



Dave Yost • Auditor of State



**CITY OF VAN WERT  
VAN WERT COUNTY**

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# Dave Yost • 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio (the City), as of and for the years ended December 31, 2010 and 2009, 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.

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.

Ohio Administrative Code § 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio, as of December 31, 2010 and 2009, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund for the years 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 July 11, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

July 11, 2011

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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 2010, 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, 2010  
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. In 2009 the City converted from a self insured health-care plan to a fully insured plan. The internal service fund for health-care claims is no longer being used and the ending fund balance was transferred to the General Fund in 2010.

**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, 2010  
UNAUDITED  
(Continued)**

**Highlights**

Fund balances of governmental funds decreased \$487,559 or 12 percent. The fund most affected by the decrease in cash and cash equivalents was the Street Construction fund due to the total reconstruction of South Shannon Street project.

The City's general receipts are primarily property and income taxes. These receipts represent respectively 4 percent and 58 percent of the total cash received for governmental activities during the year. The Water and Sewer Funds net assets increased \$5,253 and \$31,018 respectively.

**The Government as a Whole**

Table 1 provides a summary of the City's net assets for 2010 compared to 2009 on a cash basis:

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>						
Equity in Pooled Cash & Cash Equivalents	\$4,081,792	\$4,882,071	\$1,893,003	\$1,859,812	\$5,974,795	\$6,741,883
Cash & Cash Equivalents with Fiscal Agents	17,318		3,080		20,398	
<b>Total Assets</b>	<b>4,099,110</b>	<b>4,882,071</b>	<b>1,896,083</b>	<b>1,859,812</b>	<b>5,995,193</b>	<b>6,741,883</b>
<b>Net Assets</b>						
<b>Restricted for:</b>						
Capital Projects	1,971,363	3,250,517			1,971,363	3,250,517
Debt Service	17,631	17,520			17,631	17,520
Other Purposes	1,038,708	867,714			1,038,708	867,714
Unrestricted	1,071,408	746,320	1,896,083	1,859,812	2,967,491	2,606,132
<b>Total Net Assets</b>	<b>\$4,099,110</b>	<b>\$4,882,071</b>	<b>\$1,896,083</b>	<b>\$1,859,812</b>	<b>\$5,995,193</b>	<b>\$6,741,883</b>

The net assets of governmental activities decreased \$782,961 or 19 percent during 2010. The primary reason contributing to the decrease in cash balances was due to the the total reconstruction of South Shannon Street project.

Table 2 reflects the changes in net assets.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Business Type Activities</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Receipts</b>				
<b>Program Receipts:</b>				
Charges for Services and Sales	\$ 887,816	\$ 756,097	\$3,980,867	\$3,870,974
Operating Grants and Contributions	1,042,500	663,526	167,001	27,116
Capital Grants and Contributions	373,788	360,515	37,700	59,502
<b>Total Program Receipts</b>	<b>2,304,104</b>	<b>1,780,138</b>	<b>4,185,568</b>	<b>3,957,592</b>

(Continued)

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED  
(Continued)**

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

	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>	<b>Business Type Activities 2010</b>	<b>Business Type Activities 2009</b>
<b>Receipts:</b>				
<b>General Receipts:</b>				
Property and Other Local Taxes	397,764	388,900		
Income Tax	5,462,319	5,410,406		
Other Local Taxes	83,560	62,185		
Grants and Entitlements not Restricted to Specific Programs	761,527	778,981		
Franchise Fees	93,323	88,926		
Interest	74,349	216,499		
Miscellaneous	234,853	193,309		
Total General Receipts	<u>7,107,695</u>	<u>7,139,206</u>		
Total Receipts	9,411,799	8,919,344	4,185,568	3,957,592
<b>Disbursements:</b>				
General Government	1,234,751	1,543,344		
Security of Persons and Property	4,258,347	4,650,900		
Public Health Services	132,120	132,095		
Leisure Time Activities	198,205	254,866		
Community Environment	550,410	333,956		
Transportation	3,030,644	1,827,703		
Capital Outlay	763,655	390,118		
Principal Retirement	15,000	15,000		
Interest and Fiscal Charges	2,130	3,195		
Water/Sewer			4,158,795	4,644,473
Total Disbursements	<u>10,185,262</u>	<u>9,151,177</u>	<u>4,158,795</u>	<u>4,644,473</u>
Excess(deficiency) Before Transfers	(773,463)	(231,833)	26,773	(686,881)
Transfers	(9,498)	48,161	9,498	(48,161)
Increase (Decrease) in Net Assets	<u>(782,961)</u>	<u>(183,672)</u>	<u>36,271</u>	<u>(735,042)</u>
Nets Assets, Beginning of Year	4,882,071	5,065,743	1,859,812	2,594,854
Net Assets, End of Year	<u>\$4,099,110</u>	<u>\$4,882,071</u>	<u>\$1,896,083</u>	<u>\$1,859,812</u>

Program receipts for governmental activities represent 24 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 76 percent the City's total receipts, and of this amount, 83 percent are local taxes. State and federal grants and entitlements make up the balance of the City's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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 30 percent and 42 percent, respectively, of all governmental disbursements. General Government also represents a significant cost at 12 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 2010</b>	<b>Net Cost of Services 2010</b>	<b>Total Cost Of Services 2009</b>	<b>Net Cost of Services 2009</b>
General Government	\$1,234,751	664,026	\$1,543,344	\$1,155,253
Security of Persons and Property	4,258,347	3,951,402	4,650,900	4,342,735
Public Health Services	132,120	132,120	132,095	132,095
Leisure Time Activities	198,205	139,663	254,866	176,450
Community Environment	550,410	169,876	333,956	201,121
Transportation	3,030,644	2,508,851	1,827,703	1,315,587
Capital Outlay	763,655	298,090	390,118	29,603
Principal Retirement	15,000	15,000	15,000	15,000
Interest and Fiscal Charges	2,130	2,130	3,195	3,195
<b>Total Expenses</b>	<b><u>\$10,185,262</u></b>	<b><u>\$7,881,158</u></b>	<b><u>\$9,151,177</u></b>	<b><u>\$7,371,039</u></b>

The dependence upon property and income tax receipts is apparent as over 82 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, 2010  
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 \$9,411,799 and disbursements of \$10,186,025. The fund balance of the General Fund increased \$673,813.

The fund balance of the Street Construction Fund decreased \$927,177 and the fund balance of the Police and Fire Capital Fund decreased \$119,381.

**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 slight increase in assets for 2010.

**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 2010, actual receipts were slightly above original budgeted receipts. Income Tax Revenues and Real Estate Revenues remained flat.

Final disbursements including transfers were budgeted at \$5,278,910 while actual disbursements plus transfers were \$4,946,303. The Internal Service Fund for Hospitalization Insurance was closed and the balance transferred to the General Fund. The final result of this transfer and reduces spending was an increase in fund balance of \$634,228.

**Debt Administration**

At December 31, 2010 the City's outstanding debt included \$115,000 in general obligation bonds issued for improvements to buildings and structures, in addition to \$5,897,141 in Ohio Water Development Authority Loans for wastewater infrastructure and improvements and \$778,870 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, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Woodland Union Cemetery
<b>Assets:</b>				
Cash and Cash Equivalents	\$4,081,792	\$1,893,003	\$5,974,795	\$370,361
Cash and Cash Equivalents with Fiscal Agent	17,318	3,080	20,398	
Total Assets	<u>4,099,110</u>	<u>1,896,083</u>	<u>5,995,193</u>	<u>370,361</u>
<b>Net Assets:</b>				
<b>Restricted for:</b>				
Capital Projects	1,971,363		1,971,363	
Debt Service	17,631		17,631	
Other Purposes	1,038,708		1,038,708	286,063
Unrestricted (Deficit)	1,071,408	1,896,083	2,967,491	84,298
Total Net Assets	<u>\$4,099,110</u>	<u>\$1,896,083</u>	<u>\$5,995,193</u>	<u>\$370,361</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, 2010**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
<b>Current:</b>				
Security of Persons and Property	\$157,597			
Police	2,062,062	\$16,060	\$64,516	
Fire	1,744,727	218,889	7,480	
Other	293,961			
Public Health	132,120			
Leisure Time Activities	198,205	52,812	5,730	
Community Environment	550,410	17,793	362,741	
Transportation	3,030,644	11,696	510,097	
General Government	1,234,751	570,566	159	
Capital Outlay	763,655		91,777	\$373,788
<b>Debt Service:</b>				
Principal Retirement	15,000			
Interest and Fiscal Charges	2,130			
<b>Total Governmental Activities</b>	<u>10,185,262</u>	<u>887,816</u>	<u>1,042,500</u>	<u>373,788</u>
<b>Business-Type Activities</b>				
Water	1,726,319	1,600,392	121,682	
Sewer	2,432,476	2,380,475	45,319	37,700
<b>Total Business-Type Activities</b>	<u>4,158,795</u>	<u>3,980,867</u>	<u>167,001</u>	<u>37,700</u>
<b>Component Unit</b>				
Woodland Union Cemetery	145,370	101,160	9,700	
<b>Total</b>	<u>\$14,489,427</u>	<u>\$4,969,843</u>	<u>\$1,219,201</u>	<u>\$411,488</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.



**CITY OF VAN WERT  
VAN WERT COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
DECEMBER 31, 2010**

	Governmental Funds				Total Governmental Funds	Component Unit
	General	Street Construction	Police and Fire	Other Governmental		Woodland Union Cemetery
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,065,833	\$1,116,087	\$1,049,815	\$850,057	\$4,081,792	\$370,361
Cash and Cash Equivalents with Fiscal Agent		17,318			17,318	
<b>Total Assets</b>	<u>1,065,833</u>	<u>1,133,405</u>	<u>1,049,815</u>	<u>850,057</u>	<u>4,099,110</u>	<u>370,361</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	39,585	203,519	20,110	128,694	391,908	
Reserved for Unclaimed Money	4,399				4,399	
Reserved for Retainage		17,318			17,318	
Unreserved, Designated for Retirement				5,575	5,575	
<b>Unreserved, Reported in:</b>						
General Fund (Deficit)	1,021,849				1,021,849	
Special Revenue Funds (Deficit)				681,267	681,267	
Debt Service Fund				17,631	17,631	
Capital Projects Funds		912,568	1,029,705	16,890	1,959,163	
Component Unit						370,361
<b>Total Fund Balances (Deficit)</b>	<u>\$1,065,833</u>	<u>\$1,133,405</u>	<u>\$1,049,815</u>	<u>\$850,057</u>	<u>\$4,099,110</u>	<u>\$370,361</u>

See accompanying notes to basic financial statements.



CITY OF VAN WERT  
VAN WERT COUNTY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Funds					Component Unit
	General	Street Construction	Police & Fire	Other Governmental	Total	Woodland Union Cemetery
					Governmental Funds	
<b>Revenues:</b>						
Property Taxes	\$316,276			\$81,488	\$397,764	\$27,069
Municipal Income Taxes	3,213,463	\$1,561,706	\$228,821	458,329	5,462,319	
Permissive Motor Vehicle License Taxes				28,181	28,181	
Other Local Taxes	29,695			53,865	83,560	
Special Assessments				17,241	17,241	315
Charges for Services	313,743			24,789	338,532	101,160
Fees, Licenses, and Permits	370,683			625	371,308	
Fines and Forfeitures				48,888	48,888	
Intergovernmental	715,521			1,410,956	2,126,477	9,700
Interest	70,229			4,120	74,349	2,673
Gifts and Donations	5,882			10,084	15,966	3,400
Other	204,947	40,727		201,540	447,214	465
<b>Total Revenues</b>	<b>5,240,439</b>	<b>1,602,433</b>	<b>228,821</b>	<b>2,340,106</b>	<b>9,411,799</b>	<b>144,782</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	157,597				157,597	
Police	1,702,705			359,357	2,062,062	
Fire	1,452,994			291,733	1,744,727	
Other	293,961				293,961	
Public Health	132,120				132,120	145,370
Leisure Time Activities	198,205				198,205	
Community Environment	1,221			549,189	550,410	
Transportation		2,529,610		501,034	3,030,644	
General Government	848,937			386,577	1,235,514	
Capital Outlay	86,045		348,202	329,408	763,655	
<b>Debt Service:</b>						
Principal Retirement				15,000	15,000	
Interest and Fiscal Charges				2,130	2,130	
<b>Total Expenditures</b>	<b>4,873,785</b>	<b>2,529,610</b>	<b>348,202</b>	<b>2,434,428</b>	<b>10,186,025</b>	<b>145,370</b>
Excess of Revenues Over (Under) Expenditures	366,654	(927,177)	(119,381)	(94,322)	(774,226)	(588)
<b>Other Financing Sources (Uses):</b>						
Transfers In	340,092			32,933	373,025	
Transfers Out	(32,933)			(53,425)	(86,358)	
<b>Total Other Financing Sources (Uses)</b>	<b>307,159</b>			<b>(20,492)</b>	<b>286,667</b>	
Change in Fund Balance	673,813	(927,177)	(119,381)	(114,814)	(487,559)	(588)
Fund Balance (Deficit) Beginning of Year	392,020	2,060,582	1,169,196	964,871	4,586,669	370,949
Fund Balance (Deficit) End of Year	<u>\$1,065,833</u>	<u>\$1,133,405</u>	<u>\$1,049,815</u>	<u>\$850,057</u>	<u>\$4,099,110</u>	<u>\$370,361</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, 2010

Net Change in Fund Balances - Total Governmental Funds (487,559)

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). (295,402)

Change in Net Assets of Governmental Activities (782,961)

*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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Receipts:</b>				
Property Taxes	\$307,770	\$307,770	\$316,276	\$8,506
Municipal Income Taxes	3,221,050	3,221,050	3,213,463	(7,587)
Other Local Taxes	22,100	22,100	29,695	7,595
Charges for Services	326,210	326,210	313,743	(12,467)
Fees, Licenses, and Permits	308,518	308,518	370,683	62,165
Intergovernmental	641,785	641,785	715,521	73,736
Interest	110,000	110,000	70,229	(39,771)
Gifts and Donations	6,200	6,200	5,814	(386)
Other	92,951	180,143	205,015	24,872
<b>Total Revenues</b>	<b>5,036,584</b>	<b>5,123,776</b>	<b>5,240,439</b>	<b>116,663</b>
<b>Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	163,562	167,582	157,598	9,984
Police	1,894,488	1,878,076	1,707,538	170,538
Fire	1,487,771	1,487,771	1,459,414	28,357
Other	287,441	322,009	316,429	5,580
Public Health	132,120	132,120	132,120	
Leisure Time Activities	209,589	223,489	199,152	24,337
Community Environment		1,221	1,221	
General Government	942,944	946,088	853,853	92,235
Capital Outlay	83,123	87,621	86,045	1,576
<b>Total Expenditures</b>	<b>5,201,038</b>	<b>5,245,977</b>	<b>4,913,370</b>	<b>332,607</b>
Excess of Revenues Under Expenditures	(164,454)	(122,201)	327,069	449,270
<b>Other Financing Sources (Uses):</b>				
Transfers In	30,000	30,000	340,092	310,092
Transfers Out	(27,827)	(32,933)	(32,933)	
Change in Fund Balance	(162,281)	(125,134)	634,228	759,362
Fund Balance (Deficit) at Beginning of Year	359,136	359,136	359,136	
Prior Year Encumbrances Appropriated	32,884	32,884	32,884	
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$229,739</b>	<b>\$266,886</b>	<b>\$1,026,248</b>	<b>\$759,362</b>

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, 2010**

	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Activities</b>
<b>Assets:</b>			
Current Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,050,335	\$ 842,668	\$1,893,003
Cash and Cash Equivalents with Fiscal Agent		3,080	3,080
Total Assets	1,050,335	845,748	1,896,083
 <b>Net Assets:</b>			
Unrestricted	1,050,335	845,748	1,896,083
Total Net Assets	\$1,050,335	\$845,748	\$1,896,083

*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, 2010**

	<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	\$1,600,392	\$2,380,475	\$3,980,867	\$244,277
Other	121,682	83,019	204,701	
Total Operating Revenues	<u>1,722,074</u>	<u>2,463,494</u>	<u>4,185,568</u>	<u>244,277</u>
<b>Operating Expenses:</b>				
Personal Services	841,947	853,387	1,695,334	98,218
Contractual Services	71,039	3,516	74,555	
Materials and Supplies	407,812	560,991	968,803	145,296
Capital Outlay	50,855	243,139	293,994	
Utility Deposits Refunded		26,600	26,600	
<b>Debt Service:</b>				
Principal Retirement	297,623	537,592	835,215	
Total Operating Expenses	<u>1,669,276</u>	<u>2,225,225</u>	<u>3,894,501</u>	<u>243,514</u>
Operating Income (Loss)	52,798	238,269	291,067	763
<b>Non-Operating Revenues (Expenses):</b>				
Interest Expense	(57,043)	(207,251)	(264,294)	
Total Non-Operating Revenues (Expenses)	<u>(57,043)</u>	<u>(207,251)</u>	<u>(264,294)</u>	
Income (Loss) before Transfers	(4,245)	31,018	26,773	763
Transfers In	9,498		9,498	
Transfers Out				(296,165)
Change in Net Assets	5,253	31,018	36,271	(295,402)
Net Assets Beginning of Year	<u>1,045,082</u>	<u>814,730</u>	<u>1,859,812</u>	<u>295,402</u>
Net Assets End of Year	<u>\$1,050,335</u>	<u>\$845,748</u>	<u>\$1,896,083</u>	<u>\$0</u>

*See accompanying notes to the basic financial statements.*

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$36,129	\$7,453
Cash and Cash Equivalents in Segregated Account		88,788
Total Assets	36,129	96,241
 <b>Liabilities:</b>		
Restricted for Cemetery		7,453
Deposits Held and Due to Others		88,788
Total Liabilities		\$96,241
 <b>Net Assets:</b>		
Endowment	36,129	
Total Net Assets	\$36,129	

*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, 2010

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$38
Total Additions	<u>38</u>
<b>Deductions:</b>	
Other	<u>          </u>
Total Deductions	<u>          </u>
Change in Net Assets	38
Net Assets - Beginning of Year	<u>36,091</u>
Net Assets - End of Year	<u><u>\$36,129</u></u>

*See accompanying notes to the basic financial statements.*

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**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

The other governmental funds of the City account for 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, 2010  
(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. The City discontinued the self insurance program in 2009 and went to a fully insured program. Insurance expense is now charged directly to the corresponding fund.

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's trust fund accounts for an endowment in which only the income is to be used to remove dead or dangerous trees from the City property between the sidewalk and the streets. Agency funds are 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, 2010  
(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 2010, 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, 2010.

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 2010 was \$70,229, which includes \$58,982 assigned from other City funds.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(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. 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, 2010.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(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 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 \$39,585.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(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, 2010  
(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, 2010, the carrying amount of deposits was \$1,976,338. Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,600,688 of the City's bank balance of \$2,316,578 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, 2010 the City had the following investments:

	<b>Total</b>	<b>Less Than Six Months</b>	<b>More Than Two Years</b>
Freddie Mac	\$900,000		\$900,000
Federal Home Loan Mortgage Corporation	570,000		570,000
Federal National Mortgage Association	1,000,000		1,000,000
Federal Farm Credit Banks	809,000		809,000
Repurchase Agreements	607,798	\$607,798	
STAR Ohio	263,400	263,400	
<b>Total</b>	<b>\$4,150,198</b>	<b>\$871,198</b>	<b>\$3,279,000</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, 2010  
(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 79 percent of their total portfolio in Federal Government securities.

	<b>Fair Value</b>	<b>Percentage Of Portfolio</b>
Freddie Mac	\$900,000	22 %
Federal Home Loan Mortgage Corporation	570,000	14 %
Federal National Mortgage Association	1,000,000	24 %
Federal Farm Credit Banks	809,000	19 %
Repurchase Agreements	607,798	15 %
STAR Ohio	263,400	6 %
Total	\$4,150,198	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. Starting in 2010, based on the prior year tax budget, up to 2/3 of the .22 percent of receipts allocated to the police and fire safety fund can be used for personal and fringe benefit expense for police and fire personnel. An amended police and fire fund was established for this activity.

The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2010, the taxes were allocated to the general fund, street construction fund, police and fire safety fund, and the amended police and fire fund.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009 on the assessed values as of January 1, 2009 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 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008 and were levied after October 1, 2009, 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.

2010 tangible property taxes are levied after October 1, 2009 on the value as of December 31, 2009. Collections are made in 2010. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2010 was 6.25 percent. This will be reduced to zero for 2010. 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, 2010, was \$3.2 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$116,004,200
Commercial/Industrial	37,396,450
Public Utility Property	10,140
Tangible Personal Property	
General	123,460
Public Utilities	5,659,500
Total Assessed Value	<u>\$159,193,750</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 \$34,341,000. 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, 2010  
(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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$15,000 for property claims.

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

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, 2010 .

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Retained earnings	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009 respectively, the liabilities above include approximately \$12.4 million and \$13.7 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.4 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$93,000.

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

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

**8. RISK MANAGEMENT (Continued)**

<u>Contributions to PEP</u>	
2009	99,204
2010	99,300

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to 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. CompManagement provides administrative, cost control and actuarial services to the GRP.

**D. Employee Medical Benefits**

On March 1, 2009 the City contracted with anthem BSBS as the Health Care Provider for the City's health insurance for medical and prescription drug coverage and with Guardian Life Insurance as the Health Care Provider for the City's health insurance for vision, term life insurance, and accidental death and dismemberment. Premiums for family, employee & children, employee and spouse and single were \$1,265.20, \$698.51, \$1,277.12, and \$446.39 for medical.

**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.

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional 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, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll.

The City's 2010 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010.

The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined. The City's contributions for pension obligations to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$165,411, \$167,786, and \$173,287, respectively. 92 percent has been contributed for 2010 and the full amount has been contributed for 2009 and 2008. Contributions made by the plan members to the member-directed plan for 2010 were \$5,737 and \$8,032 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, 2010  
(Continued)**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary, employers are required to contribute 19.5 percent and 24 percent, respectively for police officers and firefighters. The portion of employer contributions used to fund pension benefits was, 12.75 percent and 17.25 percent, respectively. The City's pension contributions to OP&F were \$127,818 and \$186,676 for the year ended December 31, 2010, \$139,161 and \$177,620 for the year ended December 31, 2009 and \$150,990 and \$177,564 for the year ended December 31, 2008. For 2010, contributions equaled 74 and 73 percent of police and firefighters, respectively, and the full amount has been contributed for 2009 and 2008.

**10. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan for qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

To qualify for post-employment healthcare coverage, age and service retirees under the traditional pension and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment healthcare benefits. The portion of employer contributions allocated to healthcare for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to healthcare for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

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

The City's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were \$173,443, \$175,348, and \$182,727, respectively. 92 percent has been contributed for 2010 and the full amount has been contributed for 2009 and 2008.

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

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

**Plan Description** – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored 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 post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide 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** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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



**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, 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 Sections 115 and 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.

The City's contributions to OP&F which were allocated to fund postemployment healthcare benefits of police and firefighters were \$67,668 and \$73,047 for the year ended December 31, 2010, \$73,673 and \$69,503 for the year ended December 31, 2009, and \$79,936 and \$69,481 for the year ended December 31, 2008. For 2010, contributions equaled 74 and 73 percent of police and firefighters, respectively, and the full amount had been contributed for 2009 and 2008.

**11. LONG TERM DEBT**

	<u>Interest Rate</u>	<u>Balance 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds						
Westwood Street Improvement	5.8-	\$30,000		\$15,000	\$15,000	\$15,000
Original Amount \$295,000	7.1%					
Total Governmental Activities		<u>\$30,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$15,000</u>
<b>Business-Type Activities</b>						
Revenue Bonds						
Ohio Public Works						
Allingham/Bonnewitz						
Pump Station Improvements	0.00%	\$843,775		(\$64,905)	\$778,870	\$43,270
OWDA Loan #2549	3.91%	42,896		(2,556)	40,340	4,386
OWDA Loan #2548	4.12%	561,728		(52,730)	508,998	54,925
OWDA Loan #2550	3.81%	3,724,855		(263,622)	3,461,233	273,761
OWDA Loan #3576	4.65%	796,391		(53,779)	742,612	56,309
OWDA Loan #4733	4.17%	1,441,581		(297,623)	1,143,958	310,163
Various Purpose Bonds	1.6 to					
Original Amount \$865,000	3.65%	200,000		(100,000)	100,000	100,000
		<u>\$7,611,226</u>	<u>\$0</u>	<u>(\$835,215)</u>	<u>\$6,776,011</u>	<u>\$842,814</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.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

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

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

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

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

OWDA Loans number 2548 and 2549 relate to a Wastewater Sludge Processing project. The OWDA has approved up to \$1,137,460 in loans to the City for this project. The OWDA loan 2548 will be repaid in semiannual installments of \$37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 2548 includes capitalized interest of \$25,486. The OWDA loan 2549 is being repaid in semiannual installments of \$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 were set at \$201,526, with first payment on July 1, 2009, including interest over 20 years.

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 relates to the construction of a third reservoir. As of December 31, 2009, \$1,585,849 had been disbursed, which includes a \$5,168 OWDA fee and capitalized interest of \$98,981. The OWDA loan 4733 will be repaid in semiannual installments of \$177,333 including interest over 5 years. 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 began 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 began making semi-annual principal payments of \$21,635 on July 1, 2009.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

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>
2011		\$15,000	\$1,065
		<u>\$15,000</u>	<u>\$1,065</u>

  

<b>Business Type Activities</b>						
<b>Year</b>	<b>General Obligation</b>		<b>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>
2011	\$100,000	\$3,650	\$ 699,544	\$ 229,623	\$ 43,270	
2012			728,251	200,916	43,271	
2013			758,141	171,028	43,270	
2014			611,927	139,908	43,271	
2015			455,826	118,675	43,270	
2016-2020			2,401,622	308,369	216,353	
2021-2025			241,830	4,792	216,352	
2026-2029					129,813	
	<u>\$100,000</u>	<u>\$3,650</u>	<u>\$5,897,141</u>	<u>\$1,173,311</u>	<u>\$778,870</u>	<u>\$0</u>

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and 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, 2010 were an overall debt margin of \$16,715,344 and an unvoted debt margin of \$8,755,656.

**12. INTERFUND TRANSFERS AND ADVANCES**

Interfund transfers for the year ended December 31, 2009 consisted of the following:

	<b>General</b>	<b>Hospitalization</b>	<b>Other Governmental</b>	<b>Water</b>
<b>Transfer To</b>	\$340,092		\$32,933	\$9,498
<b>Transfer From</b>	32,933	\$296,165	53,425	

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.

**Advances**

An advance was made from the General Fund to the Cops Hiring Recovery Fund in the amount of \$5,326 to seed the grant fund in 2009. The advance will be paid back to the General Fund at the end of the grant period 2012.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**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 2010 for operations of the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the City. The City does not have an equity interest in the joint venture. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statement can be obtained from the Commission located at 121 East Main, Van Wert, Ohio 45891.

**Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC)** – The CIC of the City of Van Wert and County of Van Wert, Ohio. The CIC is a jointly governed organization between the City and the County. The general purpose of the CIC is to pursue and maintain economic development within the County. The CIC is governed by a Board of Trustees made up of fifteen members, who include: three elected or appointed officers of the City, to be designated annually by the Board of County Commissioners; six people to be designated annually by the Board of Trustees of the Van Wert Area Chamber of Commerce; the President of the Van Wert Industrial Development Corporation (in ex officio status); and two people who are residents of the County, to be elected at the annual meeting of the members by a majority of the members listed previously.

**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)

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**15. CONTINGENT LIABILITIES**

**Federal and State Grants** - For the period January 1, 2010 to December 31, 2010 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.

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	\$208,373
Certificates of Deposit	<u>161,988</u>
Total Deposits	<u>\$370,361</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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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 2009, 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, 2009  
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(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 accounts for the gasoline and repair of city vehicles. In 2009 the City converted from a self insured health-care plan to a fully insured plan. The internal service fund for health-care claims is no longer being used and the ending fund balance will eventually be transferred to the General Fund.

**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, 2009  
UNAUDITED  
(Continued)**

**Highlights**

Fund balances of governmental funds decreased \$92,646 or 2 percent. The fund most affected by the decrease in cash and cash equivalents was the General fund due to the declining income tax revenues in 2009.

The City's general receipts are primarily property and income taxes. These receipts represent respectively 4 percent and 61 percent of the total cash received for governmental activities during the year. The Water and Sewer Funds net assets decreased \$448,110 and \$286,932 respectively.

**The Government as a Whole**

Table 1 provides a summary of the City's net assets for 2009 compared to 2008 on a cash basis:

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>						
Equity in Pooled Cash & Cash Equivalents	\$4,882,071	\$5,065,743	\$1,859,812	\$2,499,508	\$6,741,883	\$7,565,251
Cash & Cash Equivalents with Fiscal Agents				95,346		95,346
<b>Total Assets</b>	<u>4,882,071</u>	<u>5,065,743</u>	<u>1,859,812</u>	<u>2,594,854</u>	<u>6,741,883</u>	<u>7,660,597</u>
<b>Net Assets</b>						
<b>Restricted for:</b>						
Capital Projects	3,250,517	2,765,241		162,944	3,250,517	2,928,185
Debt Service	17,520	17,831			17,520	17,831
Other Purposes	867,714	737,892			867,714	737,892
Unrestricted	746,320	1,544,779	1,859,812	2,431,910	2,606,132	3,976,689
<b>Total Net Assets</b>	<u>4,882,071</u>	<u>\$5,065,743</u>	<u>1,859,812</u>	<u>\$2,594,854</u>	<u>6,741,883</u>	<u>\$7,660,597</u>

The net assets of governmental activities decreased \$183,672 or 4 percent during 2009. The primary reason contributing to the decrease in cash balances was due to a 17% drop in Income Tax revenues.

Table 2 reflects the changes in net assets.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Business Type Activities</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Receipts:</b>				
<b>Program Receipts:</b>				
Charges for Services and Sales	\$756,097	\$ 831,463	\$3,870,974	\$3,926,352
Operating Grants and Contributions	663,526	882,908	27,116	1,325,811
Capital Grants and Contributions	360,515	591,457	59,502	596,884
<b>Total Program Receipts</b>	<u>1,780,138</u>	<u>2,305,828</u>	<u>3,957,592</u>	<u>5,849,047</u>

**CITY OF VAN WERT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

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

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>	<b>Business Type Activities 2009</b>	<b>Business Type Activities 2008</b>
<b>Receipts:</b>				
<b>General Receipts</b>				
Property and Other Local Taxes	388,900	414,056		
Income Tax	5,410,406	6,318,519		
Other Local Taxes	62,185	72,059		
Grants and Entitlements not Restricted to Specific Programs	778,981	1,160,323		
Franchise Fees	88,926	92,995		
Interest	216,499	316,121		
Miscellaneous	193,309	180,166		
Total General Receipts	<u>7,139,206</u>	<u>8,554,239</u>		
Total Receipts	8,919,344	10,860,067	3,957,592	5,849,047
<b>Disbursements</b>				
General Government	1,543,344	1,507,070		
Security of Persons and Property	4,650,900	4,737,459		
Public Health Services	132,095	131,072		
Leisure Time Activities	254,866	322,844		
Community Environment	333,956	652,669		
Transportation	1,827,703	2,598,695		
Capital Outlay	390,118	595,421		
Principal Retirement	15,000	15,000		
Interest and Fiscal Charges	3,195	4,260		
Water/Sewer			4,644,473	7,096,780
Total Disbursements	<u>9,151,177</u>	<u>10,564,490</u>	<u>4,644,473</u>	<u>7,096,780</u>
Excess(deficiency) Before Transfers	(231,833)	295,577	(686,881)	(1,247,733)
Transfers	48,161	7,619	(48,161)	(7,619)
Increase (Decrease) in Net Assets	<u>(183,672)</u>	<u>303,196</u>	<u>(735,042)</u>	<u>( 1,255,352)</u>
Nets Assets, Beginning of Year	5,065,743	4,762,547	2,594,854	3,850,206
Net Assets, End of Year	<u>\$4,882,071</u>	<u>\$5,065,743</u>	<u>\$1,859,812</u>	<u>\$2,594,854</u>

Program receipts for governmental activities represent 20 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 80 percent the City's total receipts, and of this amount, 82 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, 2009  
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 20 percent and 51 percent, respectively, of all governmental disbursements. General Government also represents a significant cost at 17 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 2009</b>	<b>Net Cost of Services 2009</b>	<b>Total Cost Of Services 2008</b>	<b>Net Cost of Services 2008</b>
General Government	\$1,543,344	\$1,155,253	\$1,507,070	\$1,058,897
Security of Persons and Property	4,650,900	4,342,735	4,737,459	4,436,883
Public Health Services	132,095	132,095	131,072	131,072
Leisure Time Activities	254,866	176,450	322,844	235,972
Community Environment	333,956	201,121	652,669	(756)
Transportation	1,827,703	1,315,587	2,598,695	2,066,962
Capital Outlay	390,118	29,603	595,421	310,372
Principal Retirement	15,000	15,000	15,000	15,000
Interest and Fiscal Charges	3,195	3,195	4,260	4,260
<b>Total Expenses</b>	<b><u>\$9,151,177</u></b>	<b><u>\$7,371,039</u></b>	<b><u>\$10,564,490</u></b>	<b><u>\$8,258,662</u></b>

The dependence upon property and income tax receipts is apparent as over 82 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, 2009  
UNAUDITED  
(Continued)**

**The Government's Funds**

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

Total governmental funds had receipts of \$9,107,283 and disbursements of \$9,199,929. The fund balance of the General Fund decreased \$598,344.

The fund balance of the Street Construction Fund increased \$183,809 and the fund balance of the Police and Fire Fund increased \$301,334.

**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 2009. 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 2009, actual receipts were below original budgeted receipts due to declining Income Tax Revenues. Revenues from real estate tax and municipal income tax declined \$510,105.

Final disbursements including transfers were budgeted at \$6,427,048 while actual disbursements plus transfers were \$6,045,163. The final result was a decrease in fund balance of \$631,228.

**Debt Administration**

At December 31, 2009 the City's outstanding debt included \$230,000 in general obligation bonds issued for improvements to buildings and structures, in addition to \$6,567,451 in Ohio Water Development Authority Loans for wastewater infrastructure and improvements and \$843,775 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, 2009**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Woodland Union Cemetery</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$4,882,071	\$1,859,812	\$6,741,883	\$370,949
Total Assets	<u>4,882,071</u>	<u>1,859,812</u>	<u>6,741,883</u>	<u>370,949</u>
<b>Net Assets:</b>				
<b>Restricted for:</b>				
Capital Projects	3,250,517		3,250,517	
Debt Service	17,520		17,520	
Other Purposes	867,714		867,714	284,779
Unrestricted (Deficit)	746,320	1,859,812	2,606,132	86,170
Total Net Assets	<u>\$4,882,071</u>	<u>\$1,859,812</u>	<u>\$6,741,883</u>	<u>\$370,949</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, 2009**

	<b>Program Cash Receipts</b>			
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
<b>Current:</b>				
Security of Persons and Property	\$161,096			
Police	2,332,064	\$38,650	\$27,071	
Fire	1,788,214	234,461	7,983	
Other	369,526			
Public Health	132,095			
Leisure Time Activities	254,866	70,735	7,681	
Community Environment	333,956	14,876	117,959	
Transportation	1,827,703	9,677	502,439	
General Government	1,543,344	387,698	393	
Capital Outlay	390,118			\$360,515
<b>Debt Service:</b>				
Principal Retirement	15,000			
Interest and Fiscal Charges	3,195			
<b>Total Governmental Activities</b>	<u>9,151,177</u>	<u>756,097</u>	<u>663,526</u>	<u>360,515</u>
<b>Business-Type Activities:</b>				
Water	2,092,458	1,585,869	14,406	36,652
Sewer	2,552,015	2,285,105	12,710	22,850
<b>Total Business-Type Activities</b>	<u>4,644,473</u>	<u>3,870,974</u>	<u>27,116</u>	<u>59,502</u>
<b>Component Unit:</b>				
Woodland Union Cemetery	153,368	93,212	16,950	
<b>Total</b>	<u>\$13,949,018</u>	<u>\$4,720,283</u>	<u>\$707,592</u>	<u>\$420,017</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>
(\$161,096)		(\$161,096)	
(2,266,343)		(2,266,343)	
(1,545,770)		(1,545,770)	
(369,526)		(369,526)	
(132,095)		(132,095)	
(176,450)		(176,450)	
(201,121)		(201,121)	
(1,315,587)		(1,315,587)	
(1,155,253)		(1,155,253)	
(29,603)		(29,603)	
(15,000)		(15,000)	
(3,195)		(3,195)	
<u>(7,371,039)</u>		<u>(7,371,039)</u>	
	(\$455,531)	(455,531)	
	(231,350)	(231,350)	
	<u>(686,881)</u>	<u>(686,881)</u>	
			(\$43,206)
<u>(7,371,039)</u>	<u>(686,881)</u>	<u>(8,057,920)</u>	<u>(43,206)</u>
309,144		309,144	
39,878		39,878	
39,878		39,878	
			26,586
3,220,999		3,220,999	
670,184		670,184	
1,519,223		1,519,223	
62,185		62,185	
778,981		778,981	
88,926		88,926	
216,499		216,499	4,498
193,309		193,309	3,370
48,161	(48,161)		
<u>7,187,367</u>	<u>(48,161)</u>	<u>7,139,206</u>	<u>34,454</u>
<u>(183,672)</u>	<u>(735,042)</u>	<u>(918,714)</u>	<u>(8,752)</u>
<u>5,065,743</u>	<u>2,594,854</u>	<u>7,660,597</u>	<u>379,701</u>
<u>\$4,882,071</u>	<u>\$1,859,812</u>	<u>\$6,741,883</u>	<u>\$370,949</u>

CITY OF VAN WERT  
VAN WERT COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
DECEMBER 31, 2009

	Governmental Funds				Total Governmental Funds	Component Unit
	General	Street Construction	Police and Fire	Other Governmental		Woodland Union Cemetery
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$392,020	\$2,060,582	\$1,169,196	\$964,871	\$4,586,669	\$370,949
Total Assets	<u>392,020</u>	<u>2,060,582</u>	<u>1,169,196</u>	<u>964,871</u>	<u>4,586,669</u>	<u>370,949</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	32,884	37,614	177,379	219,623	467,500	
Reserved for Unclaimed Money	4,298				4,298	
Unreserved, Designated for Retirement				59,000	59,000	
<b>Unreserved, Reported in:</b>						
General Fund (Deficit)	354,838				354,838	
Special Revenue Funds (Deficit)				647,989	647,989	
Debt Service Fund				17,520	17,520	
Capital Projects Funds		2,022,968	991,817	20,739	3,035,524	
Component Unit						370,949
Total Fund Balances (Deficit)	<u>\$392,020</u>	<u>\$2,060,582</u>	<u>\$1,169,196</u>	<u>\$964,871</u>	<u>\$4,586,669</u>	<u>\$370,949</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, 2009

Total Governmental Fund Balances \$4,586,669

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.

295,402

Net Assets of Governmental Activities

\$4,882,071

*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, 2009**

	Governmental Funds				Total Governmental Funds	Component Unit
	General	Street Construction	Police & Fire	Other Governmental		Woodland Union Cemetery
<b>Revenues:</b>						
Property Taxes	\$309,144			\$79,756	\$388,900	\$26,586
Municipal Income Taxes	3,220,999	1,519,223	670,184		5,410,406	
Permissive Motor Vehicle License Taxes				25,332	25,332	
Other Local Taxes	22,099			40,086	62,185	
Special Assessments				17,884	17,884	240
Charges for Services	362,577			16,853	379,430	93,212
Fees, Licenses, and Permits	309,303			11,337	320,640	
Fines and Forfeitures				28,819	28,819	
Intergovernmental	733,329			1,026,703	1,760,032	16,950
Interest	205,509			10,990	216,499	4,498
Gifts and Donations	7,882			16,416	24,298	3,000
Other	97,086	4,413	10,489	172,931	284,919	130
<b>Total Revenues</b>	<b>5,267,928</b>	<b>1,523,636</b>	<b>680,673</b>	<b>1,447,107</b>	<b>8,919,344</b>	<b>144,616</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	161,096				161,096	
Police	2,220,146			86,337	2,306,483	
Fire	1,706,719			63,760	1,770,479	
Other	369,526				369,526	
Public Health	132,095				132,095	153,368
Leisure Time Activities	252,069				252,069	
Community Environment	24,000			309,956	333,956	
Transportation		1,343,616		475,832	1,819,448	
General Government	1,110,212			395,584	1,505,796	
Capital Outlay	10,212		379,339	567	390,118	
<b>Debt Service:</b>						
Principal Retirement				15,000	15,000	
Interest and Fiscal Charges				3,195	3,195	
<b>Total Expenditures</b>	<b>5,986,075</b>	<b>1,343,616</b>	<b>379,339</b>	<b>1,350,231</b>	<b>9,059,261</b>	<b>153,368</b>
Excess of Revenues Over (Under) Expenditures	(718,147)	180,020	301,334	96,876	(139,917)	(8,752)
<b>Other Financing Sources (Uses):</b>						
Transfers In	151,333	3,789		27,491	182,613	
Transfers Out	(26,204)			(109,138)	(135,342)	
Advances In				5,326	5,326	
Advances Out	(5,326)				(5,326)	
<b>Total Other Financing Sources (Uses)</b>	<b>119,803</b>	<b>3,789</b>		<b>(76,321)</b>	<b>47,271</b>	
Change in Fund Balance	(598,344)	183,809	301,334	20,555	(92,646)	(8,752)
Fund Balance (Deficit) Beginning of Year	990,364	1,876,773	867,862	944,316	4,679,315	379,701
Fund Balance (Deficit) End of Year	<u>\$392,020</u>	<u>\$2,060,582</u>	<u>\$1,169,196</u>	<u>\$964,871</u>	<u>\$4,586,669</u>	<u>\$370,949</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, 2009**

Net Change in Fund Balances - Total Governmental Funds (\$92,646)

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). (91,026)

Change in Net Assets of Governmental Activities (\$183,672)

*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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Receipts:</b>				
Property Taxes	\$307,180	\$307,180	\$309,144	\$1,964
Municipal Income Taxes	3,625,000	3,509,000	3,220,999	(288,001)
Other Local Taxes	25,700	25,700	22,099	(3,601)
Charges for Services	376,450	376,450	362,577	(13,873)
Fees, Licenses, and Permits	355,400	355,400	309,303	(46,097)
Intergovernmental	626,205	625,705	733,329	107,624
Interest	150,000	150,000	205,509	55,509
Gifts and Donations	11,500	11,500	7,382	(4,118)
Other	27,200	55,178	97,586	42,408
<b>Total Revenues</b>	<b>5,504,635</b>	<b>5,416,113</b>	<b>5,267,928</b>	<b>(148,185)</b>
<b>Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	166,582	162,581	161,096	1,485
Police	2,326,966	2,338,955	2,223,218	115,737
Fire	1,919,416	1,875,186	1,708,972	166,214
Other	405,534	402,423	369,526	32,897
Public Health	132,095	132,095	132,095	
Leisure Time Activities	358,587	269,484	253,658	15,826
Community Environment	24,000	24,000	24,000	
General Government	1,188,476	1,173,454	1,136,182	37,272
Capital Outlay	23,900	12,014	10,212	1,802
<b>Total Expenditures</b>	<b>6,545,556</b>	<b>6,390,192</b>	<b>6,018,959</b>	<b>371,233</b>
Excess of Revenues Under Expenditures	(1,040,921)	(974,079)	(751,031)	223,048
<b>Other Financing Sources (Uses):</b>				
Advance Out		(5,326)	(5,326)	
Transfers In	96,084	96,084	151,333	55,249
Transfers Out	(34,706)	(31,530)	(26,204)	5,326
Change in Fund Balance	(979,543)	(914,851)	(631,228)	283,623
Fund Balance (Deficit) at Beginning of Year	931,177	931,177	931,177	
Prior Year Encumbrances Appropriated	59,187	59,187	59,187	
Fund Balance (Deficit) at End of Year	<b>\$10,821</b>	<b>\$75,513</b>	<b>\$359,136</b>	<b>\$283,623</b>

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, 2009**

	<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	\$1,045,082	\$814,730	\$1,859,812	\$295,402
Total Assets	<u>1,045,082</u>	<u>814,730</u>	<u>1,859,812</u>	<u>295,402</u>
<b>Net Assets:</b>				
Unrestricted	1,045,082	814,730	1,859,812	295,402
Total Net Assets	<u>\$1,045,082</u>	<u>\$814,730</u>	<u>\$1,859,812</u>	<u>\$295,402</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, 2009**

	<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	\$1,585,869	\$2,285,105	\$3,870,974	\$324,647
Other	51,058	35,560	86,618	155,123
Total Operating Revenues	<u>1,636,927</u>	<u>2,320,665</u>	<u>3,957,592</u>	<u>479,770</u>
<b>Operating Expenses:</b>				
Personal Services	841,412	844,907	1,686,319	99,539
Contractual Services	29,853	2,953	32,806	24,335
Materials and Supplies	454,467	605,484	1,059,951	118,190
Claims				329,622
Capital Outlay	589,393	373,363	962,756	
Utility Deposits Refunded		24,842	24,842	
<b>Debt Service:</b>				
Principal Retirement	144,268	477,479	621,747	
Total Operating Expenses	<u>2,059,393</u>	<u>2,329,028</u>	<u>4,388,421</u>	<u>571,686</u>
Operating Income (Loss)	(422,466)	(8,363)	(430,829)	(91,916)
<b>Non-Operating Revenues (Expenses):</b>				
Interest Expense	(33,065)	(222,987)	(256,052)	
Total Non-Operating Revenues (Expenses)	<u>(33,065)</u>	<u>(222,987)</u>	<u>(256,052)</u>	
Income (Loss) before Transfers	(455,531)	(231,350)	(686,881)	(91,916)
Transfers In	7,421	7,288	14,709	890
Transfers Out		(62,870)	(62,870)	
Change in Net Assets	(448,110)	(286,932)	(735,042)	(91,026)
Net Assets Beginning of Year	<u>1,493,192</u>	<u>1,101,662</u>	<u>2,594,854</u>	<u>386,428</u>
Net Assets End of Year	<u>\$1,045,082</u>	<u>\$814,730</u>	<u>\$1,859,812</u>	<u>\$295,402</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, 2009**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$36,091	
Cash and Cash Equivelants in Segregated Account		\$91,666
Total Assets	36,091	91,666
<b>Liabilities:</b>		
Deposits Held and Due to Others		91,666
Total Liabilities		\$91,666
<b>Net Assets:</b>		
Endowment	36,091	
Total Net Assets	\$36,091	

*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, 2009

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$567
Total Additions	<u>567</u>
<b>Deductions:</b>	
Other	<u>          </u>
Total Deductions	<u>          </u>
Change in Net Assets	567
Net Assets - Beginning of Year	<u>35,524</u>
Net Assets - End of Year	<u><u>\$36,091</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, 2009**

**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, 2009  
(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, 2009  
(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 Fund** – The Police and Fire 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 purpose of this fund was amended in 2009 by ballot. Starting in 2010 based on the prior year tax budget, up to 2/3 of the current year tax revenues can be used for personal and fringe benefit expense for Police and Fire personnel.

The other governmental funds of the City account for 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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. The City discontinued the self insurance program in 2009 and went to a fully insured program. Insurance expense is now charged directly to the corresponding fund.

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's trust fund accounts for an endowment in which only the income is to be used to remove dead or dangerous trees from the City property between the sidewalk and the streets. Agency funds are 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, 2009  
(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 certificated 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 2009, 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, 2009.

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 2009 was \$205,509, which includes \$191,136 assigned from other City funds.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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. 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, 2009  
(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 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 \$32,884.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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, 2009  
(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, 2009, the carrying amount of deposits was \$2,884,593. 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, \$2,358,553 of the City's bank balance of \$3,383,491 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, 2009 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	\$1,395,000		\$1,395,000
Federal Home Loan Mortgage Corporation	1,300,000		1,300,000
Federal National Mortgage Association	300,000		300,000
Repurchase Agreements	952,863	\$952,863	
STAR Ohio	36,157	36,157	
<b>Total</b>	<b>\$3,984,020</b>	<b>\$989,020</b>	<b>\$2,995,000</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, 2009  
(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 75 percent of their total portfolio in Federal Government securities.

	<b>Fair Value</b>	<b>Percentage Of Portfolio</b>
Federal Home Loan Bank	\$1,395,000	35 %
Federal Home Loan Mortgage Corporation	1,300,000	33 %
Federal National Mortgage Association	300,000	7 %
Repurchase Agreements	952,863	24 %
STAR Ohio	36,157	1 %
Total	<u>\$3,984,020</u>	<u>100.00 %</u>

**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 2009, the taxes were allocated to the general fund, street construction fund, and the police and fire safety fund.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008 on the assessed values as of January 1, 2008 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 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2007 and were levied after October 1, 2008, 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.

2009 tangible property taxes are levied after October 1, 2008 on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2009 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, 2009, was \$3.2 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$115,608,480
Commercial/Industrial	38,141,030
Public Utility Property	10,380
Tangible Personal Property	
General	139,390
Public Utilities	5,467,750
Total Assessed Value	<u>\$159,367,030</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 \$33,890,800. 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, 2009  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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

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

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

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Retained earnings	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008 respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the City's share of these unpaid claims collectible in future years is approximately \$93,000.

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

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

<u>Contributions to PEP</u>	
2008	\$98,904
2009	99,204

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

**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 managed employee health benefits on a self-insured basis through February 2009. In March 2009 changed to a fully insured plan. The self insured employee health benefit plan provided 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.

Under the self insured plan 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.

On March 1, 2009 the City contracted with anthem BSBS as the Health Care Provider for the City's health insurance for medical and prescription drug coverage and with Guardian Life Insurance as the Health Care Provider for the City's health insurance for vision, term life insurance, and accidental death and dismemberment. Premiums for family, employee & children, employee and spouse and single were \$1,151.04, \$635.50, \$1,161.89, and \$406.11 for medical.

**CITY OF VAN WERT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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**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 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. The 2009 member contribution rates were 10 percent for members in state and local classifications. The 2009 employer contribution rate for state and local employers was 14 percent of covered payroll. For 2009, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment health care plan was January 1 through March 31 and 5.5 percent was allocated from April 1 through December 31.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008 and 2007 were \$167,786, \$173,287, and \$209,228 respectively. 93 percent has been contributed for 2009 and the full amount has been contributed for 2008 and 2007. Contributions made by the plan members to the member-directed plan for 2009 were \$5,405 and \$7,562 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, 2009  
(Continued)**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary, employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters, 12.75 percent and 17.25 percent respectively for pension obligations. For 2009, 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 \$139,161 and \$177,620 respectively, for the year ended December 31, 2009; \$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. For 2009, 77 percent for police and 74 percent for firefighters has been contributed and the full amount has been contributed for 2008 and 2007.

**10. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - OPERS administers three separate pension plans: The Traditional Pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including the postemployment healthcare.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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 Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. 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, 2009  
(Continued)**

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

The post employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, The OPERS Retirement Board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The portion of employer contribution allocated to health care was 7 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009. The OPERS 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.

The City's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$175,348, \$182,727, and \$137,815, respectively. 92 percent has been contributed for 2009 and the full amount has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 each year from 2006 to 2008. These rate increases 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 health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide 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** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. 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, 2009  
(Continued)**

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, 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 Sections 115 and 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.

The City's contributions to OP&F which were allocated to fund postemployment healthcare benefits of police and firefighters were \$73,673 and \$69,503 for the year ended December 31, 2009, \$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 2009, contributions equaled 77 and 74 percent of police and firefighters, respectively, and the full amount had been contributed for 2008 and 2007.

**11. LONG TERM DEBT**

	<u>Interest Rate</u>	<u>Balance 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2009</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds						
Westwood Street	5.8- 7.1%	\$45,000		(\$15,000)	\$30,000	\$15,000
Original Amount \$295,000						
<b>Total Governmental Activities</b>		<u>\$45,000</u>		<u>(\$15,000)</u>	<u>\$30,000</u>	<u>\$15,000</u>

	<u>Interest Rate</u>	<u>Balance 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustment by OWDA</u>	<u>Balance 12/31/2009</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>							
Revenue Bonds							
Ohio Public Works							
Allingham/Bonnewitz Pump							
Station Improvements	0.00%	\$ 865,410		(\$ 21,635)		\$ 843,775	\$ 43,271
OWDA Loan #2549	3.91%	44,391			(\$1,495)	42,896	2,556
OWDA Loan #2548	4.12%	612,351		(50,623)		561,728	52,730
OWDA Loan #2550	3.81%	3,978,713		(253,858)		3,724,855	263,622
OWDA Loan #3576	4.65%	847,754		(51,363)		796,391	53,779
OWDA Loan #4733	4.17%	1,555,208	\$30,641	(144,268)		1,441,581	297,623
Various Purpose Bonds	1.6 to						
Original Amount \$865,000	3.65%	300,000		(100,000)		200,000	100,000
		<u>\$8,203,827</u>	<u>\$30,641</u>	<u>(\$621,747)</u>	<u>(\$1,495)</u>	<u>\$7,611,226</u>	<u>\$813,581</u>

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

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

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

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

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

OWDA Loans number 2548 and 2549 relate to a Wastewater Sludge Processing project. The OWDA has approved up to \$1,137,460 in loans to the City for this project. The OWDA loan 2548 will be repaid in semiannual installments of \$37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 2548 includes capitalized interest of \$25,486. The OWDA loan 2549 is being repaid in semiannual installments of \$3,340 including interest, over 20 years which is based upon an amortization schedule developed for a \$92,085 loan. In 2009, OWDA made a principal adjustment of \$1,495

Ohio Water Development Authority (OWDA) loan number 2550 relates to Wastewater Treatment Plant Improvements project and includes capitalized interest of \$334,067. The City does not receive all of the funds for this project due to OWDA paying the contractors directly. Semiannual payments are set at \$201,526, with first payment on July 1, 2009 including interest over 20 years.

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, 2009, \$1,585,849 had been disbursed, which includes a \$5,168 OWDA fee, with capitalized interest of \$30,641, \$56,150, and \$12,190 for 2009, 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 began making semi-annual principal payments of \$21,635 on July 1, 2009.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

Governmental Activities: Year	General Obligation	
	Principal	Interest
2010	15,000	2,130
2011	15,000	1,065
	\$30,000	\$3,195

Year	Business Type Activities					
	General Obligation		OWDA Loans		OPWC	Loan
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$100,000	\$ 7,100	\$ 670,310	\$ 251,194	\$ 43,271	
2011	100,000	3,650	699,544	229,623	43,270	
2012			728,251	200,916	43,271	
2013			758,141	171,028	43,270	
2014			611,927	139,908	43,271	
2015-2019			2,387,790	403,457	216,353	
2020-2024			711,488	28,379	216,352	
2025-2029					194,717	
	\$200,000	\$10,750	\$6,567,451	\$1,424,505	\$843,775	\$0

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, 2009 were an overall debt margin of \$16,733,538 and an unvoted debt margin of \$8,765,187.

**12. INTERFUND TRANSFERS AND ADVANCES**

Interfund transfers for the year ended December 31, 2009 consisted of the following:

	General	Street Construction	Other Governmental	Water	Sewer	City Garage
<b>Transfer To</b>	\$151,333	\$3,789	\$27,491	\$7,421	\$7,288	\$890
<b>Transfer From</b>	26,204		109,138		62,870	

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.

**Advances**

An advance was made from the General Fund to the Cops Hiring Recovery Fund in the amount of \$5,326 to seed the grant fund. The advance will be paid back to the General Fund at the end of the grant period 2012.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**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 2009 for operations of the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the City. The City does not have an equity interest in the joint venture. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statement can be obtained from the Commission located at 121 East Main, Van Wert, Ohio 45891.

**Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC)** – The CIC of the City of Van Wert and County of Van Wert, Ohio. The CIC is a jointly governed organization between the City and the County. The general purpose of the CIC is to pursue and maintain economic development within the County.

The CIC is governed by a Board of Trustees made up of fifteen members, who include: three elected or appointed officers of the City, to be designated annually by the Board of County Commissioners; six people to be designated annually by the Board of Trustees of the Van Wert Area Chamber of Commerce; the President of the Van Wert Industrial Development Corporation (in ex officio status); and two people who are residents of the County, to be elected at the annual meeting of the members by a majority of the members listed previously.

**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)

**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**15. CONTINGENT LIABILITIES**

**Federal and State Grants**

For the period January 1, 2009 to December 31, 2009 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. 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	\$199,165
Certificates of Deposit	<u>171,784</u>
Total Deposits	<u>\$370,949</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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# Dave Yost • 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 years ended December 31, 2010 and 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 11, 2011, wherein we 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-02 described in the accompanying schedule of findings to be a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 11, 2011.

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 management, audit committee, City Council, and others within the City. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

July 11, 2011



**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**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 2010-02**

**Material Weakness - Accuracy of Financial Statements**

The annual financial statements prepared by the City were misstated or errors were made when posting activity to the system as follows.

- In both 2010 and 2009, entries were made to reclassify water and sewer principal retirement as interest expense in the amount of \$30,057 and \$5,125, respectively.
- In 2010, the fund balance in the amount of \$7,453 in the Woodland Union Cemetery Fund was incorrectly posted as Special Revenue Fund on the Statement of Cash Basis Assets and Fund Balances instead of as an Agency Fund on the Statement of Fiduciary Net Assets.
- Municipal income tax in the amount \$228,821 was incorrectly posted to the Amended Police and Fire Fund instead of the Police and Fire Fund.
- In 2010 and 2009, municipal income tax in the amount of \$10,356 was incorrectly posted to the Police and Fire Fund instead of the Street Construction Fund.
- In 2009, the activity in the Law Enforcement Assistance Fund, in the amount of \$2,680 was not included on the Statement of Activities.

**FINDING NUMBER 2010-02  
(Continued)**

Classification errors identified on the Statement of Activities for 2010 included:

- Ohio Public Work Commission revenue, in the amount of \$91,777, was presented as Grants and Entitlements instead of Operating Grants and Contributions – Capital Outlay.
- \$296,065 was removed from Transfers-In and General Government.
- Income tax receipts, in the amount of \$1,561,706, were presented as Income Taxes Levied for General Purposes instead of Income Taxes Levied by Transportation.
- Miscellaneous receipts, in the amount of \$10,355, were present as Income Taxes Levied for General Purposes instead of Miscellaneous Receipts.

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

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

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

**Client Response:**

The City allowed the State to start the 2010 Audit the first week of 2011. Financial statements were filed with the State by February 29, 2011 as required and submitted to the State Auditors by their request without a final review. In future years the City will not be able to accommodate the State Auditors request to start the audit so early in the year so that financial statements can be fully reviewed before being submitted to the Auditor's Office.

**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2008-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding Number 2010-01
2008-002	Ordinance Number 02-10-059 Investment Policy	Yes	
2008-003	Insurance Claims Processing – SAS70	Yes	
2008-004	Utility Department – Segregation of Duties	No	Included in separate letter to management.
2008-005	City Auditor's Office – Segregation of Duties	No	Included in separate letter to management.
2008-006	Income Tax Department – Segregation of Duties	No	Included in separate letter to management.
2008-007	Ohio Department of Transportation on Behalf Payments to the City	Yes	

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# Dave Yost • Auditor of State

CITY OF VAN WERT

VAN WERT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 23, 2011