of controls to detect errors and irregularities promptly.

#### **Client Response:**

The City acknowledges the lack of segregation of duties in several offices and is willing to accept the risk.

**FINDING NUMBER 2008-005**

**Material Weakness - City Auditor's Office - Segregation of Duties**

The City Auditor had the responsibility to perform the following duties:

- Process and post all non-payroll disbursements to the system;
- Sign all non-payroll disbursement checks with check signing machine;
- Reconciling the non-payroll disbursement bank account; and
- Making investments for the City.

The Deputy Auditor had the responsibility to perform the following duties:

- Process and post all payroll disbursements to the system
- Sign all payroll disbursements with the check signing machine; and
- Reconciling the payroll disbursement bank account.

Assigning an employee or official to both process and post expenditure transactions and reconcile the City's bank accounts allowed for the possibility of the manipulation of records and misappropriation of assets without being detected on a timely basis.

The City should develop policies and procedures that include appropriate segregation of duties. The City Treasurer should perform the bank account reconciliations and make investments and the City Auditor should periodically review the payroll checks issued for reasonableness and agreement with the check register.

**Client Response:**

The City acknowledges the lack of segregation of duties in several offices and is willing to accept the risk.

**FINDING NUMBER 2007-006**

**Material Weakness - Income Tax Department - Segregation of Duties**

The income tax administrator had the ability to perform the following duties:

- a. Receive over the counter money and process it through the cash register;
- b. Receive mail and process the money through the cash register;
- c. Prepare and make the daily deposits with the bank;
- d. Post transactions to the computer;
- e. Determine who receives a refund;
- f. Send delinquent notices; and,
- g. Determine abatement of penalties and interest.

Allowing one individual to collect tax revenue, post the receipts to the system, deposit the amounts received, send delinquent notices, and determine allowable refunds could allow for the failure to detect the manipulation of records and misappropriation of assets in the normal course of business.

The duties of opening mail, receiving and depositing tax payments, and reconciling should be segregated from the posting of the information to the system, calculating refunds, and sending delinquent notices. In addition, City Council should develop a policy for review and approval of all adjustments to income tax accounts.

**Client Response:**

The City acknowledges the lack of segregation of duties in several offices and is willing to accept the risk.

**FINDING NUMBER 2008-007**

**Material Weakness - Ohio Department of Transportation on Behalf Payments to the City**

Under the City's agreement with the Ohio Department of Transportation (ODOT) for the Highway Planning and Construction Grant, ODOT issues grant payments directly to the project contractors upon receipt and approval of Local LET Summary and Payable Invoices from the City. The City is responsible for recording the activity in the proper fund as revenue and expenditures within the City's financial system.

In 2008 ODOT made payments totaling \$262,710.21, which were not properly recorded in the City's financial records until 2009. The failure to record the payment made on the City's behalf limits the ability to monitor the payment of contracts under the project and limited the ability of Council to make informed decisions for the City and could lead to errors or omissions that would not be detected in the normal course of business. The client adjusted this amount to the 2008 financial statements.

The Safety Service Director and City Auditor should develop procedures to verify that associated grant revenues and expenditures are properly and timely recorded in the appropriate account when payments are made on behalf of the City to prevent misstatements in financial reporting.

**Client Response:**

All corrections have been made, and noted for future postings.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2007-001	Ohio Revised Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B): Preparation of financial statements in accordance with General Accepted Accounting Principles	No	Repeated as Finding Number 2008-001
2007-002	Utility Department – Segregation of Duties	No	Repeated as Finding Number 2008-004
2007-003	City Auditor’s Office – Segregation of Duties	No	Repeated as Finding Number 2008-005
2007-004	Income Tax Department – Segregation of Duties	No	Repeated as Finding Number 2008-006
2007-005	Proper Coding of Revenue	Yes	
2007-006	Ohio Environmental Protection Agency – Reporting OMB Circular A-133 Subpart C, Section .300(c) - Financial Status Report and EPA Form 5700-52A were not properly filed	Yes	



Mary Taylor, CPA  
Auditor of State

CITY OF VAN WERT

VAN WERT COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 7, 2009