



Dave Yost • Auditor of State

**FINANCIAL CONDITION
VAN WERT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Financial Condition
Van Wert County
121 E. Main Street
Van Wert, Ohio 45891

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Van Wert County, Ohio (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the Van Wert Housing Services Inc., a discretely presented component unit, which represents 50 percent, 51 percent, and 51 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Van Wert Housing Services Inc., is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditors audited the financial statements of the Van Wert Housing Services, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Unit	Qualified
Major General Fund	Unmodified
Major Motor Vehicle and Gas Tax Fund	Unmodified
Major Thomas Edison Fund	Unmodified
Major Brumback Library Fund	Unmodified
Major Recycling Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Van Wert County Airport Authority did not have sufficient evidential matter supporting the amounts recorded as fuel sales revenue and rental revenue and related receivables and deferred inflows for the year ended December 31, 2015 on the Van Wert Airport Authority's financial statements as part of our audit of the County's basic financial statements. The Van Wert County Airport Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit and represents 27 percent, 26 percent, and 45 percent of the assets, net financial position and revenues, respectively, of the County's aggregate discretely presented component units.

Qualified Opinion

In our opinion, based on our audit and the report of other auditors, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Aggregated Discretely Presented Component Units* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Van Wert County, Ohio (the County), as of and for the year ended December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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, each major fund, and the aggregate remaining fund information of Van Wert County, Ohio, as of and for the year ended as of December 31, 2015, and the respective changes in financial position and, where applicable its cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Thomas Edison, and Brumback Library Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 23, 2016

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**FINANCIAL CONDITION
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Van Wert County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- The County's total net position increased \$2,779,527 during 2015. The net position of governmental activities increased \$2,798,940 or 11%. The net position of business-type activities decreased by \$19,413.
- The General Fund's fund balance increased \$727,874 during 2015. The General Fund transferred \$183,366 for debt service obligations. The General Fund also transferred \$45,492 to the Department of Job, \$76,081 to the Building Improvement Fund, and Family Services, \$808 to the Local Government Innovation Program, \$1,118 to the Common Pleas Courtroom Improvement, and \$29,714 to Clerk Computer Fund.
- Business-type operations reflected an operating loss of \$18,598.
- The County issued \$1,825,000 to retire \$1,825,000 in outstanding notes that matured in 2015. The proceeds were issued to provide monies to construct a new engineer building.
- Capital assets used in governmental activities increased \$773,492. Construction of an Engineer Building was completed and \$1,566,930 has been shown as construction in progress at the end of 2014 was moved to buildings. During 2015, the County resurfaced some road and replaced bridges. In addition, a number of vehicles were added to capital assets during 2015.

During 2015, the County adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$31,778,549 to \$26,021,036 for governmental activities and from \$721,931 to \$484,091 for business type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand Van Wert County's financial situation as a whole and also give a detailed view of the County's fiscal condition.

The Statement of Net Position and Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Activities

The analysis of the County as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine if Van Wert County is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes to that net position. This change informs the reader whether the County's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the County's financial well being. Some of these factors include the County's tax base, and the condition of capital assets.

In the Statement of Net Position and the Statement of Activities, the County is divided into two kinds of activities.

Governmental Activities – Most of the County's services are reported here including general government, public safety, public works, health, human services, conservation and recreation, economic development and assistance, and intergovernmental.

Business-Type Activities – These services include recycling. Service fees for this operation are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

FUND FINANCIAL STATEMENTS

The analysis of the County's major funds begins on page 11. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Van Wert County's major funds are General, Motor Vehicle and Gas Tax, Thomas Edison, and Brumback Library. The County chose to present the Brumback Library as a major fund due to the unique nature of the fund. The County chose to present the Recycling Fund as a major fund since it is the only Enterprise Fund.

Governmental Funds – Most of the County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund – When the County charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated previously, the Statement of Net Position looks at the County as a whole. The following table provides a summary of the County's net position for 2015 compared to 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and Other Assets	\$21,520,805	\$20,527,154	\$307,776	\$337,548	\$21,828,581	\$20,864,702
Capital Assets	27,094,886	26,321,394	445,996	469,208	27,540,882	26,790,602
Total Assets	<u>48,615,691</u>	<u>46,848,548</u>	<u>753,772</u>	<u>806,756</u>	<u>49,369,463</u>	<u>47,655,304</u>
Deferred Outflows of Resources	1,600,102	957,445	53,325	34,043	1,653,427	991,488
Liabilities:						
Current and Other Liabilities	1,065,419	1,459,900	13,046	24,978	1,078,465	1,484,878
Long-Term Liabilities:						
Due Within One Year	965,537	864,896	9,924	11,574	975,461	876,470
Net Pension Liability	7,823,363	7,646,656	278,165	271,883	8,101,528	7,918,539
Other Amounts Due in More Than One Year	6,479,912	7,037,290	36,397	48,273	6,516,309	7,085,563
Total Liabilities	<u>16,334,231</u>	<u>17,008,742</u>	<u>337,532</u>	<u>356,708</u>	<u>16,671,763</u>	<u>17,365,450</u>
Deferred Inflows of Resources	5,061,586	4,776,215	4,887		5,066,473	4,776,215
Net Position:						
Net Investment in Capital Assets	24,539,847	23,827,589	405,996	424,208	24,945,843	24,251,797
Restricted	8,441,994	10,936,080			8,441,994	10,936,080
Unrestricted (Deficit)	<u>(4,161,865)</u>	<u>(8,742,633)</u>	<u>58,682</u>	<u>59,883</u>	<u>(4,103,183)</u>	<u>(8,682,750)</u>
Total Net Position	<u>\$28,819,976</u>	<u>\$26,021,036</u>	<u>\$464,678</u>	<u>\$484,091</u>	<u>\$29,284,654</u>	<u>\$26,505,127</u>

Total assets of governmental activities increased \$1,767,143. Capital assets increased \$773,492. The County built a new engineer building for a total cost of \$3,546,970. In addition, the County resurfaced roads, improved bridges and purchased some vehicles during 2015.

Long-term liabilities increased as a result of the net pension liability.

Net position of business-type activities decreased by \$19,413. Business-type activities reported an operating loss in 2014, 2013 and 2012, an operating income in 2011 and an operating loss during 2010. Fluctuations in charges for services are resulting in the fluctuations in operating income or loss. Charges for services have not always been enough to cover depreciation expense.

The following table shows the changes in net position for 2015 compared with 2014:

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$3,487,994	\$3,118,793	\$526,002	\$573,417	\$4,013,996	\$3,692,210
Operating Grants, Contributions and Interest	10,130,922	9,460,525			10,130,922	9,460,525
Capital Grants and Contributions	764,502	10,090			764,502	10,090
Total Program Revenues	<u>14,383,418</u>	<u>12,589,408</u>	<u>526,002</u>	<u>573,417</u>	<u>14,909,420</u>	<u>13,162,825</u>
General Revenues:						
Property and Other Taxes	4,813,804	4,295,083			4,813,804	4,295,083
Permissive Sales Tax	4,450,660	4,193,767			4,450,660	4,193,767
Grants and Entitlements	1,286,703	1,016,107			1,286,703	1,016,107
All Other Categories	471,661	521,252		3,069	471,661	524,321
Total General Revenues	<u>11,022,828</u>	<u>10,026,209</u>		<u>3,069</u>	<u>11,022,828</u>	<u>10,029,278</u>
Total Revenues	<u>25,406,246</u>	<u>22,615,617</u>	<u>526,002</u>	<u>576,486</u>	<u>25,932,248</u>	<u>23,192,103</u>
Program Expenses:						
General Government						
Legislative and Executive	5,214,315	5,135,731			5,214,315	5,135,731
Judicial	1,396,740	1,458,112			1,396,740	1,458,112
Public Safety	3,302,041	3,349,903			3,302,041	3,349,903
Public Works	4,252,286	4,117,550			4,252,286	4,117,550
Health	130,998	112,354			130,998	112,354
Human Services	7,504,066	7,674,853			7,504,066	7,674,853
Conservation and Recreation	34,920	138,000			34,920	138,000
Economic Development and Assistance	408,049	201,382			408,049	201,382
Intergovernmental	111,980	101,443			111,980	101,443
Debt Service Costs	251,911	239,684			251,911	239,684
Recycling			545,415	632,375	545,415	632,375
Total Expenses	<u>22,607,306</u>	<u>22,529,012</u>	<u>545,415</u>	<u>632,375</u>	<u>23,152,721</u>	<u>23,161,387</u>
Increase (Decrease) in Net Position	\$2,798,940	\$86,605	(\$19,413)	(\$55,889)	\$2,779,527	\$30,716
Net Position Beginning of Year	<u>26,021,036</u>	<u>31,691,944</u>	<u>484,091</u>	<u>777,820</u>	<u>26,505,127</u>	<u>32,469,764</u>
Net Position End of Year	<u>\$28,819,976</u>	<u>\$31,778,549</u>	<u>\$464,678</u>	<u>\$721,931</u>	<u>\$29,284,654</u>	<u>\$32,500,480</u>

Governmental Activities

Program revenues make up 57% of total governmental revenues for 2015 and 56% of total governmental revenues for 2014. The major recipients of intergovernmental program revenues were the Motor Vehicle and Gas Tax, Department of Job and Family Services, Thomas Edison, and Brumback Library Funds, as well as the Children's Services and CSEA Special Revenue Funds.

Operating grants and contributions increased as a result of a bi-annual funding cycle of community development block grants. Likewise, economic and development expenses increased.

**FINANCIAL CONDITION
VAN WERT COUNTY**

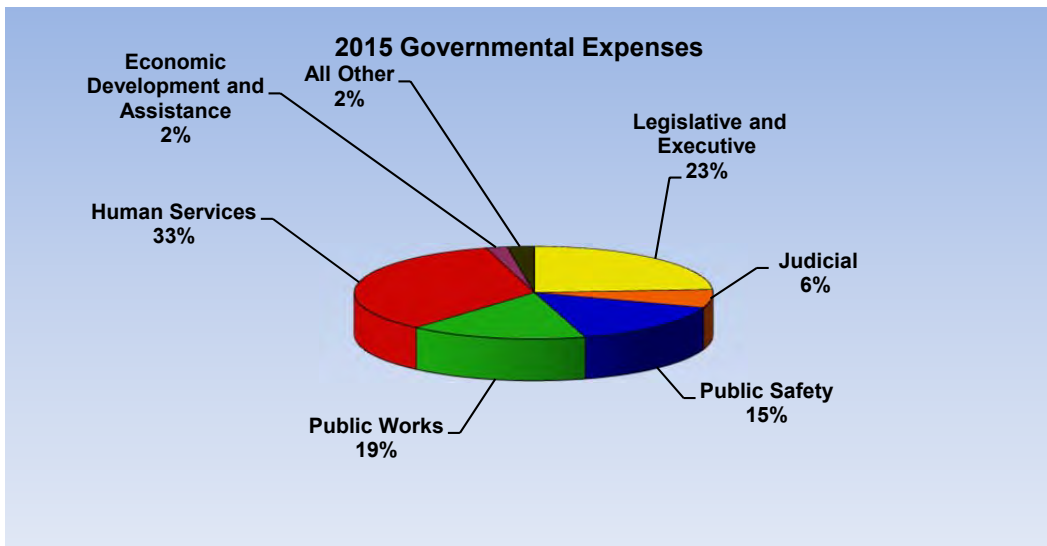
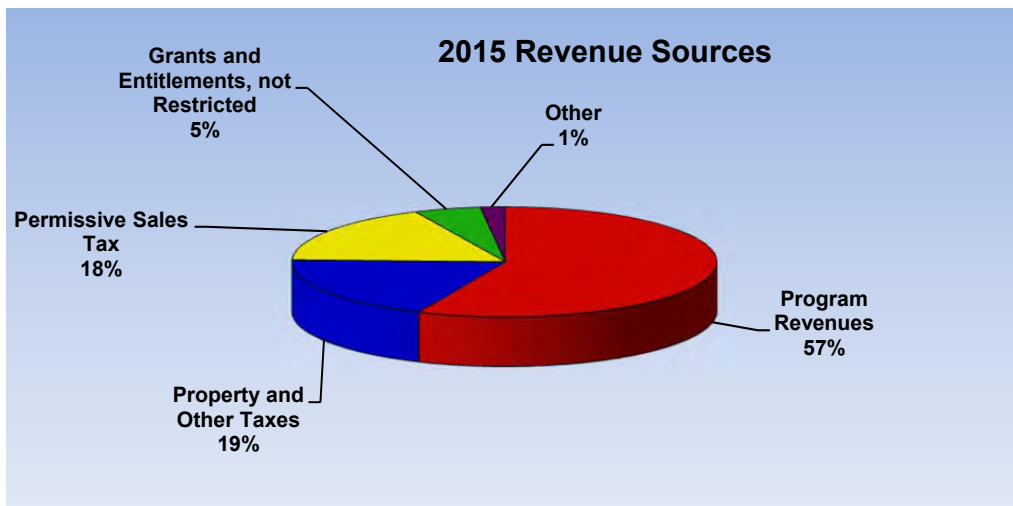
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Capital grants and contributions for 2015 consisted of funds received from the Ohio Department of Transportation for bridge replacement.

The County's direct charges to users of governmental services made up around 14% of total governmental revenues for both 2015 and 2014. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits

Permissive sales tax is the third largest source of revenue for the County. The County received \$4,450,660 for 2015 or about 18% of total governmental revenues. The County received \$4,193,767 for 2014 or about 18% of total governmental revenues.

The County Commissioners rely on general revenues, especially taxes, to close the gap between program revenues and expenses to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.



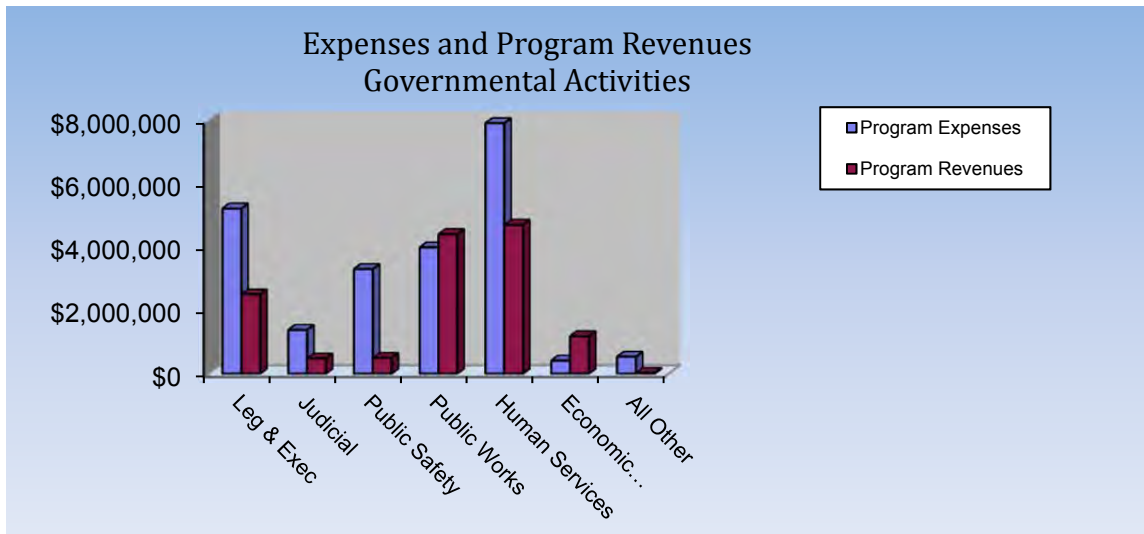
**FINANCIAL CONDITION
VAN WERT COUNTY**

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

The legislative and executive expenses of the County rely heavily on general revenues to support the program. \$2.6 million of legislative and executive expenses (49%) were covered by general revenues. The County has a separate tax levy which provides support for the Brumback Library.

For public safety, the net cost of services of \$2.9 million indicates the general purposes property tax levy and the permissive sales tax, support the operation of the Sheriff's Department and the Jail. To help reduce the tax burden and increase program revenues, the County has contracts for the housing of prisoners from other entities outside the County.

The \$2.8 million in net cost of services for human services demonstrates the cost of services that are not supported from State and federal sources. As such, the taxpayers have approved property tax levies for the Thomas Edison Center, the Senior Citizens Center, Tri-County Mental Health and the Cooperative Extension Service.



Business-Type Activities

The net position for business-type activities decreased by \$19,413 during 2015. Charges for services for recycling is the largest revenue source for business-type activities revenues. These charges for services decreased \$47,415 during 2015 and therefore not able to cover expenses.

The County strives to control operation expenses for business-type activities in order to maintain stability in charges for services.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

Information about the County's major governmental funds begins on page 21. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$24.4 million and expenditures of \$26 million. The General fund balance increased by \$727,874. Within the General Fund, revenues exceeded expenditures by \$1,050,452. Transfers to other funds such as the Debt Service funds and other Special Revenue funds totaled \$336,579.

Unassigned General fund balance equals \$772,049, which is available for spending at the County's discretion. The non-spendable fund balance in the general fund consists of amounts for prepaid items, supplies inventory and amounts required to be held for unclaimed monies.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents approximately 9% (6% in prior year) of total General Fund expenditures.

The Motor Vehicle and Gas Tax fund balance decreased \$153,690 due to a increase in expenditures. Fund balance at December 31, 2015, was \$1,506,902. The Thomas Edison fund balance increased \$116,406. Fund balance at December 31, 2015, was \$2,842,871. The Brumback Library fund balance increased \$86,177, while fund balance at year-end was \$560,651.

Enterprise Fund

The enterprise fund reflects a slight operating loss for 2015. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. The County Commissioners have set fees with the intention of funding operating costs and debt service. However, the statement of cash flows has a net cash decrease of \$19,540.

Major Funds Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. Before the budget is adopted the County Commissioners review detailed budget worksheets of each function within the General Fund and then adopts the budget at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses).

During 2015, there were numerous revisions to the General Fund budget. However, the net effect of the revisions was an increase in the appropriations of \$10,023. Original General Fund budgeted revenues were also adjusted for other reimbursements such as workers' compensation reimbursements.

Appropriations for the Motor Vehicle and Gas Tax fund were increased \$479,187. Appropriations were increased primarily for parts/supplies and gasoline.

Thomas Edison decreased anticipated receipts due to an expected decrease of revenues from the State and other governments.

Anticipated receipts for Brumback Library increased as funding from the State Public Library Fund increased. By monitoring expenditures, the Library's actual expenditures were \$41,091 less than appropriated.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	Capital Assets, Net of Depreciation					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$316,225	\$301,510			\$316,225	\$301,510
Land Improvements	20,399	20,399			20,399	20,399
Construction in Progress		1,566,930				1,566,930
Buildings	13,034,815	11,368,574	\$233,073	\$242,323	13,267,888	11,610,897
Machinery and Equipment	337,271	348,384	35,812	17,438	373,083	365,822
Furniture and Fixtures		540				540
Vehicles	1,540,892	1,569,406	177,111	209,447	1,718,003	1,778,853
Infrastructure	11,845,284	11,145,651			11,845,284	11,145,651
	<u>\$27,094,886</u>	<u>\$26,321,394</u>	<u>\$445,996</u>	<u>\$469,208</u>	<u>\$27,540,882</u>	<u>\$26,790,602</u>

Additions to governmental capital assets were to construction in progress (new engineer building), roads, bridges and vehicles.

See Note 6 of the notes to the basic financial statements for more detailed capital asset information.

Long-Term Debt

At December 31, 2015, Van Wert County had \$6,694,907 total long-term debt outstanding.

	Outstanding Long-Term Debt at Year End			
	Governmental		Business-Type	
	Activities		Activities	
	2015	2014	2015	2014
General Obligation Notes	\$2,604,716	\$2,768,386	\$40,000	\$45,000
OWDA Loan	490,163	526,184		
General Obligation Bonds	3,539,000	3,828,536		
Capital Leases	21,028	41,328		
	<u>\$6,654,907</u>	<u>\$7,164,434</u>	<u>\$40,000</u>	<u>\$45,000</u>

All general obligation note issues will be paid through the General Fund, Motor Vehicle and Gas Tax Fund, and debt service funds with property tax revenues, airport monies, and transfers from various funds. The Recycling Fund's note is paid from operating revenues of the recycling enterprise operation.

The general obligation bonds will be paid from tax increment financing revenues and court fees.

Obligations under capital lease will be paid from the Thomas Edison Special Revenue Fund.

The effects of the debt limitations at December 31, 2015, are an overall debt margin of \$14,287,820 and an un-voted debt margin of \$4,794,721. See Note 12 of the notes to the basic financial statements for more detailed information.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

CONTACTING THE COUNTY AUDITOR'S OFFICE

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nancy Dixon, County Auditor, Van Wert County, 121 East Main Street, Van Wert, Ohio 45891.

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**FINANCIAL CONDITION
VAN WERT COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$9,033,945	\$47,558	\$9,081,503
Cash and Cash Equivalents in Segregated Accounts	38,689		38,689
Accrued Interest Receivable			
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	296,729	258,599	555,328
Permissive Sales Tax Receivable	707,473		707,473
Due from Other Governments	4,856,758		4,856,758
Internal Balances	(1,368)	1,368	
Prepaid Items	149,046	251	149,297
Supplies Inventory	391,720		391,720
Property & Alternate Energy Taxes Receivable	4,972,427		4,972,427
Permissive Motor Vehicle License Tax Receivable	7,913		7,913
Tax Increment Financing Receivable	294,945		294,945
Loans Receivable	155,140		155,140
Special Assessments Receivable	276,162		276,162
Investments in Segregated Accounts	341,226		341,226
Depreciable Capital Assets, Net	26,758,262	445,996	27,204,258
Nondepreciable Capital Assets, Net	336,624		336,624
Total Assets	48,615,691	753,772	49,369,463
Deferred Outflows of Resources:			
Pension	1,600,102	53,325	1,653,427
Liabilities:			
Accounts Payable	328,444	2,106	330,550
Accrued Salaries Payable	140,437	4,842	145,279
Contracts Payable	82,570		82,570
Due to Other Governments	296,364	6,038	302,402
Accrued Interest Payable	46,195	60	46,255
Compensatory Time Payable	171,409		171,409
Long-Term Liabilities:			
Due Within One Year	965,537	9,924	975,461
Due in More Than One Year:			
Net Pension Liability	7,823,363	278,165	8,101,528
Other Amounts Due in More Than One Year	6,479,912	36,397	6,516,309
Total Liabilities	16,334,231	337,532	16,671,763
Deferred Inflows of Resources:			
Property & Alternate Energy Taxes	4,924,145		4,924,145
Pension	137,441	4,887	142,328
Hanger Rent			
Total Deferred Inflows of Resources	5,061,586	4,887	5,066,473
Net Position:			
Net Investment in Capital Assets	24,539,847	405,996	24,945,843
Restricted for:			
Other Purposes	8,026,788		8,026,788
Capital Projects	415,206		415,206
Unrestricted (Deficit)	(4,161,865)	58,682	(4,103,183)
Total Net Position	\$28,819,976	\$464,678	\$29,284,654

See accompanying notes to the basic financial statements.

Component Units		
Van Wert Housing Services	Van Wert County Port Authority	Van Wert County Airport Authority
	\$92,903	
\$20,033		\$60,064
1,445		
4,204		2,892
		18,635
5,246		
		17,373
12,533		
1,842,877		
746,544	478,707	1,120,259
	646,425	214,100
<u>2,632,882</u>	<u>1,218,035</u>	<u>1,433,323</u>
		6,583
12,813		8,633
		470
		2,231
		274
		18,760
		35,098
		51,945
<u>12,813</u>		<u>117,411</u>
		617
		535
		<u>1,152</u>
746,544	1,125,132	1,263,654
53,118		
1,820,407	92,903	57,689
<u>\$2,620,069</u>	<u>\$1,218,035</u>	<u>\$1,321,343</u>

**FINANCIAL CONDITION
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$5,214,315	\$1,757,110	\$869,713	
Judicial	1,396,740	420,456	85,982	
Public Safety	3,302,041	219,084	218,936	
Public Works	4,252,286	621,015	3,498,670	\$764,502
Health	130,998	71,721		
Human Services	7,504,066	396,614	4,263,784	
Conservation and Recreation	34,920		15,618	
Economic Development and Assistance	408,049	80	1,178,219	
Intergovernmental	111,980			
Interest and Fiscal Charges	251,911	1,914		
Total Governmental Activities	22,607,306	3,487,994	10,130,922	764,502
Business-Type Activity:				
Recycling	545,415	526,002		
Total Primary Government	23,152,721	4,013,996	10,130,922	764,502
Component Units:				
Van Wert Housing Services	568,064	393,109	65,723	
Van Wert County Port Authority	15,100	33,420		
Van Wert County Airport Authority	278,199	146,671	42,000	211,710
Total Component Units	\$861,363	\$573,200	\$107,723	\$211,710

General Revenues:

Property and Other Taxes Levied for:

General Purposes
Thomas Edison
Other Purposes
County Permissive Motor Vehicle License Taxes Levied for Public Works
Alternate Energy Taxes Levied for General Purposes
Permissive Sales Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Investment Earnings
Tax Increment Financing
Other
Total General Revenues

Special Item:

Deconsolidation
Total Special Item

Change in Net Position

Net Position Beginning of Year - Restated (Note 20)

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-Type Activity	Total	Van Wert Housing Services	Van Wert County Port Authority	Van Wert County Airport Authority
(\$2,587,492)		(\$2,587,492)			
(890,302)		(890,302)			
(2,864,021)		(2,864,021)			
631,901		631,901			
(59,277)		(59,277)			
(2,843,668)		(2,843,668)			
(19,302)		(19,302)			
770,250		770,250			
(111,980)		(111,980)			
(249,997)		(249,997)			
<u>(8,223,888)</u>		<u>(8,223,888)</u>			
	(\$19,413)	(19,413)			
<u>(8,223,888)</u>	<u>(19,413)</u>	<u>(8,243,301)</u>			
			(\$109,232)		
				\$18,320	
					\$122,182
			<u>(109,232)</u>	<u>18,320</u>	<u>122,182</u>
1,504,619		1,504,619			
1,801,864		1,801,864			
1,097,802		1,097,802			
106,870		106,870			
302,649		302,649			
4,450,660		4,450,660			
1,286,703		1,286,703			
124,758		124,758	(3,142)		
146,652		146,652			
200,251		200,251			
<u>11,022,828</u>		<u>11,022,828</u>	<u>(3,142)</u>		
			(197,110)		
			<u>(197,110)</u>		
2,798,940	(19,413)	2,779,527	(309,484)	18,320	122,182
26,021,036	484,091	26,505,127	2,929,553	1,199,715	1,199,161
<u>\$28,819,976</u>	<u>\$464,678</u>	<u>\$29,284,654</u>	<u>\$2,620,069</u>	<u>\$1,218,035</u>	<u>\$1,321,343</u>

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**FINANCIAL CONDITION
VAN WERT COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Motor Vehicle and Gas Tax	Thomas Edison	Brumback Library	Other Governmental Funds	Total Governmental Funds
Assets and Deferred Outflows of Resources:						
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,896,573	\$1,139,671	\$2,919,993	\$150,168	\$2,927,540	\$9,033,945
Cash and Cash Equivalents in Segregated Accounts	1,221			25,021	12,447	38,689
Investments in Segregated Accounts				341,226		341,226
Receivables:						
Property Taxes	1,525,466		1,853,566	190,795	895,104	4,464,931
Alternate Energy	303,999		132,582	15,416	55,499	507,496
Permissive Motor Vehicle License Tax		7,913				7,913
Permissive Sales Tax	707,473					707,473
Accounts (Net, where applicable, of Uncollectible Accounts)	282,015	8,560	5,016	505	633	296,729
Special Assessments					276,162	276,162
Interfund	336,720	79,512			57,253	473,485
Tax Increment Financing Receivable					294,945	294,945
Due from Other Governments	437,927	1,756,220	284,561	407,096	1,970,954	4,856,758
Prepaid Items	135,437	1,362	3,209	5,283	3,755	149,046
Supplies Inventory	16,725	368,475			6,520	391,720
Loans Receivable					155,140	155,140
Total Assets	<u>\$5,643,556</u>	<u>\$3,361,713</u>	<u>\$5,198,927</u>	<u>\$1,135,510</u>	<u>\$6,655,952</u>	<u>\$21,995,658</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Accounts Payable	\$118,001	\$85,153	\$64,339	\$14,664	\$46,287	\$328,444
Contracts Payable		82,570				82,570
Accrued Salaries Payable	58,605	18,390	10,965	5,673	46,804	140,437
Due to Other Governments	125,112	28,275	34,745	8,385	99,847	296,364
Interfund Payable	3,247	62,273	5,687		403,646	474,853
Total Liabilities	<u>304,965</u>	<u>276,661</u>	<u>115,736</u>	<u>28,722</u>	<u>596,584</u>	<u>1,322,668</u>
Deferred Inflows of Resources:						
Property Taxes & Alternate Energy Tax	1,812,140		1,966,884	204,237	940,884	4,924,145
Unavailable Revenue - Delinquent Property Taxes	17,325		19,264	1,974	9,719	48,282
Unavailable Revenue - Payments in Lieu of Taxes					294,945	294,945
Unavailable Revenue - Sales Taxes	359,425					359,425
Unavailable Revenue - Grants	28,527		153,551		1,663,877	1,845,955
Unavailable Revenue - Local Government	166,177				-	166,177
Unavailable Revenue - Gasoline Taxes and Vehicle License		1,491,458			-	1,491,458
Unavailable Revenue - Public Library Funds				339,926	-	339,926
Unavailable Revenue - Other	470,157	86,692	100,621		310,346	967,816
Total Deferred Inflows of Resources	<u>2,853,751</u>	<u>1,578,150</u>	<u>2,240,320</u>	<u>546,137</u>	<u>3,219,771</u>	<u>10,438,129</u>
Fund Balances:						
Non-spendable	164,877	369,837	3,209	5,283	165,415	708,621
Restricted		1,137,065	2,839,662	555,368	2,743,823	7,275,918
Committed					180,134	180,134
Assigned	1,547,914					1,547,914
Unassigned	772,049				(249,775)	522,274
Total Fund Balances	<u>2,484,840</u>	<u>1,506,902</u>	<u>2,842,871</u>	<u>560,651</u>	<u>2,839,597</u>	<u>10,234,861</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$5,643,556</u>	<u>\$3,361,713</u>	<u>\$5,198,927</u>	<u>\$1,135,510</u>	<u>\$6,655,952</u>	<u>\$21,995,658</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Total Governmental Fund Balances		\$10,234,861
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.		27,094,886
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	\$48,282	
Tax Increment Financing	294,945	
Permissive Sales Tax	359,425	
Intergovernmental	4,148,007	
Charges for Services	110,741	
Fines and Forfeitures	266,065	
Special Assessments	213,334	
Other	73,185	
Total	5,513,984	5,513,984
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in		
Deferred Outflows - Pension	1,600,102	
Deferred Inflows - Pension	(137,441)	
Net Pension Liability	(7,823,363)	
Total	(6,360,702)	(6,360,702)
Some liabilities, including notes payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest	(46,195)	
General Obligation Notes	(2,604,716)	
General Obligation Bonds	(3,539,000)	
Capital Leases	(21,028)	
Compensatory Time Payable	(171,409)	
OWDA Loan	(490,163)	
Compensated Absences	(790,542)	
Total	(7,663,053)	(7,663,053)
Net Position of Governmental Activities		\$28,819,976

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Thomas Edison</u>	<u>Brumback Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property Taxes	\$1,504,726		\$1,670,899	\$175,990	\$850,708	\$4,202,323
Permissive Sales Tax	4,439,422					4,439,422
Alternate Energy Tax	302,649		130,161	15,135	56,000	503,945
Permissive Motor Vehicle License Tax		\$106,870				106,870
Intergovernmental	1,131,050	3,460,478	1,318,771	802,850	4,544,166	11,257,315
Charges for Services	1,058,467	218,806	102,699	4,982	804,847	2,189,801
Licenses and Permits	1,229				77,399	78,628
Fines and Forfeitures	136,726	52,020		6,214	58,869	253,829
Special Assessments					248,987	248,987
Interest	124,758	1,521		(463)	3,219	129,035
Tax Increment Financing					189,953	189,953
Other	469,859	6,199	11,442	91,939	184,569	764,008
Total Revenues	<u>9,168,886</u>	<u>3,845,894</u>	<u>3,233,972</u>	<u>1,096,647</u>	<u>7,018,717</u>	<u>24,364,116</u>
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,424,686			1,014,491	668,468	5,107,645
Judicial	1,302,372				96,693	1,399,065
Public Safety	2,933,806				326,762	3,260,568
Public Works	34,291	3,944,869			881,210	4,860,370
Health	60,338				70,794	131,132
Human Services	220,524		3,013,242		4,144,900	7,378,666
Conservation and Recreation					34,920	34,920
Economic Development and Assistance	26,000				374,152	400,152
Capital Outlay	4,437				631,128	635,565
Intergovernmental	111,980					111,980
Debt Service:						
Principal Retirement			20,300		2,314,227	2,334,527
Interest and Fiscal Charges			1,115		229,393	230,508
Total Expenditures	<u>8,118,434</u>	<u>3,944,869</u>	<u>3,034,657</u>	<u>1,014,491</u>	<u>9,772,647</u>	<u>25,885,098</u>
Excess of Revenues Over (Under) Expenditures	<u>1,050,452</u>	<u>(98,975)</u>	<u>199,315</u>	<u>82,156</u>	<u>(2,753,930)</u>	<u>(1,520,982)</u>
Other Financing Sources (Uses):						
Notes Issued					1,825,000	1,825,000
Proceeds from Sale of Capital Assets	14,001	6,511		4,021		24,533
Transfers In					518,901	518,901
Transfers Out	(336,579)	(61,226)	(82,909)		(38,187)	(518,901)
Total Other Financing Sources (Uses)	<u>(322,578)</u>	<u>(54,715)</u>	<u>(82,909)</u>	<u>4,021</u>	<u>2,305,714</u>	<u>1,849,533</u>
Net Change in Fund Balances	727,874	(153,690)	116,406	86,177	(448,216)	328,551
Fund Balances Beginning of Year	<u>1,756,966</u>	<u>1,660,592</u>	<u>2,726,465</u>	<u>474,474</u>	<u>3,287,813</u>	<u>9,906,310</u>
Fund Balances End of Year	<u>\$2,484,840</u>	<u>\$1,506,902</u>	<u>\$2,842,871</u>	<u>\$560,651</u>	<u>\$2,839,597</u>	<u>\$10,234,861</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
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, 2015**

Net Change in Fund Balances - Total Governmental Funds \$328,551

**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amount are:

Capital Outlay	\$2,232,429	
Depreciation	<u>(1,344,406)</u>	
Excess of Capital Outlay Over Depreciation Expense		888,023

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(114,531)

Some revenues that will not be collected for several months after the County's year-end are not considered "available" revenues and are deferred in the governmental funds.

Deferred inflows changed by these amount this year:

Property and Other Taxes	666	
Tax Increment Financing	(43,301)	
Permissive Sales Tax	11,238	
Intergovernmental	898,872	
Charges for Services	84,647	
Fines and Forfeitures	22,100	
Special Assessments	1,790	
Other	41,585	
Total	<u>1,017,597</u>	1,017,597

The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net position, the debt is reported as a liability.

Notes Issued (1,825,000)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

1,182,668

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the statement of activities.

(854,159)

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consisted of:

General Obligation Note Principal Payments	1,988,670	
General Obligation Bonds Principal Payments	289,536	
OWDA Loan	36,021	
Capital Lease Principal Payments	20,300	
Total	<u>2,334,527</u>	2,334,527

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Accrued Interest	(21,403)	
Compensatory Time Payable	(84,543)	
Compensated Absences	(52,790)	
Total	<u>(158,736)</u>	(158,736)

Change in Net Position of Governmental Activities \$2,798,940

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$1,508,000	\$1,505,770	\$1,505,770	
Permissive Sales Tax	3,951,000	3,951,000	4,416,110	\$465,110
Alternate Energy Tax	302,648	302,648	302,649	1
Intergovernmental	1,103,165	1,105,935	1,134,002	28,067
Charges for Services	807,600	776,337	823,913	47,576
Licenses and Permits	2,000	1,229	1,229	
Fines and Forfeitures	115,500	130,841	133,213	2,372
Interest	90,100	129,920	129,827	(93)
Other	413,007	482,913	467,426	(15,487)
Total Revenues	<u>8,293,020</u>	<u>8,386,593</u>	<u>8,914,139</u>	<u>527,546</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,751,942	3,872,175	3,500,585	371,590
Judicial	1,460,578	1,451,644	1,375,129	76,515
Public Safety	3,349,448	3,373,952	3,144,949	229,003
Public Works	33,100	36,762	35,371	1,391
Health	62,372	64,416	60,362	4,054
Human Services	276,406	276,899	222,448	54,451
Economic Development and Assistance	26,000	26,000	26,000	
Intergovernmental	108,300	113,300	111,980	1,320
Total Expenditures	<u>9,068,146</u>	<u>9,215,148</u>	<u>8,476,824</u>	<u>738,324</u>
Excess of Revenues Over (Under) Expenditures	<u>(775,126)</u>	<u>(828,555)</u>	<u>437,315</u>	<u>1,265,870</u>
Other Financing Sources (Uses)				
Advances In	59,811		59,811	59,811
Advances Out		(187,010)	(246,821)	(59,811)
Transfers In	27,250	29,714	29,714	
Transfers Out	<u>(686,671)</u>	<u>(362,682)</u>	<u>(336,579)</u>	<u>26,103</u>
Total Other Financing Sources (Uses)	<u>(598,610)</u>	<u>(506,633)</u>	<u>(479,874)</u>	<u>26,759</u>
Net Change in Fund Balance	(1,373,736)	(1,335,188)	(42,559)	1,292,629
Fund Balance Beginning of Year	1,164,378	1,164,378	1,164,378	
Prior Year Encumbrances Appropriated	<u>229,555</u>	<u>229,555</u>	<u>229,555</u>	
Fund Balance End of Year	<u>\$20,197</u>	<u>\$58,745</u>	<u>\$1,351,374</u>	<u>\$1,292,629</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
MOTOR VEHICLE AND GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Permissive Motor Vehicle License Tax	\$101,000	\$106,000	\$106,610	\$610
Intergovernmental	3,350,000	3,336,429	3,472,431	136,002
Charges for Services	240,000	239,220	250,204	10,984
Fines and Forfeitures	65,000	65,000	54,640	(10,360)
Interest	2,000	2,000	1,353	(647)
Other	2,300	7,000	6,199	(801)
Total Revenues	<u>3,760,300</u>	<u>3,755,649</u>	<u>3,891,437</u>	<u>135,788</u>
Expenditures:				
Current:				
Public Works	4,333,682	4,832,869	4,198,946	633,923
Excess of Revenues Over (Under) Expenditures	<u>(573,382)</u>	<u>(1,077,220)</u>	<u>(307,509)</u>	<u>769,711</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets		6,000	6,511	511
Transfers Out	(96,145)	(76,145)	(61,226)	14,919
Total Other Financing Sources (Uses)	<u>(96,145)</u>	<u>(70,145)</u>	<u>(54,715)</u>	<u>15,430</u>
Net Change in Fund Balance	(669,527)	(1,147,365)	(362,224)	785,141
Fund Balance at Beginning of Year	1,045,115	1,045,115	1,045,115	
Prior Year Encumbrances Appropriated	<u>110,238</u>	<u>110,238</u>	<u>110,238</u>	
Fund Balance at End of Year	<u>\$485,826</u>	<u>\$7,988</u>	<u>\$793,129</u>	<u>\$785,141</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue:				
Property Taxes	\$1,730,408	\$1,674,408	\$1,671,220	(\$3,188)
Alternate Energy Tax	130,161	130,161	130,161	
Intergovernmental	1,634,000	1,335,000	1,354,730	19,730
Charges for Services	75,500	75,500	100,217	24,717
Other	6,500	6,500	12,135	5,635
Total Revenues	<u>3,576,569</u>	<u>3,221,569</u>	<u>3,268,463</u>	<u>46,894</u>
Expenditures:				
Current:				
Human Services	<u>3,928,056</u>	<u>3,749,942</u>	<u>3,286,393</u>	<u>463,549</u>
Excess of Revenues Over (Under) Expenditures	(351,487)	(528,373)	(17,930)	510,443
Other Financing Sources (Uses):				
Advances In			79,000	79,000
Advances Out		(27,000)	(52,000)	(25,000)
Transfers Out	(45,000)	(83,649)	(82,909)	740
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(110,649)</u>	<u>(55,909)</u>	<u>54,740</u>
Net Change in Fund Balance	(396,487)	(639,022)	(73,839)	565,183
Fund Balance at Beginning of Year	2,582,176	2,582,176	2,582,176	
Prior Year Encumbrances Appropriated	<u>198,882</u>	<u>198,882</u>	<u>198,882</u>	
Fund Balance at End of Year	<u><u>\$2,384,571</u></u>	<u><u>\$2,142,036</u></u>	<u><u>\$2,707,219</u></u>	<u><u>\$565,183</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Property Taxes	\$176,000	\$176,000	\$175,889	(\$111)
Alternate Energy Tax	15,135	15,135	15,135	
Intergovernmental	709,000	718,380	798,265	79,885
Charges for Services	3,500	3,500	4,982	1,482
Fines and Forfeitures	7,500	7,500	6,214	(1,286)
Other	15,500	66,120	79,317	13,197
Total Revenues	<u>926,635</u>	<u>986,635</u>	<u>1,079,802</u>	<u>93,167</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	994,235	1,073,617	1,032,526	41,091
Total Expenditures	<u>994,235</u>	<u>1,073,617</u>	<u>1,032,526</u>	<u>41,091</u>
Excess of Revenues Under Expenditures	(67,600)	(86,982)	47,276	134,258
Other Financing Sources:				
Proceeds from the Sale of Capital Assets	<u>2,500</u>	<u>2,500</u>	<u>4,021</u>	<u>1,521</u>
Net Change in Fund Balance	(65,100)	(84,482)	51,297	135,779
Fund Balance at Beginning of Year	80,943	80,943	80,943	
Prior Year Encumbrances Appropriated	<u>4,735</u>	<u>4,735</u>	<u>4,735</u>	
Fund Balance at End of Year	<u>\$20,578</u>	<u>\$1,196</u>	<u>\$136,975</u>	<u>\$135,779</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**STATEMENT OF FUND NET POSITION
ENTERPRISE FUND
DECEMBER 31, 2015**

	Recycling
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$47,558
Accounts Receivable	258,599
Prepaid Items	251
Interfund Receivable	2,856
Total Current Assets	309,264
Non-current Assets:	
Depreciable Capital Assets, Net	445,996
Total Assets	755,260
Deferred Outflows of Resources:	
Pension	53,325
Liabilities:	
Current Liabilities:	
Accounts Payable	2,106
Accrued Salaries Payable	4,842
Interfund Payable	1,488
Due to Other Governments	6,038
Accrued Interest Payable	60
Compensated Absences Payable	4,424
Note Payable	5,500
Total Current Liabilities	24,458
Long-Term Liabilities:	
Compensated Absences Payable	1,897
Note Payable	34,500
Net Pension Liability	278,165
Total Long-Term Liabilities	314,562
Total Liabilities	339,020
Deferred Inflows of Resources:	
Pension	4,887
Net Position:	
Net Investment in Capital Assets	405,996
Unrestricted	58,682
Total Net Position	\$464,678

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Recycling
Operating Revenues:	
Charges for Services	\$526,002
Operating Expenses:	
Personal Services	381,510
Contractual Services	55,241
Materials and Supplies	51,030
Depreciation	56,819
Total Operating Expenses	544,600
Operating Loss	(18,598)
Non-Operating Expenses:	
Interest and Fiscal Charges	(815)
Income Before Transfers	(19,413)
Transfers Out	(5,822)
Transfers In	5,822
Change in Net Position	(19,413)
Net Position Beginning of Year - Restated (Note 20)	484,091
Net Position End of Year	\$464,678

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Recycling
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers and Support	\$539,792
Cash Payments for Employee Services and Benefits	(409,808)
Cash Payments to Suppliers	(107,239)
Net Provided by Operating Activities	22,745
Cash Flows from Noncapital Financing Activities:	
Advances Out	(2,856)
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(33,607)
Note Principal Payments	(5,000)
Note Interest Payments	(822)
Net Cash Used for Capital and Related Financing Activities	(39,429)
Net Decrease in Cash and Cash Equivalents	(19,540)
Cash and Cash Equivalents Beginning of Year	67,098
Cash and Cash Equivalents End of Year	\$47,558
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	(\$18,598)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	56,819
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	13,790
Increase in Prepaid Items	(2)
Increase in Deferred Outflows of Resources - Pension	(19,282)
Decrease in Accounts Payable	(629)
Decrease in Accrued Salaries Payable	(8,898)
Decrease in Due to Other Governments	(2,398)
Increase in Net Pension Liability	6,282
Increase in Deferred Inflows of Resources - Pension	4,887
Decrease in Interfund Payable	(700)
Decrease in Compensated Absences Payable	(8,526)
Net Cash Provided By Operating Activities	\$22,745

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$1,187,773
Cash and Cash Equivalents in Segregated Accounts	248,490

Receivables:

Property and Other Taxes	23,507,189
Accounts (Net of Uncollectible Accounts)	415,727
Special Assessments	564,117
Due from Other Governments	1,747,281
Tax Increment Financing Receivable	343,280
Supplies Inventory	75,247
Total Assets	<u><u>\$28,089,104</u></u>

Liabilities:

Accounts Payable	\$46,363
Due to Other Governments	26,954,538
Undistributed Monies	1,088,203
Total Liabilities	<u><u>\$28,089,104</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Van Wert County, Ohio (The County), was created in 1820 but was not organized until 1837. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a joint Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budgeting and taxing authority, contracting body and the chief administrators of public services for the County, including each of these departments.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Van Wert County, this includes the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, the Van Wert County Veterans Services, Van Wert County Election Board and all departments and activities that are directly operated by the elected County officials. Van Wert County Brumback Public Library is included as part of the primary government.

B. Van Wert County Brumback Public Library

The Brumback Library was constructed and donated to Van Wert County per the will of the late J. S. Brumback and a contract made between the heirs of the estate and the Van Wert County Commissioners in 1898. The Library was established as a free public library for the benefit of the citizens of Van Wert County, Ohio, at that time. The law was enacted under Section 891a Revised Statute. The Statute provides: "Any County accepting such a bequest, donation or gift shall be bound to faithfully carry out the agreement so made to provide and maintain such a library." It is therefore the legal duty of the Board of County Commissioners to faithfully comply with the terms of the contract and maintain and operate the library as a County Library.

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

C. Blended Component Unit

The Library Enrichment Foundation of the Brumback Library is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Library Enrichment Foundation of the Brumback Library – The Library Enrichment Foundation of the Brumback Library was formed for the purpose of supporting and promoting charitable, educational, scientific, and literary purposes of the Brumback Library. Membership in the Foundation consists solely of the Trustees of the Brumback Library and the Director of the Brumback Library. The board of the Foundation and the Brumback Library are the same. The Brumback Library is part of the primary government, and the primary government may affect the activities, programs and projects of the Foundation; therefore, it would be misleading to exclude the Library Enrichment Foundation of the Brumback Library from the financial statements of the primary government. The Foundation is considered a component unit and blended with the primary government.

D. Discretely Presented Component Units

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component units: the Van Wert Housing Services, (which is a consolidation of the entities of Thomas Edison Center, Van Wert Housing Services, Inc., the Thomas Edison Memorial Endowment,) the Van Wert County Port Authority, and the Van Wert County Airport Authority. They are reported separately to emphasize that they are legally separate from the County. Condensed financial information for the component units is presented in Note 14.

Thomas Edison Center – Effective July 1, 2015, the Thomas Edison Center was privatized and is no longer under the control of the common board of trustees. Since that control no longer existed, Thomas Edison Center was deconsolidated effective July 1, 2015, and the name of the reporting entity was changed to Van Wert Housing Services, Inc. See Note 14.

Van Wert Housing Services, Inc. – The Van Wert Housing Services, Inc. is a legally separate not-for-profit corporation served by a board appointed by the Van Wert County Board of MRDD. The corporation, under contractual agreement with the Van Wert County Board of MRDD, has agreed to acquire, manage and maintain residential properties. The Van Wert County Board of MRDD makes grants available to assist in the purchase of the properties. The Van Wert County Board of MRDD is financially accountable for the Van Wert Housing Services, Inc. The Van Wert County Board of MRDD has maintained a legal interest through a note and a second mortgage on the property purchased by the corporation. In the event of default or violation of the contract terms, the Van Wert County Board of MRDD has the right to assume the mortgage and the right to insist on the transfer of title of the property. Separately issued financial statements can be obtained from the Van Wert Housing Services, Inc. at P.O. Box 604, Van Wert, Ohio 45891.

Thomas Edison Memorial Endowment – The Thomas Edison Memorial Endowment was organized in 1975 as a not-for-profit corporation. The Van Wert County Board of MRDD authorized the formation of a foundation that would build funds over the years through donations and bequests. The foundation was established in order to receive gifts and memorial monies that are intended to provide long range support for the programs of the Thomas Edison Center. The foundation was designed so only the interest of this money would be available for use as determined by a non-profit board of directors. The Van Wert County Board of MRDD called this foundation the Thomas Edison Memorial Endowment. The Board formed a non-profit board of directors to conduct the operations of the Thomas Edison Endowment. The five board members are appointed by the Van Wert County Board of Mental Retardation and Development Disabilities. Due to control arising from common membership of board of directors, the Thomas Edison Memorial Endowment has been consolidated with the Van Wert Housing Services, Inc. Separately issued financial statements can be obtained from the Thomas Edison Memorial Endowment at P.O. Box 604, Van Wert, Ohio 45891.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Van Wert County Port Authority – The Van Wert County Port Authority is a legally separate organization created to maintain and operate the rail property located within the County. The Board of the Port Authority is appointed by the Van Wert County Commissioners. The Van Wert County Commissioners have potential to receive financial benefit from the Port Authority, since the County is entitled to any surplus of the Port Authority. The County is also financially accountable for the Authority. The Van Wert County Auditor is the fiscal agent for the Port Authority. Separately issued financial statements can be obtained from Jim Kitson, Secretary, at 114 E. Main Street, Van Wert, Ohio 45891.

Van Wert County Airport Authority – The Van Wert County Airport Authority is a legally separate organization created by resolution of the Van Wert County Commissioners on December 20, 1974. The Board of the Airport Authority is made up of one Van Wert County Commissioner with a two year term, one member appointed by the Mayor of the City of Van Wert with a two year term and four at large members to be appointed by the Van Wert County Commissioners, with four year terms. Subsequent appointments are made by the appointing authority that named that member. The County has issued debt for the Airport Authority in the County's name, making the County financially accountable for the Airport Authority. Separately issued financial statements can be obtained from Mike Jackson at 1400 Leeson Drive, Van Wert, Ohio 45891.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's financial statements:

- Van Wert County General Health District
- Van Wert County Soil and Water Conservation District
- Van Wert County Park District
- Van Wert Regional Planning Commission
- Van Wert Emergency Management Agency

The County participates in certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, Related Organizations, and Insurance Pools.

The County's Joint Ventures, the Van Wert County Emergency Management Agency (EMA) and the Van Wert County Regional Planning Commission (the Commission) are presented in Note 15. A joint venture is a legal entity or other organization that results from a contractual arrangement and 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.

The Jointly Governed Organizations of the County, the Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Paulding and Van Wert Counties (Tri County Mental Health Board), the Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC), the Van Wert County Council on Aging, Inc. (the Council), the West Central Partnership, Inc. (the Partnership), and the Northwest Ohio Waiver Administration Council, are presented in Note 16. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

The Related Organization, the Local Emergency Planning Committee (LEPC) is presented in Note 17. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County. The Insurance Pools, the Midwest Pool Risk Management Agency, Inc. (the Pool), and the County Commissioners' Association of Ohio Service Corporation (CCAOSC) are presented in Note 18. The Pool is a risk-sharing pool, while the CCAOSC is an insurance purchasing pool. A risk-sharing pool is an organization formed by a group of governments to combine risks and resources and share in the cost of losses. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Van Wert County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the County's accounting policies are described below.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues 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 interest earned on grants that is required to be used to support a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the County.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the year, the County segregates transactions related to certain County 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 County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The County 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. There are three categories of funds utilized by the County: governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle and Gas Tax Fund – This fund is used to account for revenue derived from motor vehicle licenses, gasoline taxes and investment income. Expenditures in this fund are restricted by State law to County road and bridge repair and improvement programs. The County Engineer currently expends the majority of the revenues in this fund for road and bridge repairs and operating costs for the Engineer's Office.

Thomas Edison Fund – This fund is used to account for money received from a County-wide property tax levy and several federal and state grants and subsidies for Mental Retardation and Developmental Disabilities, its operations and activities.

Brumback Library Fund – This fund is used to account for the operation of the Brumback Library. Revenue is received from bequests and donations and from money received from the operations of the Library. A library district tax levy also provides support for the Library. The County chooses to report this fund as a major fund due to its unique relationship with the County.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. The County's only proprietary fund is an enterprise fund.

Enterprise Fund – 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 is the County's enterprise fund:

Recycling Fund – This fund is used to account for the provision of recycling service to certain residents and businesses within the County.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used by the County to account for assets held under a trust agreement for individuals, private organizations or other governments, and are therefore, not available to support the County's own programs. Agency funds are used to report resources held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees and to account for funds of the County General Health District, Soil and Water Conservation District, Regional Planning Commission, Park District, and Emergency Management Agency.

4. Component Units

Component units are either legally separate organizations for which the elected officials of the County are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Component unit disclosures represent a consolidation of various fund types.

C. Measurement Focus

1. Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the County are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources are associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; the enterprise fund and agency funds also uses the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

E. Revenues – Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales tax, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). On an accrual basis, revenue from permissive sales tax is recognized in the period when the exchange transaction on which the tax is imposed occurs (See Note 5).

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 5), accounts, interest, federal and state subsidies, grants, and state-levied locally shared taxes.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statement of financial positions report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, pension and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but were levied to finance 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenues is reported on the governmental funds balance sheet and represents delinquent property taxes, sales tax, tax increment financing, special assessments, intergovernmental grants and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. The deferred outflows of resources to pension are explained in Note 7.

G. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds, except cash held in segregated accounts and held by fiscal agents, are maintained in this pool. Individual fund integrity is maintained through County records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Cash and cash equivalents that are held separately by the component units and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "cash and cash equivalents in segregated accounts."

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments that are held separately by the Library Enrichment Foundation of the Brumback Library and not held with the County Treasurer are recorded on the balance sheet as “investments in segregated accounts.”

During 2015, the County invested in STAR Ohio and certificates of deposits. The Library Enrichment Foundation of the Brumback Library invests in First Financial Bancorp Common Stock, Vanguard Growth and Income Fund, Vanguard Mid-Cap Index Fund, Vanguard Small-Cap Growth Index Fund, and Vanguard Value Index Fund.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating investment contracts such as nonnegotiable certificates of deposit and nonparticipating repurchase agreements which are reported at cost.

The County invested funds in STAR Ohio during 2015. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2015.

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$124,758 was credited to the General Fund during 2015, which includes \$105,523 assigned from other County funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

I. Receivables and Payables

Receivables and payables to be recorded on the County’s financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Using this criterion the County has elected to not record child support arrearages within the special revenue and agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method. A current asset is recorded for the prepaid amount at the time of purchase and reflects the expenditure/expense in the year in which services are consumed.

K. Inventory of Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when used.

Inventory consists of expendable supplies held for consumption.

L. Capital Assets

General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All capital assets except for land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40-100 years
Machinery and Equipment	10-20 years
Furniture and Fixtures	10-20 years
Vehicles	3-15 years
Infrastructure	15-70 years

The County's infrastructure consists of roads and bridges.

M. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balances are eliminated on the government-wide statement of net position except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

N. Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated unused sick leave for all employees after 20 years of current service with the County.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees will be paid. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

O. Pensions

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

P. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions, the net pension liability and compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, bonds and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Q. Capital Contributions

Contributions of capital arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business-type activities.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Net position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include funds for the operation of a school; resident homes for the mentally retarded and developmentally disabled; the medical, financial, and social support to general relief recipients; the support and placement of children; and County road and bridge repair/improvement programs.

The County does not have any portion of its restricted component of net position restricted by enabling legislation. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for recycling services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

T. Fund Balance Reserves

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Commissioners. The committed amounts cannot be used for any other purpose unless the County Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Amounts in the assigned classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

U. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

V. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

W. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. Budgetary information has not been presented for the Library Enrichment Foundation of the Brumback Library (blended component unit) because it is not included in the entity for which the “appropriated budget” is adopted nor does the entity maintain separate budgetary records. 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 County Commissioners may appropriate. The appropriations resolution is the County Commissioners’ authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses).

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County 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 final amended certificate of estimated resources issued during 2015.

The appropriation resolution 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 resolution 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 County Commissioners during the year.

3. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual, presented for the General Fund, and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Although not part of the appropriated budget, the Library Enrichment Foundation of the Brumback Library Special Revenue Fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.
6. For reporting purpose, the County combines some funds with the General fund that are not part of the legally adopted budget for the General fund.
7. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
8. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING FOR THE YEAR

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund, and the Motor Vehicle and Gas Tax, Thomas Edison, and the Brumback Library Special Revenue Funds are as follows:

	Net Change in Fund Balance			
	General	Motor Vehicle and Gas Tax	Thomas Edison	Brumback Library
GAAP Basis	\$727,874	(\$153,690)	\$116,406	\$86,177
Revenue Accruals	(18,017)	45,543	34,872	(22,038)
Expenditure Accruals	(389,355)	91,368	(78,849)	(7,338)
2015 Unrecorded Cash/Agency Fund Allocation	(56,454)		(37,194)	(4,214)
2014 Unrecorded Cash/Agency Fund Allocation	54,377		36,813	4,113
Change in Fair Value of Investments – 2015				5,685
Change in Fair Value of Investments – 2014				11,262
Transfers	29,714			
Activity of Non-budgeted Funds/Perspective Differences	(62,142)			(9,547)
Advances	(187,010)		27,000	
Prepaid Items	107,754	921	2,693	(3,825)
Encumbrances	(249,300)	(346,366)	(175,580)	(8,978)
Budget Basis	<u>(\$42,559)</u>	<u>(\$362,224)</u>	<u>(\$73,839)</u>	<u>\$51,297</u>

4. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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;

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political sub-divisions, provided that such political subdivisions are located wholly or partly within the County;
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) of this section 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);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the County's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 % of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

At year-end, the carrying amount of the County's deposits was \$10,578,296, which includes \$92,903 for the Port Authority component unit's deposits and the bank balance was \$10,834,223. Of the bank balance, \$2,963,624 was covered by federal deposit insurance. \$7,870,599 of the County's bank balance of \$10,834,223 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the County's name.

B. Investments

At year-end, the County had the following investments:

Investment Type	Fair Value
Vanguard Growth and Income Fund	\$25,648
Vanguard Mid-Cap Index Fund	37,697
Vanguard Small-Cap Growth Index Fund	42,774
Vanguard Value Index Fund	28,062
First Financial Bancorp	23,889
STAR Ohio	254,218
Total	\$412,288

Interest Rate Risk – The County's investment policy states that the maximum maturity is five years from the settlement date.

Credit Risk – The County's investment policy does not address credit risk. The investment in First Financial Bancorp is a common stock and not rated. The County's investment in a repurchase agreement is exposed to credit risk due to the underlying securities are held by the investment's counterparty or its trust department or agent, not in the County's name. 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. The County's investment in STAR Ohio is rated AAAM by Standard & Poor's.

Concentration of Credit Risk – The County's investment policy states the investment authority will diversify the investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The following investments comprised five or more percent of the investment portfolio:

Investment Type	Percentage
STAR Ohio	62%
First Financial Bankcorp	6%
Vanguard Growth and Income	6%
Vanguard Mid-Cap Index	9%
Vanguard Small-Cap Growth Index	10%
VanguardValue Index	7%

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

5. RECEIVABLES

Receivables at December 31, 2015, consisted of property and other taxes, permissive sales tax, Permissive motor vehicle license tax, tax increment financing, accounts (billings for user charged services), special assessments, interfund, intergovernmental receivables arising from grants, and loans. All receivables are considered collectible in full except Court receivables. A summary of accounts receivable for Court receivables, as well as other receivables owed to the County governmental funds is as follows:

	Common Pleas/ Juvenile/Probate Court Receivable	Other Accounts Receivable	Total Accounts Receivable
Receivable	\$407,186	\$15,011	\$422,197
Allowance for Un-collectibles	(125,468)		(125,468)
Net Accounts Receivable	\$281,718	\$15,011	\$296,729

For the agency funds, the total receivable for the Common Pleas Court was \$399,915, with an allowance for uncollectibles of \$547, making net accounts receivable of \$399,368. In addition, the health department had a receivable of \$16,359, for total accounts receivable for agency funds \$415,727.

5. Property Taxes

Property taxes include amounts levied against all real and public utility located in the County. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35% of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

Under certain circumstances, State statute permits later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2015 operations.

The full tax rate for all County operations for the year ended December 31, 2015, was \$7.15 per \$1,000 of assessed value. The assessed values of real property upon which 2015 property tax receipts were based are as follows:

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

5. RECEIVABLES (Continued)

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$625,591,670	85.36%
Other Real Property	56,699,240	7.74%
Public Utility Personal Property	50,582,310	6.90%
Total Assessed Valuation	<u>\$732,873,220</u>	<u>100.00%</u>

6. Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.5% tax on all retail sales made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the General Fund. Sales and use tax revenue in 2015 amounted to \$4,439,422 in the General Fund.

C. Due from Other Governments

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Homestead and Rollback	\$273,222
Local Government	198,105
Advertising for Delinquent Taxes	1,500
Casino Tax Revenue	84,203
Motor Vehicle License Tax	598,881
Gasoline Excise Tax	753,480
Gasoline Cents per Gallon	400,610
Undivided Library	396,241
Municipal Court Fees	6,725
Bureau of Workers Compensation	75,538
December Bridge Project	776
Tax Commission Agent Expense	907
Indigent Defense Reimbursement	22,590
Prosecutor Subsidy	11,062
Sheriff Subsidy	3,804
Local Innovation Grant	15,000
DARE grant	647
CSEA Medical incentive	505
CSEA close-out	99,894
IV-D Reimbursement	6,454
DJFS	48,650
PSCA close-out	16,909
PSCA SCPA	68,964

(Continued)

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

5. RECEIVABLES (Continued)

<u>Governmental Activities:</u>	<u>Amounts</u>
Thomas Edison Subsidy Payment	45,723
Thomas Edison RMTS	39,069
Thomas Edison Waivers	43,183
Thomas Edison Salary Reimbursements	38,668
Title XX	9,513
Thomas Edison – TCM	174
Youth Bureau Reclaim Ohio Grant	33,762
Community Corrections Grants – Jail Diversion	42,889
State Help Me Grow	7,610
CDBG Grants	1,511,500
Total Intergovernmental Receivables	<u><u>\$4,856,758</u></u>

D. Loans Receivable

The County has the following loans receivable at December 31, 2015:

<u>Date of Issue</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Balance at 12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2015</u>	<u>Due in One Year</u>
1996	Airport Construction	4.64%	\$8,850		(\$4,000)	\$4,850	\$3,850
1999	Airport Construction	2.11%	21,025		(3,670)	17,355	3,910
2003	Airport Improvement	1.79%	57,500		(9,000)	48,500	10,000
various	Revolving Loans	various	84,192	\$50,000	(49,757)	84,435	24,974
			<u>\$171,567</u>	<u>\$50,000</u>	<u>(\$66,427)</u>	<u>\$155,140</u>	<u>\$42,734</u>

The first 1996 and 1999 Airport Construction and the 2003 Airport Improvement are with the Van Wert County Airport Authority. Two of the loans are for construction of T-hangars and the third loan is for the removal of underground fuel tanks. The loans are repaid yearly as principal and interest come due. The receivable for these loans is reported in the Airport Note Debt Service Fund.

The Revolving Loans are due from various businesses in the local community. Van Wert County partnered with the Van Wert County Port Authority to receive a micro-enterprise CDBG grant that was loaned to various start-up businesses in the local community. The loans have various repayment terms and interest rates. The receivable for the loan is shown in the Revolving Loan Special Revenue Fund.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

6. CAPITAL ASSETS (Continued)

	Restated Balance at 1/1/14	Additions	Deletions	Balance at 12/31/15
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$301,510	\$14,715		\$316,225
Land Improvements	20,399			20,399
Construction in Progress	1,566,930		(\$1,566,930)	
Total Assets, not being Depreciated	1,888,839	14,715	(1,566,930)	336,624
Depreciable Capital Assets:				
Buildings	18,535,112	2,090,500	(42,500)	20,583,112
Machinery and Equipment	987,548	19,999		1,007,547
Furniture and Fixtures	181,070			181,070
Vehicles	5,565,307	420,328	(581,062)	5,404,573
Infrastructure:				
Roads	8,260,635	203,500		8,464,135
Bridges	11,747,415	1,050,317		12,797,732
Total Depreciable Capital Assets	45,277,087	3,784,644	(623,562)	48,438,169
Less Accumulated Depreciation:				
Buildings	(7,166,538)	(424,259)	42,500	(7,548,297)
Machinery and Equipment	(639,164)	(31,112)		(670,276)
Furniture and Fixtures	(180,530)	(540)		(181,070)
Vehicles	(3,995,901)	(334,311)	466,531	(3,863,681)
Infrastructure:				
Roads	(3,469,971)	(301,660)		(3,771,631)
Bridges	(5,392,428)	(252,524)		(5,644,952)
Total Accumulated Depreciation	(20,844,532)	(1,344,406)	509,031	(21,679,907)
Depreciable Capital Assets, Net	24,432,555	2,440,238	(114,531)	26,758,262
Governmental Activities Capital Assets, Net	\$26,321,394	\$2,454,953	(\$1,681,461)	\$27,094,886
Business-Type Activities				
Depreciable Capital Assets:				
Buildings	\$361,032			\$361,032
Machinery and Equipment	372,806	\$33,607		406,413
Furniture and Fixtures	11,357			11,357
Vehicles	725,527			725,527
Total Depreciable Capital Assets	1,470,722	33,607		1,504,329
Less Accumulated Depreciation:				
Buildings	(118,709)	(9,250)		(127,959)
Machinery and Equipment	(355,368)	(15,233)		(370,601)
Furniture and Fixtures	(11,357)			(11,357)
Vehicles	(516,080)	(32,336)		(548,416)
Total Accumulated Depreciation	(1,001,514)	(56,819)		(1,058,333)
Business-Type Activities Capital Assets, Net	\$469,208	(\$23,212)	\$0	\$445,996

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$120,800
Judicial	3652
Public Safety	159,560
Public Works	805,274
Health	1,893
Human Services	245,330
Economic Development and Assistance	7,897
Total Depreciation Expense	<u>\$1,344,406</u>

7. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description – County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

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

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

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

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

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

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was \$1,221,152 for 2015. Of this amount, \$20,870 is reported as an intergovernmental payable.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	OPERS
Proportionate Share of the Net Pension Liability	\$8,101,528
Proportion of the Net Pension Liability	0.070958%
Pension Expense	\$884,529

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$432,275
County contributions subsequent to the measurement date	1,221,152
Total Deferred Outflows of Resources	\$1,653,427
Deferred Inflows of Resources	
Differences between expected and actual experience	\$142,328

\$1,221,152 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

<u>Year Ending December 31:</u>	<u>OPERS</u>
2016	(\$41,518)
2017	(41,518)
2018	(78,937)
2019	(86,545)
Total	(\$248,518)

D. Actuarial Assumptions

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

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

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

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

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

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

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

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
County’s proportionate share of the net pension liability	\$15,744,871	\$8,101,528	\$2,505,527

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

8. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on or after January 1, 2015. See the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14 percent of covered payroll (18.1 percent for law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The County's contribution equal to 2 percent of covered payroll was allocated to fund the postemployment health care plan for both plans.

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

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2015, 2014, and 2013 was \$165,239, \$173,852, and \$326,941, respectively; 98 percent has been contributed for 2015 and 100 percent for 2014 and 2013.

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

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

9. OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

County employees and elected officials may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio County Commissioners Association Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency. Beginning in 2003, the Ohio County Commissioners Association Deferred Compensation Plan allows plan participants to receive their monies for loans. The minimum loan amount is \$2,500, while the maximum amount is \$50,000 or 50% of the vested account balance, whichever is less. Two types of loans are available. The general purpose loan has a duration of one to five years. The principal residence loan has a duration of six to fifteen years.

The interest rate for both loans is 2% over the prime rate published in the Wall Street Journal. Scheduled loan payments are made through payroll deduction, while lump sum early loan payoffs can be done by check. If a plan participant leaves employment before the loan is fully repaid, the plan participant is required to pay off the loan at the time of separation from service.

B. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Overtime hours can be accrued as compensatory time at one and one half times the amount of hours worked. All compensatory time must be used within 180 days; otherwise, it is paid out. All accumulated, unused vacation and compensatory time is paid upon separation if the employee has at least one year of service with the County.

The County's current leave policy states that all full-time employees working eighty hours in active pay status are entitled to 4.6 hours of sick leave with pay for every full pay period worked. Employees working less or more than the required amount for the pay period shall receive a pro-rated share of sick leave. Any County employee who has ten years of service with the state, any political subdivision, or combination thereof, will be paid for 25% of the value of his accrued but unused sick leave up to a maximum of 240 hours. The Engineer Office's employees with 10-20 years of services are paid 25% up to a maximum of 30 days, and 20+ years a maximum of 75 days. The Brumback Library's employees are paid up to 100 hours of their accrued, unused vacation balance. Sheriff Deputies with 10 years of service are paid 1 hour for every 2 hours accumulated upon retirement. Sheriff Dispatch employees with ten years of service are paid 25% up to a maximum of 30 days with 10-20 years of service, 45 days with 20-24 years of service and 60 days for 25 or more years of service. Such payment is based upon the employee's rate of pay at the time of his retirement and is paid to the employee in one lump sum payment upon retirement.

10. RISK MANAGEMENT

A. Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2015, the County contracted with the Midwest Pool Risk Management Agency, Inc. (which is part of the Public Entity Risk Consortium (PERC)) for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

10. RISK MANAGEMENT (Continued)

Coverage provided by Midwest Pool Risk Management Agency, Inc. (MPRMA) /the Public Entity Risk Consortium (PERC) is as follows:

Property

\$250,000,000 limit per occurrence, subject to following limits:
Building and Contents at 140% of reported value for location

Flood at \$36,000,000 combined annual aggregate for all MPRMA members

Earthquake at \$36,000,000

Boiler and Machinery at \$100,000,000 per occurrence

Liability – General, Auto, Law Enforcement, Employee Benefits, Public Official Liability
\$7,000,000 per occurrence (\$2,000,000 primary + \$5,000,000 excess)

Pollution \$1,000,000 per occurrence and excess aggregate for all MPRMA members

Crime \$500,000

All limits except Boiler and Machinery are inclusive of MPRMA \$100,000 retention. Van Wert insurance is subject to \$1,000 property deductible.

In addition to the coverage above, the County has insurance under the Ohio School Plan for the Van Wert County Board of MRDD.

The County pays all elected officials' bonds by statute. Settled claims have not exceeded coverage in the last three years. There have been no material reductions in this coverage from the prior year.

B. Health Care Benefits

The County provided medical insurance through United Healthcare for 2015. Dental insurance is provided by Guardian Life Insurance Company of America.

The Brumback Library contracts with Anthem Blue Cross for medical insurance.

The County Engineer contracts with Variable Protection for health care and dental coverage.

Teamsters have insurance through the Teamsters.

C. Workers' Compensation

For 2015, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool (See Note 18). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

10. RISK MANAGEMENT (Continued)

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAOSC. Each participant pays its workers' compensation premium to the State based on the rate for the CCAOSC rather than its individual rate. In order to allocate the savings derived by formation of the CCAOSC, and to maximize the number of participants in the CCAOSC, annually the CCAOSC's executive committee calculates the total savings which accrued to the CCAOSC through its formation. This savings is then compared to the overall savings percentage of the CCAOSC. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAOSC is limited to counties that can meet the CCAOSC's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAOSC. Each year, the County pays an enrollment fee to the CCAOSC to cover the costs of administering the CCAOSC.

The County may withdraw from the CCAOSC if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAOSC prior to withdrawal, and any participant leaving the CCAOSC allows representatives of the CCAOSC to access loss experience for three years following the last year of participation.

11. LEASES

A. Operating Leases

The County entered into non-cancelable operating leases. The County Engineer is leasing a John Deere Loader with annual payments of \$9,133 beginning in 2014. The Department of Job and Family Services is leasing a mailing system for 5 years for \$359 a month for 60 payments. A total cost paid during 2015 on this lease was \$4,308. Thomas Edison is leasing a van for \$388 for 42 months. Total cost paid during 2015 on the van lease was \$4,659. Thomas Edison is also leasing a copier for \$536 for 48 months. Total cost paid during 2015 on the copier lease was \$6,430. The Commissioners are also leasing copiers for \$1,287 for 60 months. Total lease payments made during 2015 on this lease were \$6,433.

The following schedule is the future minimum rental payments for the non-cancelable operating leases:

<u>For the Year Ending:</u>	<u>Amount</u>
2016	\$38,804
2017	31,023
2018	26,008
2019	15,439
2020	9,006
	<u>\$120,280</u>

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

11. LEASES (Continued)

B. Capital Leases

The County holds leases from prior years for buses for Thomas Edison. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Vehicles acquired by lease have been capitalized in the governmental activities general capital assets at amounts equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the governmental activities general long term debt.

Principal payments made during 2015 for the buses totaled \$20,300, in the Thomas Edison Special Revenue Fund. The Thomas Edison buses have a total historical cost of \$268,946, with accumulated depreciation of \$181,251 of December 31, 2015, with a book value of \$87,695.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015:

For the Year Ending	Amount
2016	\$21,415
Less: Amount Representing Interest	(387)
Present Value of Minimum Lease Payments	\$21,028

12. LONG-TERM OBLIGATIONS

The changes in the County's long-term obligations of the governmental activities of the County during 2015 follow:

Date of Issue	Description	Interest Rate	Restated Balance at 12/31/14	Increases	Decreases	Balance at 12/31/15	Amounts Due in One Year
General Obligation Notes:							
1996	Airport Construction	4.64%	\$8,850		(\$4,000)	\$4,850	\$3,850
1999	Airport Construction	2.11%	21,025		(3,670)	17,355	3,910
2002	County Annex	1.33%	519,008		(65,000)	454,008	65,000
2003	Airport Improvement	1.79%	57,500		(9,000)	48,500	10,000
2003	County Annex/County Home	1.79%	268,003		(39,000)	229,003	27,000
2003	Thomas Edison Improvement	1.79%	69,000		(43,000)	26,000	48,000
2014	Engineer Building Note	0.74%	1,825,000	\$1,825,000	(1,825,000)	1,825,000	70,000
	Total General Obligation Notes		2,768,386	1,825,000	(1,988,670)	2,604,716	227,760
OWDA Loan:							
2007	Washington Twp/Delphos Sewers	0.00%	339,576		(24,256)	315,320	24,256
2009	OWDA Loan – 127 Sewer/118	0.00%	129,055		(7,822)	121,233	7,821
2009	OWDA Loan – Overholt Addition	0.00%	57,553		(3,943)	53,610	3,943
			526,184		(36,021)	490,163	36,020

(Continued)

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

12. LONG-TERM OBLIGATIONS (Continued)

Date of Issue	Description	Interest Rate	Restated			Amounts	
			Balance at 12/31/14	Increases	Decreases	Balance at 12/31/15	Due in One Year
General Obligation Notes:							
2008	Capital Facilities Bond Series A	Various	2,600,000		(185,000)	2,415,000	195,000
2008	Capital Facilities Bond Series B	9.375%	550,000		(30,000)	520,000	35,000
2010	Court of Common Pleas Computer	2.85%	29,546		(29,546)		
2012	County Building Improvement	2.91%	649,000		(45,000)	604,000	47,000
	Total General Obligation Bonds		<u>3,828,536</u>		<u>(289,536)</u>	<u>3,539,000</u>	<u>277,000</u>
Total Notes, Loans and Bonds			<u>7,123,106</u>	<u>1,825,000</u>	<u>(2,314,227)</u>	<u>6,633,879</u>	<u>540,780</u>
Other Long-Term Obligations:							
	Compensated Absences		737,752	437,782	(384,992)	790,542	403,729
	Net Pension Liability		7,464,656	1,271,593	(1,094,886)	7,823,363	
	Capital Leases		41,328		(20,300)	21,028	21,028
	Total – Other Long-Term Obligations		<u>8,425,736</u>	<u>1,709,375</u>	<u>(1,500,178)</u>	<u>8,634,933</u>	<u>424,757</u>
	Total – General Long-Term Obligations		<u>\$15,548,842</u>	<u>\$3,534,375</u>	<u>(\$3,814,405)</u>	<u>\$15,268,812</u>	<u>\$965,537</u>

The following table discloses the original issue amounts for the debt issued:

Issue	Amount
General Obligation Notes:	
1996 Airport Construction	\$49,850
1999 Airport Construction	55,390
2002 County Annex	1,300,000
2003 Airport Improvement	108,000
2003 County Annex/County Home	495,334
2002 Thomas Edison Improvements	400,000
2014 Engineer Building Note	1,825,000
General Obligation Bonds:	
2008 Capital Facilities Bonds	4,265,000
2010 Clerk of Court Computer	120,992
2012 County Building Improvement	737,000
OWDA Loans:	
2007 Washington Twp/Delphos Sewer	485,111
2009 Rt. 127& 118 Sewer	152,520
2009 Overholt – Sewer Design	73,323

All of the notes are general obligation notes and they are backed by the full faith and credit of Van Wert County. The Airport Construction and Improvement Notes are being paid with reimbursements from the Van Wert County Airport Authority. The Thomas Edison Improvement Notes are being paid with monies from the Thomas Edison Center. All other note issues will be paid through the debt service funds transfers from the General Fund. The note liability is reflected as long-term since the notes are similar to serial bonds where annual payments are made each year and there is no rollover of principal from year to year. All of the notes are pre-payable without penalty at the option of the County at any time prior to maturity.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

12. LONG-TERM OBLIGATIONS (Continued)

In 2008, the County issued capital facilities general obligation bonds to retire the general obligation notes for Towne Center. Series A bonds have a par value of \$3,580,000 and Series B bonds have a par value of \$685,000. The bonds will be paid from revenues received under a City tax financing agreement entered into with the City of Van Wert on October 5th, 2004.

In 2007, the County entered into a loan agreement with the Ohio Water Development Authority. The total amount of the loan was finalized in 2009 at \$485,111. The loan is an interest free loan and will be paid semi-annually for 20 years. The City of Delphos collects a flat fee for debt retirement from those owners of the properties benefiting from the construction of the sewer system. The City of Delphos remits the fees to the County quarterly and these fees are used to retire the debt.

On March 26, 2009, the County entered into a loan agreement for with the Ohio Water Development Authority for a Wastewater Treatment Plant Upgrade (Rt. 127 & 118 Sewer). The total project is \$800,385. The County was awarded ARRA monies for this project where \$643,954 of principal has been forgiven as of December 31, 2011. The loan is an interest free loan and will be paid semi-annually for 20 years. The loan was finalized during 2011 for \$152,520 and the first payment was due January 1, 2012.

The City of Van Wert collects a flat fee for debt retirement from those owners of the properties benefiting from the construction of the sewer system. The City of Van Wert remits the fees to the County quarterly and these fees are used to retire the debt.

On August 27, 2009, the County entered into a loan agreement for \$78,855 with the Ohio Water Development Authority for a Sewer Design. The loan is an interest free loan and will be paid semi-annually for 20 years starting July 1, 2011. The loan was finalized in 2011 for \$73,323. This loan is being paid for with transfers from the General Fund.

In 2010, the County issued the Clerk of Courts Computer System Bonds in the amount \$120,992. The bonds were paid off in 2015.

In 2012, the County issued the County Building Improvement bonds in the amount \$737,000. The serial bonds carry an interest rate of 2.91% and will mature December 1, 2026. The bonds will be paid from energy conservation savings which result from the energy efficiency improvements made with the bond proceeds.

In 2014, the County issued Engineer Building notes in the amount \$1,825,000. The notes matured May 21, 2015, and carry an interest rate of .74%. The notes were rolled over into a long-term note on May 12, 2015 for five years at an interest rate of 2.74%.

The compensated absences payable will be paid from the General, Motor Vehicle and Gas Tax, DJFS, Real Estate Assessment, Thomas Edison, Youth Bureau, CSEA, Certificate of Title Administration, 911 Equipment, Community Corrections and Brumback Library Funds. Obligations under capital lease are paid from the Thomas Edison Special Revenue Fund.

Changes in the long-term obligations reported in business-type activities of the County during 2015 were as follows:

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

12. LONG-TERM OBLIGATIONS (Continued)

Date of Issue	Description	Interest Rate	Restated			Balance at 12/31/15	Amounts Due in One Year
			Balance at 12/31/14	Increases	Decreases		
2003	Recycling Bldg and Trucks	2.20%	\$45,000		(\$5,000)	\$40,000	\$5,500
	Net Pension Liability		271,883	\$45,212	(38,930)	278,165	
	Compensated Absences		14,847		(8,526)	6,321	4,424
	Totals		<u>\$331,730</u>	<u>\$45,212</u>	<u>(\$52,456)</u>	<u>\$324,486</u>	<u>\$9,924</u>

The note payable for the recycling building and trucks was issued in 2003 for \$100,000 and will be paid from the Recycling Enterprise Fund with operating revenues. The note is pre-payable without penalty at the option of the County at any time prior to maturity. The note will mature in 2023.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and un-voted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2015, are an overall debt margin of \$14,287,820 and an un-voted debt margin of \$4,794,721.

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2015, were as follows:

Year	Governmental Activities			
	General Obligation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$206,760	\$30,694	\$277,000	\$188,652
2017	181,160	27,924	284,000	175,424
2018	190,430	25,701	300,000	160,716
2019	198,220	25,012	317,000	145,012
2020	1,643,135	20,888	338,000	128,314
2021-2025	185,011	14,061	1,959,000	348,749
2026			64,000	1,833
Totals	<u>\$2,604,716</u>	<u>\$144,280</u>	<u>\$3,539,000</u>	<u>\$1,148,700</u>

Year	Governmental Activities		Business-Type Activities	
	OWDA Loans		General Obligation Notes	
	Principal	Interest	Principal	Interest
2016	\$36,020		\$5,500	\$1,650
2017	36,020		6,000	1,529
2018	36,020		7,000	1,397
2019	36,021		7,500	1,243
2020	36,020		8,500	1,078
2021-2025	180,100		5,500	891
2026-2030	126,053			
2031	3,909			
Totals	<u>\$490,163</u>	<u>\$0</u>	<u>\$40,000</u>	<u>\$7,788</u>

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

12. LONG-TERM OBLIGATIONS (Continued)

Conduit Debt

During 1996, the County issued a health care facilities revenue bond with the principal amount of \$211,000 outstanding at December 31, 2015, for facilities used by the Stepping Stones Center, Inc.

During 2007, Series 2007 Health Care Facilities Revenue Bonds were issued for the Van Wert Area Visiting Nurses Association, with the principal amount of \$286,200 outstanding at December 31, 2015.

During 2013, \$5,178,000 in Series 2013 Hospital Facilities Revenue Refunding Bonds was issued to refinance the 2009 Series bonds. The outstanding balance at 12/31/15 was \$4,381,000.

The proceeds of the hospital bonds do not constitute a general obligation, debt or bonded indebtedness of the County. The County is not obligated in any way to pay debt charges on the bonds from any of its funds; therefore, they have been excluded entirely from the County's debt presentation. Neither is the full faith and credit or taxing power of the County pledged to make repayment.

13. INTERFUND ASSETS/LIABILITIES

Interfund balances at December 31, 2015, consisted of the following amounts and resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

	Interfund Receivable				Total
	General	Motor Vehicle and Gas Tax	Recycling	Other Governmental	
General		\$3,247			\$3,247
Motor Vehicle & Gas Tax	\$62,273				62,273
Thomas Edison	2,423	3,264			5,687
Other Governmental	271,931	71,606	\$2,856	\$57,253	403,646
Recycling	93	1,395			1,488
Total	<u>\$336,720</u>	<u>\$79,512</u>	<u>\$2,856</u>	<u>\$57,253</u>	<u>\$476,341</u>

At year-end 2014, Thomas Edison had an outstanding advance of \$27,000 to Ohio Rehabilitation. It was repaid in 2015 when grant monies were received. During 2015, the Thomas Edison Center advanced an additional \$52,000 to the Ohio Rehabilitation fund, which was also repaid during 2015.

At year-end 2014, the General Fund had an outstanding advance of \$59,811 to the Town Center Bond Fund. It was repaid in 2015. The General Fund advanced \$246,821 to the Town Center Bond Fund in 2015 and it remains outstanding at year-end. It will be repaid in 2016 when tax increment financing revenues are received.

Finally, the Recycling Fund advanced Recycle Ohio fund \$2,856 during 2015. It remains outstanding at year-end and will be repaid in 2016 when grant monies are received.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

13. INTERFUND ASSETS/LIABILITIES (Continued)

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfers to	Transfers From				
	General	Motor Vehicle and Gas Tax	Thomas Edison	Other Governmental	Total
Other Governmental	\$336,579	\$61,226	\$82,909	\$38,187	\$518,901

The General Fund transferred \$183,366 for debt service obligations. The General Fund also transferred \$45,492 to the Department of Job and Family Services, \$76,081 to the Building Improvement Fund, \$808 to the Local Government Innovation Program, \$1,118 to the Common Pleas Courtroom Improvement, and \$29,714 to Clerk Computer Fund.

The Thomas Edison Special Revenue Fund transferred \$44,260 to the Thomas Edison Debt Service Fund for the payment of principal and interest and \$38,649 to the Ohio Rehabilitation Services Fund.

The Motor Vehicle and Gas Tax Special Revenue Fund transferred \$47,571 to the Engineer Building Construction Fund and \$13,655 to the Engineer Building Note Fund.

The Special Assessment Note Fund transferred \$2,638 to the Ditch Maintenance Fund to close out the fund. In addition, the Rt. 127 and the Rt. 118 Sanitary Sewer capital projects funds transferred their remaining balances to the respective debt service funds totaling \$23,801.

The Common Pleas Court Special Projects Fund transferred \$10,248 to the Common Pleas Courtroom Improvement Fund and \$1,500 to the Building Improvement Fund.

The Recycling Fund transferred \$5,822 to Solid Waste note to pay for debt service obligations.

14. DISCRETELY PRESENTED COMPONENT UNITS

Summary of Significant Accounting Policies

A. Nature of Organizations

- (1) **The Thomas Edison Center** – Due to control arising from common membership of boards of directors, the Thomas Edison Center financial statements include the accounts of the Thomas Edison Center and those of closely related entities of Thomas Edison Memorial Endowment and Van Wert Housing Services, Inc. Inter-company transactions and balances have been eliminated in consolidation.

The Thomas Edison Center is a non-profit sheltered workshop providing residential, vocational, habilitation and family resource services to mentally retarded and developmentally disabled adults in Van Wert County and other counties. Effective July 1, 2015, the Thomas Edison Center was privatized and no longer under the control of the common board of trustees. Since that control no longer existed, the Thomas Edison Center was deconsolidated effective July 1, 2015, and the name of the reporting entity was changed to Van Wert Housing Services, Inc.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

14. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Van Wert Housing Services, Inc. was organized in 1992 as a not-for-profit corporation. The purpose is to develop dwellings and provide affordable housing in Van Wert County or other counties for occupancy by disabled persons from Van Wert County. Van Wert Housing Services, Inc. is primarily funded by the Van Wert County Board of MRDD as disclosed in Note 19. Van Wert Housing Services, Inc. is exempt under Internal Revenue Code Section 501(c)(3) from federal income tax. It is also currently exempt from federal unemployment tax and Ohio franchise, personal property, and sales taxes. The payroll of Van Wert Housing Services, Inc. became subject to social security (FICA) coverage due to the Social Security Amendments of 1983.

The Thomas Edison Memorial Endowment is a not-for-profit corporation organized in 1975. The organization is classified as a public charity by the Internal Revenue Service Code Section 501(c)(3) and 509(a)(1).

(2) The Port Authority is a legally separate organization created to maintain and operate the rail property located within the County.

(3) The Airport Authority is a legally separate organization. It was created in 1974 by resolution of the Van Wert County Commissioners.

B. Classification of Net Position

The unrestricted component of net position is comprised of the amount upon which donors have placed no restriction on expenditure of these assets themselves or their investment income.

Temporarily restricted net position and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted capital assets are released to unrestricted net position and are reported in the statement of activities and changes in net position.

The permanently restricted component of net position comprises those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At December 31, 2015, \$53,118 of the Van Wert Housing Service's net position is temporarily restricted to use by program recipients for as long as the donor's beneficiary is able to live in the house.

C. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. All of the component units' contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

Contributed services have been recognized as contributions to the extent the total amount that could have been charged for these services exceeds the amount actually charged.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

14. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

D. Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended for short periods of time to customers of the sheltered workshop for the Thomas Edison Center prior to June 30, 2015. These receivables do not bear interest or finance charges. Management periodically reviews open receivables for collection issues. Accounts are written off only after reasonable collection efforts have been made and require board approval.

E. Inventories

Inventories are valued at the lower of cost or market using the average cost method of determining cost.

F. Capital Assets

It is Van Wert Housing Services' policy to capitalize expenditures in excess of \$500 with an estimated life of more than one year. The Airport Authority capitalizes expenditures in excess of \$1,000 with an estimated life of more than one year. Property, equipment, and vehicle accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives. Van Wert Housing Services, Inc. uses 12-40 year useful life for buildings and improvements and 10-12 years for equipment and fixtures. The Port Authority depreciates its capital assets over an estimated useful life of 38-40 years, and 4 to 40 years for the Airport Authority.

When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the statement of activities. Routine maintenance, repairs and renewals are charged to operating cost and expenses as incurred. Property and equipment additions and expenditures which materially increase values or extend useful lives are capitalized.

During the year ended December 31, 2015, depreciation expense for Van Wert Housing Services, Inc., Port Authority, and the Airport Authority is \$59,403, \$13,977, and \$99,446, respectively. A summary of the component units' capital assets at December 31, 2015, follows:

Van Wert Housing Services, Inc.	
Houses and related improvements	\$1,227,812
Home furnishings	<u>22,856</u>
Total	1,250,668
Accumulated Depreciation	<u>(504,124)</u>
Book Value	<u><u>\$746,544</u></u>

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

14. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	<u>Port Authority</u>	<u>Airport Authority</u>
Capital Assets, not being depreciated:		
Land	\$646,425	\$214,100
Construction in Progress		
Total Capital Assets, not being depreciated	<u>646,425</u>	<u>214,100</u>
Capital Assets, being depreciated:		
Buildings	2,159	105,575
Vehicles		1,500
Furniture and Fixtures		3,248
Equipment		44,500
Fueling System		116,150
Rental Plane		62,000
Taxiways		1,733,591
Infrastructure	529,072	
Capital Assets Being Depreciated	<u>531,231</u>	<u>2,066,564</u>
Less: Accumulated Depreciation:		
Buildings	(1,727)	(47,364)
Vehicles		(1,500)
Furniture and Fixtures		(3,126)
Equipment		(35,610)
Fueling System		(49,364)
Rental Plane		(41,333)
Taxiways		(768,008)
Infrastructure	(50,797)	
Accumulated Depreciation	<u>(52,524)</u>	<u>(946,305)</u>
Total Capital Assets Being Depreciated, Net	478,707	1,120,259
Total Capital Assets, Net	<u>\$1,125,132</u>	<u>\$1,334,359</u>

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

H. Major Customer and Concentration of Credit Risk

In 2015 and 2014, approximately 29% and 40% of Thomas Edison Center's workshop program revenues were derived from service contracts with one industrial customer. The Thomas Edison Center grants credit to customers of its workshop operations most of whom are based in western Ohio.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

14. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

I. Bad Debt

For the Van Wert Housing Services, management periodically reviews receivables for collection status. Since at the balance sheet date management has determined that all receivables would be collected, no allowance for doubtful accounts was made. The Service does not charge interest on past due accounts. Should any receivable become past due, management's policy is to write-off accounts only after all reasonable collection efforts have been made. Such write-offs require board approval.

J. Deposits and Investments

Cash and cash equivalents held by the Van Wert Housing Services, Inc. and the Airport Authority are classified as "Cash and Cash Equivalents in Segregated Accounts," meaning any investment with an original maturity of three months or less. Cash and cash equivalents held by the Port Authority is presented in the account "Equity in Pooled Cash and Cash Equivalents" because its funds are included in the County Treasurer's cash management pool. Investments held by Van Wert Housing Services, Inc. are classified as "Investments in Segregated Accounts."

(A) At year-end, the carrying amount of deposits for Van Wert Housing Services, Inc. was \$20,033 and the bank balance was \$20,033. The entire balance was covered by federal deposit insurance. There are no statutory guidelines regarding the deposit and investment of funds for the not-for-profit corporation. The Board of Trustees has adopted an investment policy with regards to the Thomas Edison Memorial Endowment Fund. The purpose of the policy is to document fund objectives and provide guidelines for achieving those objectives. The objectives are to provide principal security, maximize income (while maintaining principal security), diversify asset holdings and have earnings available when needed for the support of the Thomas Edison Center and its affiliates. The rate of return target established by the policy is not less than 1% over annual certificate of deposit return rates. Investments primarily consist of U.S. government obligations, corporate obligations and common stocks.

	Cost	Fair Value	Unrealized Gain (Loss)
Money Market Funds	\$37,676	\$37,676	
Corporate Bonds	500,098	490,805	(\$9,293)
Government Securities	77,238	76,418	(820)
Foreign Bonds	23,288	21,421	(1,867)
Common Stocks	507,104	750,369	243,265
Mutual Funds	456,772	466,188	9,416
	\$1,602,176	\$1,842,877	\$240,701

The stock and bonds are not rated.

(B) Since the County Auditor is the fiscal agent for the Port Authority, the Port Authority follows the same investment guidelines as the County Treasurer. Information concerning deposits for the Port Authority can be found in Note 4.

(C) The carrying amount of deposits was \$60,064, and the bank balance was \$60,123. The entire bank balance was covered by federal depository insurance. The Airport Authority follows the same investment guidelines as the County Treasurer which can be found in Note 4.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

14. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

K. Loans Payable

A summary of the loan transactions for the component units for the year ended December 31, 2015, follows:

	<u>Interest Rate</u>	<u>Balance at 12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2015</u>
Airport Authority					
Airport Hangar #1	4.64%	\$8,850		\$4,000	\$4,850
Fuel Tank Removal	1.79%	57,500		9,000	48,500
Airport Hangar #2	2.11%	21,025		3,670	17,355
Total Loans Payable		<u>\$87,375</u>	<u>\$0</u>	<u>\$16,670</u>	<u>\$70,705</u>

The interest rates on the airport loans are adjusted annually on the date that the annual payment is due. The adjusted rate is the prime rate multiplied by 65 %. The interest rate shall never exceed the lesser of 12 % or the maximum interest rate permitted by law. Terms on the Airport Hangar loan #1 due to the County call for a total of 20 annual payments starting on August 1, 1997, at varying amounts based on the interest rate and principal due at that time. Terms on the Fuel Tank loan due to the County call for five annual payments starting on August 2, 2001, at varying amounts based on the interest rate and principal due at that time. Terms on the Airport Hangar loan #2 due to the County call for a total of 20 annual payments starting on October 1, 2001, at varying amounts based on the interest rate and principal due at that time.

L. Deconsolidation of Thomas Edison Center

As part of the privatization of the shelter workshops, as of July 1, 2015, the Thomas Edison Center was no longer under common control of the Van Wert Housing Services, Inc. As a result of this change, the Thomas Edison Center was deconsolidated from the group. After deconsolidation, the Thomas Edison Center will have minimal involvement with the Van Wert Housing Services, Inc. and the related entity. The following assets, liabilities, and equity were removed as part of the deconsolidation.

Assets	\$496,843
Liabilities	(299,733)
Equity	<u>(197,110)</u>
Net Gain	<u>\$0</u>

In September 2015, the loan from the Thomas Edison Memorial Endowment Trust to the Thomas Edison Center in the amount of \$37,062 was forgiven and recorded as a donation expense in the statement of activities.

15. JOINT VENTURES

A. Van Wert County Emergency Management Agency

The Van Wert County Emergency Management Agency (EMA) is a joint venture among Van Wert County, the City of Van Wert, and townships 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 composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

15. JOINT VENTURES (Continued)

During 2015, the County contributed \$17,000 for the operation of the agency. The EMA is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The EMA 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 statements can be obtained from the EMA located at 1220 Lincoln Highway, Post Office Box 602, Van Wert, Ohio 45891.

B. Van Wert County Regional Planning Commission

The Van Wert County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Van Wert, and townships 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, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The County made \$2,500 in contributions during 2015 for the operations of the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the County. The County 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 statements can be obtained from the Commission located at 121 East Main Street, Van Wert, Ohio 45891.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Paulding and Van Wert Counties (Tri County Mental Health Board)

The Tri County Mental Health Board is a jointly governed organization among Mercer, Paulding and Van Wert counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the County's population bears to the total population of the three counties combined. The majority of the Tri County Mental Health Board's revenue comes from a property tax levied by the Tri County Mental Health Board. During 2015, the tax levy provided \$537,256 for the operations of the organization. These monies were collected and distributed by the County on behalf of the Tri County Mental Health Board. There were no County contributions.

B. Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio

The Community Improvement Corporation 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 City Council; three elected or appointed officers of the County, 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. During 2015, the County contributed \$0 to the CIC.

C. Van Wert County Council on Aging, Inc.

The Van Wert County Council on Aging, Inc. (the Council) is a jointly governed organization among the County, the City of Van Wert, neighboring townships, and local related organizations. The Council was formed to secure and maintain maximum independence and dignity for older persons (1) in a home environment for older persons capable of self-care with appropriate supportive services by providing such services and to remove individual and social barriers to economic and personal independence, (2) in a home-like environment for older persons not capable of self-care with adequate institutional situations by providing assistance to these institutions in developing policy. The Board of Directors consists of thirteen members, who represent, as nearly as possible, a cross section of the entire county population. Representatives of local health services, low income persons, the clergy, government officials, consumers and other concerned citizens shall be appointed to the Board. The majority of the Council's revenue comes from a property tax levied by the Council. During 2015, the tax levy provided \$274,650 for the operations of the organization. These monies were collected and distributed by the County on behalf of the Council. There were no County contributions.

D. West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Auglaize, Darke, Hancock, Hardin, Mercer, Miami, Logan, Paulding, Putnam, Shelby, Union and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and locally raised money. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. The counties do not contribute any money for the operation of the Partnership.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. Northwest Ohio Waiver Administration Council

The Northwest Ohio Waiver Administration Council (NOWAC) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NOWAC is a council of governments directed by a seven-member Board of Council Members. The Board consists of the Superintendents of the member County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). The member County Boards of MR/DD include: Allen, Defiance, Fulton, Henry, Paulding, Van Wert and Williams Counties.

NOWAC provides quality assurance reviews for various member County Boards of MR/DD residential programs and also administers the residential programs for Defiance, Van Wert and Williams County Boards of MR/DD. NOWAC provides investigation of Major Unusual Incidents (MUIs) for the Defiance, Henry, Fulton, Paulding, Van Wert, and Williams County Boards of MR/DD.

17. RELATED ORGANIZATION

Local Emergency Planning Committee

The Local Emergency Planning Committee (LEPC) is a legally separate body politic. The fifteen committee members of the LEPC are appointed by the Van Wert County Commissioners. As near as practical, the LEPC will be comprised of an equal number of representatives from the following categories: Elected Officials, Law Enforcement, Emergency Management, Fire Fighter, First Aid/Red Cross, Health, Local Environmental, Hospital, Transportation, Broadcast or Print Media, Community Group, Facility Owner/Operator. The County is not able to impose its will on the LEPC and no financial benefit and/or burden relationship exists. The LEPC is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The LEPC was organized under the Superfund Amendments and Reauthorization Act (SARA TITLE III), United States Public Law 99-499, and the Emergency Planning and Community Right-to-Know Act (EPCRA) Section 301c. The purpose is to prepare a comprehensive and coordinated chemical emergency response plan for the County; to receive and process requests from the public for information under SARA TITLE II; to implement the LEPC rules and requirements of SARA TITLE III; and to receive and dispense funds generated by SARA TITLE III.

18. INSURANCE POOLS

A. Midwest Pool Risk Management Agency, Inc.

The Midwest Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by five counties for the purpose of establishing a risk-sharing insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by the Pool. Coverage includes comprehensive general liability, automobile liability, certain property insurance, and public officials' error and omissions liability insurance.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

18. INSURANCE POOLS (Continued)

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Pool are managed by an elected board of not more than five trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

Effective December 1, 2005, the Agency joined a Public Entity Risk Consortium (PERC) (super pool) which consists of seven (7) pool risk groups including the Agency.

B. The County Commissioners' Association of Ohio Service Corporation

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing eligibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

19. RELATED PARTY TRANSACTIONS

Thomas Edison Center, Inc., a discretely presented component unit of Van Wert County, entered into a contractual agreement with the Van Wert County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Van Wert County through June 30, 2015. At this point, the Thomas Edison Center became privatized. It entered into a lease agreement for the building and employees previously employed by Van Wert County became employees of the Thomas Edison Center. The value of these items for 2015 was \$64,348.

Van Wert Housing Services, Inc., a discretely presented component unit of Van Wert County, has entered into a contractual agreement with the Van Wert County Board of MRDD. It had agreed to acquire, manage and maintain residential properties. The MRDD makes grants available to assist in the purchase of the properties and has maintained a legal interest through a note and a second mortgage in the acquired properties. In the event of default or violation of the contract terms, the MRDD has the right to assume the mortgage and the right to insist on the transfer of title.

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

20. CHANGES IN ACCOUNTING PRINCIPLE

For 2015, the County implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business –Type Activities
Net position December 31, 2014	\$31,778,549	\$721,931
Adjustments:		
Net Pension Liability	(7,646,656)	(271,883)
Deferred Outflow – Payments Subsequent to Measurement Date	957,445	34,043
Capital asset adjustment	931,698	
Restated Net Position December 31, 2014	\$26,021,036	\$484,091

21. FUND BALANCE

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

	General	Motor Vehicle and as Tax	Thomas Edison	Brumback Library	Other Governmental Funds	Total
Non-spendable:						
Prepaid Items	\$135,437	\$1,362	\$3,209	\$5,283	\$3,755	\$149,046
Material and Supplies Inventory	16,725	368,475			6,520	391,720
Unclaimed Monies	12,715					12,715
Loans Receivable					155,140	155,140
Total Non-spendable	164,877	369,837	3,209	5,283	165,415	708,621
Restricted for:						
Development Disabilities			2,839,662			2,839,662
Job and Family/Children Svcs/CSEA					497,208	497,208
Motor Vehicle & Gas Tax		1,137,065				1,137,065
Library Services				555,368		555,368
Ditch Maintenance					825,351	825,351
Debt Service					46,212	46,212
Capital Projects					6,112	6,112
Other Purposes					1,368,940	1,368,940
Total Restricted		1,137,065	2,839,662	555,368	2,743,823	7,275,918

(Continued)

**FINANCIAL CONDITION
VAN WERT COUNTY**

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

21. FUND BALANCE (Continued)

	<u>General</u>	<u>Motor Vehicle and as Tax</u>	<u>Thomas Edison</u>	<u>Brumback Library</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed:						
Building and Grounds Improvement					180,134	180,134
Assigned:						
Next Year Appropriations	1,479,512					1,479,512
Other Purposes	68,402					68,402
Total Assigned	1,547,914					1,547,914
Unassigned	772,049				(249,775)	522,274
Total	<u>\$2,484,840</u>	<u>\$1,506,902</u>	<u>\$2,842,871</u>	<u>\$560,651</u>	<u>\$2,839,597</u>	<u>\$10,234,861</u>

22. FUND BALANCE DEFICITS

The Community Corrections and the Recycling Ohio Special Revenue Fund and the Town Center Debt Service Fund had deficit fund balances of \$98, \$2,856 and \$246,821 at December 31, 2015. The deficits for Recycling Ohio and Town Center were the result of outstanding advances at year-end. When the advances are repaid within 2016, the deficit fund balances will be eliminated. The general fund is liable for any deficit in the Community Correction fund and will provide operating transfers when cash is required, not when accruals occur.

23. CONTINGENT LIABILITIES

A. Grants

The County has received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. 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 County Commissioners believe such disallowance, if any, would be immaterial.

B. Litigation

The County was party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The County management is of the opinion that the ultimate disposition will not have a material effect on the financial statements.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Two Years (1)**

	<u>2014</u>	<u>2013</u>
County's Proportion of the Net Pension Liability	0.0709580%	0.0709580%
County's Proportionate Share of the Net Pension Liability	\$8,101,528	\$7,918,539
County's Covered Employee Payroll	\$8,691,593	\$8,488,689
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	93.21%	93.28%
Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability	86.45%	86.36%

(1) Information Prior to 2013 is not available

**FINANCIAL CONDITION
VAN WERT COUNTY**

**Required Supplementary Information
Schedule of County's Contributions
Ohio Public Employees Retirement System
Last Ten Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contributions (1)	\$1,292,661	\$1,074,227	\$1,136,546	\$847,853
Contributions in Relation to the Contractually Required Contribution	<u>(1,292,661)</u>	<u>(1,074,227)</u>	<u>(1,136,546)</u>	<u>(847,853)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County's Covered-Employee Payroll	\$8,766,787	\$8,691,593	\$8,488,689	\$8,173,891
Contributions as a Percentage of Covered-Employee Payroll	14.74%	12.36%	13.39%	10.37%

(1) Includes agency portion

2011	2010	2009	2008	2007	2006
<u>\$846,595</u>	<u>\$854,192</u>	<u>\$792,539</u>	<u>\$657,066</u>	<u>\$828,277</u>	<u>\$834,026</u>
<u>(846,595)</u>	<u>(854,192)</u>	<u>(792,539)</u>	<u>(657,066)</u>	<u>(828,277)</u>	<u>(834,026)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,187,095	\$9,198,878	\$8,804,927	\$7,708,820	\$9,694,955	\$9,056,628
10.34%	9.29%	9.00%	8.52%	8.54%	9.21%

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**FINANCIAL CONDITION
VAN WERT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<i>(Passed Through Ohio Department of Development)</i>				
Community Development Block Grants/State's Program	14.228	BF-14-1CV-1 BF-13-1CV-1 BF-11-1CV-1		\$37,811 286,376 11,307
Total Community Development Block Grants/State's Program				<u>335,494</u>
Total U.S. Department of Housing and Urban Development				<u>335,494</u>
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Passed Through Ohio Department of Job & Family Services)</i>				
Promoting Safe and Stable Families	93.556			26,417
Temporary Assistance for Needy Families	93.558		\$22,870	640,070
Child Support Enforcement	93.563			389,641
Child Care and Development Block Grant	93.575			9,260
Stephanie Tubbs Jones Child Welfare Services Program	93.645			30,421
Foster Care_Title IV-E Recovery	93.658			50,839
Adoption Assistance Recovery	93.659			7,726
Chafee Foster Care Independence Program	93.674			1,462
<i>(Passed Through Ohio Department of Developmental Disabilities)</i>				
Social Services Block Grant Program	93.667			18,819
<i>(Passed Through Ohio Department of Job & Family Services)</i>				
Social Services Block Grant Program	93.667	G-1415-11-5397 / G-1617-11-5551		<u>243,566</u>
Total Social Services Block Grant Program				<u>262,385</u>
<i>(Passed Through Ohio Department of Developmental Disabilities)</i>				
Medical Assistance Program	93.778			73,077
<i>(Passed Through Ohio Department of Job & Family Services)</i>				
Medical Assistance Program	93.778	G-1415-11-5397 / G-1617-11-5551		<u>287,384</u>
Total Medical Assistance Program				<u>360,461</u>
Total U.S Department of Health and Human Services				<u>1,778,682</u>
U.S DEPARTMENT OF AGRICULTURE				
<i>(Passed Through Ohio Department of Education)</i>				
Nutrition Cluster:				
School Breakfast Program	10.553			2,055
National School Lunch Program	10.555			<u>3,223</u>
Total Nutrition Cluster				<u>5,278</u>
<i>(Passed Through Ohio Department of Job and Family Services)</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			<u>128,143</u>
Total U.S. Department of Agriculture				<u>133,421</u>

FINANCIAL CONDITION
VAN WERT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S DEPARTMENT OF TRANSPORTATION				
<i>(Passed Through Ohio Department of Transportation)</i>				
Highway Planning and Construction	20.205	PID #84904		<u>753,398</u>
Total U.S Department of Environmental Protection Agency				<u>753,398</u>
U.S DEPARTMENT OF EDUCATION				
<i>(Passed Through Ohio Department of Health)</i>				
<i>(Passed Through Van Wert City School District)</i>				
Special Education - Grants for Infants and Families	84.181			<u>33,629</u>
Total U.S Department of Education				<u>33,629</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY				
<i>(Passed Through Ohio Emergency Management Agency)</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4077-OH		<u>33,832</u>
Total Federal Emergency Management Agency				<u>33,832</u>
Total Expenditures of Federal Awards				<u><u>\$3,068,456</u></u>

The accompanying notes are an integral part of this schedule.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Van Wert County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – SUB-RECIPIENTS

The County passes certain federal awards received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (sub-recipients). As Note B describes, the County reports expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the County has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.

NOTE D - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property, personal guarantees, and personal assets.

**FINANCIAL CONDITION
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE G – FEDERAL EXPENDITURES OMITTED FROM PRIOR SCHEDULES

The County failed to report the expenditures of \$33,832 for the 2012 Disaster Grants – Public Assistance on prior schedules. These amounts are included on the 2015 schedule.



Dave Yost • Auditor of State

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

Financial Condition
Van Wert County
121 E. Main Street
Van Wert, Ohio 45891

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Van Wert County (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 23, 2016. We noted the County's discretely presented component unit, Van Wert County Airport Authority, did not have sufficient evidential matter supporting the amount recorded as fuel sales revenue and rental revenue and related receivables and deferred inflows for the year ended December 31, 2015 and represents 27 percent, 26 percent, and 45 percent of the assets, net financial position and revenues, respectively, of the County's aggregate discretely presented component units. Our report refers to other auditors who audited the financial statements of the Van Wert Housing Services Inc., as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. We also noted that the County restated net position due to GASB Statement No. 68 and No. 71.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. We consider finding 2015-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 23, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Financial Condition
Van Wert County
121 E. Main Street
Van Wert, Ohio 45891

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Van Wert County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Van Wert County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Van Wert County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 23, 2016

**FINANCIAL CONDITION
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified – Aggregate Discretely Presented Component Units Unmodified – Governmental Activities, Business Type Activities, Major General Fund, Major Motor Vehicle and Gas Tax Fund, Major Thomas Edison Fund, Major Brumback Library Fund, Major Recycling Fund, and Aggregate Remaining Fund Information
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #93.558 - Temporary Assistance for Needy Families CFDA #20.205 - Highway Planning and Construction Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2015-001

Significant Deficiency – Capital Asset Additions

The County utilized software for the maintenance of capital asset records. The system software balances as of December 31, 2015 did not agree to the amount per the financial statements. In addition, the capital asset listing reviewed indicated that several of the additions for 2015 were made in duplicate or at the incorrect amount when compared to cost source documentation. System errors resulted in several groupings of items being reported as one asset addition, when the individual assets did not meet the capitalization criteria. Also, one bridge constructed in 2015 was not properly included in the listing.

Failure to maintain an accurate up to date detailed capital asset listing resulted in the overstatement of assets being included on the financial statements in the amount of \$1,890,577 for governmental type activities and \$20,400 for business type activities. The failure to record the addition of the bridge resulted in the understatement for governmental activities of \$895,317 on the financial statements. Related accumulated depreciation was overstated on the financial statements by \$41,905 for governmental type activities and \$680 for business type activities. Although this did not result in a required audit adjustment, the County choose to make the adjustments and update their capital asset records accordingly.

The County should review the capital asset listing produced by the system to determine the source of the variance between their system and the amounts recorded per the financial statements. The County should maintain accurate documentation for each capital asset being added and review expenditures to verify that all additions were properly included.

Officials' Response

The errors noted above were corrected in the capital asset software system. Yearly additions will be checked to invoices and departmental asset addition forms. The software company has been contacted regarding the issues to see what changes can be made to the software. The County will also work with the compiler to verify the agreement of the capital assets reports to the financial statements.

FINDING NUMBER 2015-002

Material Weakness - Van Wert County Airport Authority (Component Unit) Fuel Sales Revenue and Rental Revenue

Sales revenue consisting of the sale of fuel accounted for 36% of total operating revenue for the year ended December 31, 2015 for the Van Wert County Airport Authority (the Airport Authority), a discretely presented component unit of the County. The fuel sales were reported at \$53,187. The Airport Authority had invoices from QuickBooks Accounting system documenting the quantities sold and cost, which were sent and collected by customers; however, there were no receipts, pump reports, fuel logs, or other supporting information to document that these sales occurred. In addition, we were unable to determine the completeness of the fuel sale revenues due to lack of documentation supporting the sales.

Rent revenue, which included both Hangar Rentals and Airplane Rentals, consisted of \$52,360, which is 35% of total operating revenue for the year ended December 31, 2015. The Airport Authority did not obtain lease agreements on 57% of the hanger rent collected in 2015. It is also noted that in 2015, 13% of the clients were charged a rate other than what was approved by the board. The Airport Authority also rented airplanes for use during 2015. The Airport Authority did not have documentation available indicating the Board's approval for discount rates charged, time spent flying when someone rented a plane, discount rates for employees, discount rates for certain introduction flights, or any support for airplane rentals.

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

The lack of documentation could result in improper sales prices, clients not being billed or billed incorrectly, failure to collect all amounts owed, or revenue collected not properly deposited with the entity which could lead to potential misstatement of revenues related to fuel sales for financial statement presentation and a net loss of fuel sales. The lack of approved leases on file indicating the applicable rate to be charged and timeframe of rent of hangar space could result in inaccurate collection of revenue, possible loss of revenue, and overlapping of renters in the same rental space. The lack of Board approval of discounts and failure to maintain other documentation could result in inconsistent collections of rent amounts, and amounts charged that may not be in accordance with the intentions of the Board. Both instances could result in potential misstatement of revenues related to the hangar airplane rental revenue and accounts receivable for financial statement presentation of the Van Wert Airport Authority, a discretely presented component unit of the County. Our opinion, therefore, has been modified on sales and rental revenue for 2015.

The Airport Authority Board should implement procedures that require all fuel sales to have a receipt or pump report noting the gallons sold and rate charged. The Airport Authority Board should implement procedures that require all lease agreements for hangars to be in writing and all rates to be approved. A copy of the lease should be maintained. Procedures should also be implemented that require all discount rates for airplane rentals to be approved by Board Resolution before charged. Also, the Board should implement procedures that have reports/receipts maintained documenting the time spent flying when someone rents an aircraft. The Board should then monitor that the rates charged and recorded are in agreement with the authorized rates and support.

Officials' Response:

A fuel credit card system was installed at the Airport which gives supporting documentation for all fuel purchases. The board will approve hanger rent and enter into written lease agreements for all hangars. The board will also approve the various rates for plane rentals. Documentation/agreements will be maintained for all plane rentals which will include the rates being charged.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**FINANCIAL CONDITION
VAN WERT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Transfer of Funds	Corrected	
2014-002	Review of PRC Applications	Corrected	



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VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 15, 2016