

**Mary Taylor, CPA**  
Auditor of State



**CITY OF WAUSEON  
FULTON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Wauseon  
Fulton County  
230 Clinton Street  
Wauseon, Ohio 43567-2104

To the Honorable Mayor and Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wauseon, Fulton County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the City of Wauseon, Fulton County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 1, 2008

## **CITY OF WAUSEON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2007***

***Unaudited***

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The discussion and analysis of the City of Wauseon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2007 are as follows:

- ❑ In total, net assets increased \$712,659. Net assets of governmental activities increased \$608,983, which represents a 4.3% increase from 2006. Net assets of business-type activities increased \$103,676 or 0.8% from 2006.
- ❑ General revenues accounted for \$4,858,396 in revenue or 59.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,254,937, 40.1% of total revenues of \$8,113,333.
- ❑ The City had \$5,171,862 in expenses related to governmental activities; only \$1,093,801 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,687,044 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$3,837,114 in revenues and other financing sources and \$3,936,357 in expenditures and other financing uses. The general fund's fund balance decreased from \$2,040,086 to \$1,949,515.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# CITY OF WAUSEON, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2007*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, basic utility services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and wastewater services are reported as business-type activities.

## **Fund Financial Statements**

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

*Governmental Funds* – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The governmental fund financial statements provide separate information for the General and Income Tax Capital Improvement funds, both of which are considered major funds. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



## **CITY OF WAUSEON, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

*Proprietary Funds* – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water and Wastewater funds, both of which are considered major funds.

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a summary of the City's net assets for 2007 compared to 2006.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$6,355,750	\$5,747,372	\$3,760,431	\$4,138,025	\$10,116,181	\$9,885,397
Capital assets, Net	12,956,711	13,115,374	12,454,706	12,416,476	25,411,417	25,531,850
Total assets	19,312,461	18,862,746	16,215,137	16,554,501	35,527,598	35,417,247
Long-term debt outstanding	3,867,639	4,146,757	2,855,810	3,434,244	6,723,449	7,581,001
Other liabilities	625,183	505,333	286,783	151,389	911,966	656,722
Total liabilities	4,492,822	4,652,090	3,142,593	3,585,633	7,635,415	8,237,723
Net assets						
Invested in capital assets, net of related debt	9,361,782	9,199,372	9,665,609	9,015,816	19,027,391	18,215,188
Restricted	3,549,168	2,971,370	0	0	3,549,168	2,971,370
Unrestricted	1,908,689	2,039,914	3,406,935	3,953,052	5,315,624	5,992,966
Total net assets	<u>\$14,819,639</u>	<u>\$14,210,656</u>	<u>\$13,072,544</u>	<u>\$12,968,868</u>	<u>\$27,892,183</u>	<u>\$27,179,524</u>

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## CITY OF WAUSEON, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2007

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for 2007 compared to 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services and Sales	\$555,397	\$635,381	\$2,161,136	\$2,208,418	\$2,716,533	\$2,843,799
Operating Grants and Contributions	538,404	425,859	0	0	538,404	425,859
Total Program Revenues	1,093,801	1,061,240	2,161,136	2,208,418	3,254,937	3,269,658
General revenues:						
Property Taxes	258,293	273,118	0	0	258,293	273,118
Income Taxes	3,354,507	3,454,525	0	0	3,354,507	3,454,525
Intergovernmental Revenues, Unrestricted	589,754	441,412	0	0	589,754	441,412
Investment Earnings	236,245	223,290	171,352	166,591	407,597	389,881
Miscellaneous	248,245	86,518	0	0	248,245	86,518
Total General Revenues	4,687,044	4,478,863	171,352	166,591	4,858,396	4,645,454
Total Revenues	5,780,845	5,540,103	2,332,488	2,375,009	8,113,333	7,915,112
Program Expenses						
Security of Persons and Property	2,065,426	1,909,361	0	0	2,065,426	1,909,361
Public Health and Welfare	0	500	0	0	0	500
Basic Utility Services	141,888	61,513	0	0	141,888	61,513
Leisure Time Activities	728,494	617,944	0	0	728,494	617,944
Community Environment	328,686	484,229	0	0	328,686	484,229
Transportation	908,638	921,068	0	0	908,638	921,068
General Government	848,323	567,943	0	0	848,323	567,943
Interest and Fiscal Charges	150,407	210,677	0	0	150,407	210,677
Water	0	0	1,328,982	1,253,925	1,328,982	1,253,925
Wastewater	0	0	899,830	892,222	899,830	892,222
Total expenses	5,171,862	4,773,235	2,228,812	2,146,147	7,400,674	6,919,382
Total Change in Net Assets	608,983	766,868	103,676	228,862	712,659	995,730
Beginning Net Assets	14,210,656	13,443,788	12,968,868	12,740,006	27,179,524	26,183,794
Ending Net Assets	\$14,819,639	\$14,210,656	\$13,072,544	\$12,968,868	\$27,892,183	\$27,179,524

### Governmental Activities

Net assets of the City's governmental activities increased \$608,983. The City's recycling services were transferred to the County in 2007. This resulted in the decrease in charges for services and sales. Miscellaneous revenue increased mostly due to insurance proceeds related to a downtown fire. Expenditures for leisure time activities increased due in part to increases in wages in the parks department. Community environment decreased due to the discontinuation of recycling activities.

The City receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation and on net profits earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City.

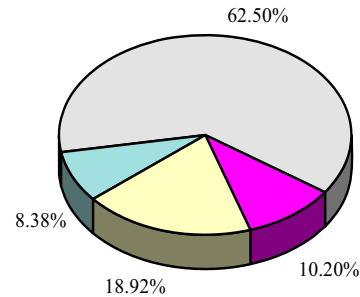
## CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

Income taxes and property taxes made up 58.0% and 4.5% respectively of revenues for governmental activities for the City in 2007. The City's reliance upon tax revenues is demonstrated by the following graph indicating 62.5% of total revenues from general tax revenues:

Revenue Sources	2007	Percent of Total
General Tax Revenues	\$3,612,800	62.50%
Intergovernmental, Unrestricted	589,754	10.20%
Program Revenues	1,093,801	18.92%
General Other	484,490	8.38%
Total Revenue	\$5,780,845	100.00%



**Business-Type Activities**

Net assets of the business-type activities remained very stable, increasing \$103,676. This represents less than a 1% change from the previous year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$5,277,154, which is an increase from last year's balance of \$4,982,724. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2007 and 2006:

	Fund Balance December 31, 2007	Fund Balance December 31, 2006	Increase (Decrease)
General	\$1,949,515	\$2,040,086	(\$90,571)
Income Tax Capital Improvement	2,076,535	1,749,945	326,590
Other Governmental	1,251,104	1,192,693	58,411
Total	\$5,277,154	\$4,982,724	\$294,430

## CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

General Fund – The City's General Fund balance decrease is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2007	2006	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$2,270,155	\$2,339,557	(\$69,402)
Intergovernmental Revenue	567,256	559,494	7,762
Charges for Services	490,421	573,080	(82,659)
Licenses and Permits	20,380	11,910	8,470
Investment Earnings	221,722	206,777	14,945
Fines and Forfeitures	38,403	47,516	(9,113)
All Other Revenue	101,051	60,365	40,686
<b>Total</b>	<b>\$3,709,388</b>	<b>\$3,798,699</b>	<b>(\$89,311)</b>

General Fund revenues in 2007 decreased approximately 2.3% compared to revenues in 2006. A phase out of the personal property tax resulted in the decrease in tax revenues while charges for services decreased due to City recycling activities being transferred to the County.

	2007	2006	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$2,002,524	\$1,856,072	\$146,452
Public Health and Welfare	0	500	(500)
Basic Utility Services	50,647	54,695	(4,048)
Leisure Time Activities	612,181	528,838	83,343
Community Environment	267,057	402,380	(135,323)
Transportation	275,791	258,950	16,841
General Government	627,828	552,543	75,285
Capital Outlay	42,521	42,028	493
<b>Total</b>	<b>\$3,878,549</b>	<b>\$3,696,006</b>	<b>\$182,543</b>

General Fund expenditures increased \$182,543 or 5% when compared with the previous year. Expenditures for leisure time activities increased due in part to increases in wages in the parks department. Community environment decreased due to the discontinuation of recycling activities while an increase in wages contributed to the increase in security of persons and property.

	2007	2006	Increase
	Other Financing Sources (Uses)	Other Financing Sources (Uses)	(Decrease)
Other Financing Sources	\$127,726	\$68,495	\$59,231
Other Financing Uses	(57,808)	(42,347)	(15,461)
<b>Total</b>	<b>\$69,918</b>	<b>\$26,148</b>	<b>\$43,770</b>

## CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

Income Tax Capital Improvement Fund – A decrease in capital expenditures resulted in a 19% increase in the City's Income Tax Capital Improvement Fund.

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

During the course of fiscal year 2007 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$3.7 million was higher than original budget estimates of \$3.4 million due to increases in taxes and investment earnings. Actual budget basis revenue was not significantly different than final budget estimates.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2007 the City had \$25,411,417 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, equipment and vehicles. Of this total, \$12,956,711 was related to governmental activities and \$12,454,706 to the business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$840,276	\$840,276	\$0
Construction In Progress	6,255	0	6,255
Buildings	3,793,208	3,787,708	5,500
Improvements Other than Buildings	2,582,719	2,299,753	282,966
Machinery and Equipment	2,569,031	2,674,792	(105,761)
Infrastructure	7,434,532	7,434,532	0
Less: Accumulated Depreciation	(4,269,310)	(3,921,687)	(347,623)
Totals	<u>\$12,956,711</u>	<u>\$13,115,374</u>	<u>(\$158,663)</u>

The primary increase occurred in improvements, which consisted of a storm water retention pond project.

	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$77,875	\$77,875	\$0
Buildings	7,106,472	6,671,523	434,949
Improvements other than Buildings	10,718,988	10,701,154	17,834
Machinery and Equipment	4,738,869	4,714,374	24,495
Less: Accumulated Depreciation	(10,187,498)	(9,748,450)	(439,048)
Totals	<u>\$12,454,706</u>	<u>\$12,416,476</u>	<u>\$38,230</u>

Increases in business-type capital assets can mostly be attributed to a sanitary sewer pump station replacement on Burr Road. Additional information on the City's capital assets can be found in Note 5.

## **CITY OF WAUSEON, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

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### **Debt**

The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Governmental Activities:		
Capital Leases	\$44,928	\$66,002
Long Term Note Payable	3,550,000	3,850,000
Compensated Absences	272,711	230,755
Total Governmental Activities	<u>3,867,639</u>	<u>4,146,757</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	589,097	900,660
Long Term Note Payable	2,200,000	2,500,000
Compensated Absences	66,713	33,584
Total Business-Type Activities	<u>2,855,810</u>	<u>3,434,244</u>
Totals	<u><u>\$6,723,449</u></u>	<u><u>\$7,581,001</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2007, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 7.

### **ECONOMIC FACTORS**

The City of Wauseon is the county seat of Fulton County, located in the northwest corner of Ohio, with a population of 7,100 people. The City's main source of revenue is a 1.5% income tax levied on residents of the City and nonresidents working within the City. Gross revenues from this tax have exceeded \$3 million for the last six years and are split between the General Fund and the Capital Projects Fund. Continued employment is key to the stability and growth of the City's revenue stream.

The two types of employers with the largest number of employees are manufacturing and governmental/health.

A new street has been constructed through what was previously farmland in the northeast corner of the City. This has opened a whole new area for future economic development and will allow the City's income tax base to grow.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or the need for additional financial information should be directed to Jon R. Schamp, Director of Finance, City of Wauseon at 419-335-9022 or [finance@cityofwauseon.com](mailto:finance@cityofwauseon.com).

**CITY OF WAUSEON, OHIO**

**Statement of Net Assets**  
**December 31, 2007**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,582,114	\$ 1,798,990	\$ 5,381,104
Investments	532,914	1,243,747	1,776,661
Receivables:			
Taxes	726,068	0	726,068
Accounts	18,040	246,527	264,567
Intergovernmental	516,231	0	516,231
Interest	14,955	429	15,384
Special Assessments	2,905	0	2,905
Loans	538,084	265,157	803,241
Inventory of Supplies at Cost	28,247	148,847	177,094
Prepaid Items	19,655	40,624	60,279
Restricted Assets:			
Cash and Cash Equivalents	62,973	0	62,973
Cash and Cash Equivalents with Fiscal Agent	313,564	16,110	329,674
Capital Assets, Net	12,956,711	12,454,706	25,411,417
<b>Total Assets</b>	<b>19,312,461</b>	<b>16,215,137</b>	<b>35,527,598</b>
<b>Liabilities:</b>			
Accounts Payable	108,945	196,411	305,356
Accrued Wages and Benefits	163,675	37,756	201,431
Intergovernmental Payable	220	5,486	5,706
Retainage Payable	0	16,110	16,110
Deferred Revenue	339,445	0	339,445
Accrued Interest Payable	12,898	31,020	43,918
Noncurrent liabilities:			
Due within one year	432,157	2,574,038	3,006,195
Due in more than one year	3,435,482	281,772	3,717,254
<b>Total Liabilities</b>	<b>4,492,822</b>	<b>3,142,593</b>	<b>7,635,415</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	9,361,782	9,665,609	19,027,391
Restricted For:			
Capital Projects	2,183,125	0	2,183,125
Other Purposes	1,366,043	0	1,366,043
Unrestricted	1,908,689	3,406,935	5,315,624
<b>Total Net Assets</b>	<b>\$ 14,819,639</b>	<b>\$ 13,072,544</b>	<b>\$ 27,892,183</b>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2007**

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Security of Persons and Property	\$ 2,065,426	\$ 444,608	\$ 9,104
Basic Utility Services	141,888	8,025	0
Leisure Time Activities	728,494	23,008	0
Community Environment	328,686	48,414	141,929
Transportation	908,638	0	387,371
General Government	848,323	31,342	0
Interest and Fiscal Charges	150,407	0	0
<b>Total Governmental Activities</b>	<b>5,171,862</b>	<b>555,397</b>	<b>538,404</b>
<b>Business-Type Activities:</b>			
Water	1,328,982	1,242,676	0
Wastewater	899,830	918,460	0
<b>Total Business-Type Activities</b>	<b>2,228,812</b>	<b>2,161,136</b>	<b>0</b>
<b>Totals</b>	<b>\$ 7,400,674</b>	<b>\$ 2,716,533</b>	<b>\$ 538,404</b>

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Income Taxes  
    Intergovernmental Revenues, Unrestricted  
    Investment Earnings  
    Miscellaneous  
**Total General Revenues**

Change in Net Assets

Net Assets Beginning of Year  
Net Assets End of Year

See accompanying notes to the basic financial statements



**CITY OF WAUSEON, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,611,714)	\$ 0	\$ (1,611,714)
(133,863)	0	(133,863)
(705,486)	0	(705,486)
(138,343)	0	(138,343)
(521,267)	0	(521,267)
(816,981)	0	(816,981)
(150,407)	0	(150,407)
<u>(4,078,061)</u>	<u>0</u>	<u>(4,078,061)</u>
0	(86,306)	(86,306)
<u>0</u>	<u>18,630</u>	<u>18,630</u>
<u>0</u>	<u>(67,676)</u>	<u>(67,676)</u>
<u>(4,078,061)</u>	<u>(67,676)</u>	<u>(4,145,737)</u>
258,293	0	258,293
3,354,507	0	3,354,507
589,754	0	589,754
236,245	171,352	407,597
248,245	0	248,245
<u>4,687,044</u>	<u>171,352</u>	<u>4,858,396</u>
608,983	103,676	712,659
<u>14,210,656</u>	<u>12,968,868</u>	<u>27,179,524</u>
<u>\$ 14,819,639</u>	<u>\$ 13,072,544</u>	<u>\$ 27,892,183</u>

**CITY OF WAUSEON, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,241,613	\$ 1,986,045	\$ 354,456	\$ 3,582,114
Investments	532,914	0	0	532,914
Receivables:				
Taxes	573,302	152,766	0	726,068
Accounts	18,040	0	0	18,040
Intergovernmental	229,757	114,148	172,326	516,231
Interest	14,955	0	0	14,955
Special Assessments	2,905	0	0	2,905
Loans	0	0	538,084	538,084
Inventory of Supplies, at Cost	20,273	0	7,974	28,247
Prepaid Items	19,655	0	0	19,655
Restricted Assets:				
Cash and Cash Equivalents	0	0	62,973	62,973
Cash and Cash Equivalents with Fiscal Agent	0	0	313,564	313,564
<b>Total Assets</b>	<b>\$ 2,653,414</b>	<b>\$ 2,252,959</b>	<b>\$ 1,449,377</b>	<b>\$ 6,355,750</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 42,850	\$ 55,782	\$ 10,313	\$ 108,945
Accrued Wages and Benefits Payable	152,310	1,154	10,211	163,675
Intergovernmental Payable	220	0	0	220
Deferred Revenue	508,519	119,488	177,749	805,756
<b>Total Liabilities</b>	<b>703,899</b>	<b>176,424</b>	<b>198,273</b>	<b>1,078,596</b>
<b>Fund Balance:</b>				
Reserved for Encumbrances	138,017	114,888	11,945	264,850
Reserved for Prepaid Items	19,655	0	0	19,655
Reserved for Supplies Inventory	20,273	0	7,974	28,247
Reserved for Loans Receivable	0	0	538,084	538,084
Undesignated, Unreserved in:				
General Fund	1,771,570	0	0	1,771,570
Special Revenue Funds	0	0	693,101	693,101
Capital Project Funds	0	1,961,647	0	1,961,647
<b>Total Fund Balance</b>	<b>1,949,515</b>	<b>2,076,535</b>	<b>1,251,104</b>	<b>5,277,154</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,653,414</b>	<b>\$ 2,252,959</b>	<b>\$ 1,449,377</b>	<b>\$ 6,355,750</b>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2007***

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**Total Governmental Fund Balances** \$ 5,277,154

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

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 12,956,711

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 466,311

Long-term liabilities, including capital leases, are not due  
and payable in the current period and therefore are not  
reported in the funds.

Capital Leases Payable	(44,928)	
Long Term Note Payable	(3,550,000)	
Compensated Absences Payable	(272,711)	
Accrued Interest Payable	(12,898)	
	(3,880,537)	(3,880,537)

***Net Assets of Governmental Activities*** **\$ 14,819,639**

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,270,155	\$ 1,340,348	\$ 0	\$ 3,610,503
Intergovernmental Revenue	567,256	35,057	351,214	953,527
Charges for Services	490,421	0	0	490,421
Licenses and Permits	20,380	0	0	20,380
Investment Earnings	221,722	0	14,523	236,245
Fines and Forfeitures	38,403	0	4,102	42,505
All Other Revenue	101,051	77,276	0	178,327
<b>Total Revenue</b>	<b>3,709,388</b>	<b>1,452,681</b>	<b>369,839</b>	<b>5,531,908</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,002,524	0	2,041	2,004,565
Basic Utility Services	50,647	0	0	50,647
Leisure Time Activities	612,181	0	0	612,181
Community Environment	267,057	53,751	6,016	326,824
Transportation	275,791	0	301,670	577,461
General Government	627,828	0	0	627,828
Capital Outlay	42,521	606,854	0	649,375
Debt Service:				
Principal Retirement	0	300,000	0	300,000
Interest & Fiscal Charges	0	165,486	0	165,486
<b>Total Expenditures</b>	<b>3,878,549</b>	<b>1,126,091</b>	<b>309,727</b>	<b>5,314,367</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(169,161)	326,590	60,112	217,541
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources	127,726	0	0	127,726
Other Financing Uses	(57,808)	0	0	(57,808)
<b>Total Other Financing Sources (Uses)</b>	<b>69,918</b>	<b>0</b>	<b>0</b>	<b>69,918</b>
Net Change in Fund Balance	(99,243)	326,590	60,112	287,459
<b>Fund Balance at Beginning of Year</b>	<b>2,040,086</b>	<b>1,749,945</b>	<b>1,192,693</b>	<b>4,982,724</b>
Increase (Decrease) in Inventory Reserve	8,672	0	(1,701)	6,971
<b>Fund Balance End of Year</b>	<b>\$ 1,949,515</b>	<b>\$ 2,076,535</b>	<b>\$ 1,251,104</b>	<b>\$ 5,277,154</b>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

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***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, 2007***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 287,459

***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. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	483,064	
Depreciation Expense	<u>(601,483)</u>	(118,419)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	(40,244)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	179,019
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The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long Term Note Principal Retirement	300,000	
Capital Lease Principal Retirement	21,074	
Accrued Interest Payable	<u>15,079</u>	336,153

Some expenses 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.

Compensated Absences	(41,956)	
Change in Inventory	<u>6,971</u>	(34,985)

<b><i>Change in Net Assets of Governmental Activities</i></b>	<u><u>\$ 608,983</u></u>
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See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 2,180,000	\$ 2,245,000	\$ 2,305,417	\$ 60,417
Intergovernmental Revenue	531,500	601,500	562,528	(38,972)
Charges for Services	450,500	484,500	500,660	16,160
Licenses and Permits	10,000	20,000	19,629	(371)
Investment Earnings	100,000	185,000	190,829	5,829
Fines and Forfeitures	52,000	37,000	38,555	1,555
All Other Revenues	50,000	85,000	89,139	4,139
Total Revenues	<u>3,374,000</u>	<u>3,658,000</u>	<u>3,706,757</u>	<u>48,757</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,068,305	2,091,441	2,023,877	67,564
Public Health and Welfare	500	500	0	500
Basic Utility Services	84,500	84,500	66,728	17,772
Leisure Time Activities	737,000	727,300	621,835	105,465
Community Environment	299,700	292,688	278,013	14,675
Transportation	294,300	289,300	280,191	9,109
General Government	667,860	725,860	701,470	24,390
Capital Outlay	44,500	46,000	45,553	447
Total Expenditures	<u>4,196,665</u>	<u>4,257,589</u>	<u>4,017,667</u>	<u>239,922</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(822,665)	(599,589)	(310,910)	288,679
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources	50,000	135,000	136,227	1,227
Other Financing Uses	(95,000)	(83,212)	(57,808)	25,404
Total Other Financing Sources (Uses):	<u>(45,000)</u>	<u>51,788</u>	<u>78,419</u>	<u>26,631</u>
Net Change in Fund Balance	(867,665)	(547,801)	(232,491)	315,310
Fund Balance at Beginning of Year	1,677,302	1,677,302	1,677,302	0
Prior Year Encumbrances	138,217	138,217	138,217	0
Fund Balance at End of Year	<u>\$ 947,854</u>	<u>\$ 1,267,718</u>	<u>\$ 1,583,028</u>	<u>\$ 315,310</u>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 441,441	\$ 1,357,549	\$ 1,798,990
Investments	0	1,243,747	1,243,747
Receivables:			
Accounts	131,488	115,039	246,527
Interest	0	429	429
Loans	265,157	0	265,157
Inventory of Supplies at Cost	136,658	12,189	148,847
Prepaid Items	20,312	20,312	40,624
Total Current Assets	<u>995,056</u>	<u>2,749,265</u>	<u>3,744,321</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	16,110	16,110
Total Restricted Assets	<u>0</u>	<u>16,110</u>	<u>16,110</u>
Capital Assets, Net	7,682,683	4,772,023	12,454,706
Total Noncurrent Assets	<u>7,682,683</u>	<u>4,788,133</u>	<u>12,470,816</u>
Total Assets	<u>8,677,739</u>	<u>7,537,398</u>	<u>16,215,137</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	28,527	167,884	196,411
Accrued Wages and Benefits	22,296	15,460	37,756
Intergovernmental Payable	4,199	1,287	5,486
Retainage Payable	0	16,110	16,110
Compensated Absences Payable - Current	23,205	14,167	37,372
Accrued Interest Payable	31,020	0	31,020
Long Term Note Payable	2,200,000	0	2,200,000
OWDA Loans Payable - Current	12,726	323,940	336,666
Total Current Liabilities	<u>2,321,973</u>	<u>538,848</u>	<u>2,860,821</u>
Noncurrent Liabilities:			
OWDA Loans Payable	252,431	0	252,431
Compensated Absences Payable	11,136	18,205	29,341
Total Noncurrent Liabilities	<u>263,567</u>	<u>18,205</u>	<u>281,772</u>
<b>Total Liabilities</b>	<u>2,585,540</u>	<u>557,053</u>	<u>3,142,593</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,217,526	4,448,083	9,665,609
Unrestricted	874,673	2,532,262	3,406,935
Total Net Assets	<u>\$ 6,092,199</u>	<u>\$ 6,980,345</u>	<u>\$ 13,072,544</u>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,200,229	\$ 918,043	\$ 2,118,272
<b>Total Operating Revenues</b>	<u>1,200,229</u>	<u>918,043</u>	<u>2,118,272</u>
<b>Operating Expenses:</b>			
Personal Services	584,288	403,357	987,645
Contractual Services	147,048	100,724	247,772
Materials and Supplies	250,513	114,123	364,636
Depreciation	207,056	231,992	439,048
<b>Total Operating Expenses</b>	<u>1,188,905</u>	<u>850,196</u>	<u>2,039,101</u>
<b>Operating Income</b>	11,324	67,847	79,171
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	25,684	145,668	171,352
Interest and Fiscal Charges	(71,549)	(43,624)	(115,173)
Other Nonoperating Revenue	42,447	417	42,864
Other Nonoperating Expense	(68,528)	(6,010)	(74,538)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(71,946)</u>	<u>96,451</u>	<u>24,505</u>
<b>Change in Net Assets</b>	(60,622)	164,298	103,676
<b>Net Assets Beginning of Year</b>	<u>6,152,821</u>	<u>6,816,047</u>	<u>12,968,868</u>
<b>Net Assets End of Year</b>	<u>\$ 6,092,199</u>	<u>\$ 6,980,345</u>	<u>\$ 13,072,544</u>

See accompanying notes to the basic financial statements



**CITY OF WAUSEON, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	Business-Type Activities		Totals
	Enterprise Funds		
	Water	Sewer	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$1,254,962	\$917,554	\$2,172,516
Cash Payments for Goods and Services	(471,643)	(216,046)	(687,689)
Cash Payments to Employees	(550,601)	(384,671)	(935,272)
Net Cash Provided by Operating Activities	<u>232,718</u>	<u>316,837</u>	<u>549,555</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Assets	(47,371)	(268,056)	(315,427)
Note Retirement	(300,000)	0	(300,000)
OWDA Loan Retirement	(12,305)	(299,258)	(311,563)
Interest Paid on All Debt	(111,029)	(43,624)	(154,653)
Net Cash Used by Capital and Related Financing Activities	<u>(470,705)</u>	<u>(610,938)</u>	<u>(1,081,643)</u>
<b>Cash Flows from Investing Activities:</b>			
Sale of Investments	0	146,519	146,519
Receipts of Interest	25,684	140,907	166,591
Net Cash Provided by Investing Activities	<u>25,684</u>	<u>287,426</u>	<u>313,110</u>
Net Decrease in Cash and Cash Equivalents	(212,303)	(6,675)	(218,978)
Cash and Cash Equivalents at Beginning of Year	653,744	1,380,334	2,034,078
Cash and Cash Equivalents at End of Year	<u>\$441,441</u>	<u>\$1,373,659</u>	<u>\$1,815,100</u>
<b>Reconciliation of Cash and</b>			
<b>Cash Equivalents per the Statement of Net Assets:</b>			
Cash and Cash Equivalents	\$441,441	\$1,357,549	\$1,798,990
Cash and Cash Equivalents with Fiscal Agent	0	16,110	16,110
Cash and Cash Equivalents at End of Year	<u>\$441,441</u>	<u>\$1,373,659</u>	<u>\$1,815,100</u>
<b>Reconciliation of Operating Income to Net Cash</b>			
<b>Provided by Operating Activities:</b>			
Operating Income	\$11,324	\$67,847	\$79,171
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	207,056	231,992	439,048
Miscellaneous Nonoperating Revenue	54,746	417	55,163
Miscellaneous Nonoperating Expense	(68,202)	(6,010)	(74,212)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(13)	(906)	(919)
Increase in Inventory	(24,146)	(5,277)	(29,423)
Decrease in Prepaid Items	6,463	6,463	12,926
Increase in Accounts Payable	7,604	2,338	9,942
Increase in Accrued Wages and Benefits	10,396	8,848	19,244
Increase in Intergovernmental Payable	4,199	1,287	5,486
Increase in Compensated Absences	23,291	9,838	33,129
Total Adjustments	<u>221,394</u>	<u>248,990</u>	<u>470,384</u>
Net Cash Provided by Operating Activities	<u>\$232,718</u>	<u>\$316,837</u>	<u>\$549,555</u>

See accompanying notes to the basic financial statements

## ***CITY OF WAUSEON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Wauseon (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution, the laws of the State of Ohio and its Charter. Wauseon became a city on April 20, 1981, and operates under a Council/Mayor form of government.

The financial statements are presented as of December 31, 2007 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

#### **A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: public safety, highways and streets, sanitation, health and social services, culture/recreation, public improvements, planning and zoning, and general administrative services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system, which are reported as enterprise funds.

#### **1. Jointly Governed Organization**

The City in conjunction with the Clinton Township Trustees formed the Wauseon Union Cemetery (the "Cemetery") under the authority of Ohio Revised Code Section 759.27. The Cemetery's Board of Trustees is composed of three members, one of whom is a member of the Board of Township Trustees and one a member of the Wauseon City Council. Funding for the Cemetery is provided by a tax levy on all real property located within Clinton Township. Taxes are collected by the County Auditor and remitted to the Board of Cemetery Trustees for use in the care and maintenance of the Cemetery.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

***Governmental Funds*** - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except the resources accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

**General Fund** - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

**Income Tax Capital Improvement Fund** - This fund is used to account for the financial resources used for the major capital projects undertaken by the City. These financial resources include 40% of City income tax receipts.

##### ***Proprietary Funds***

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The City's major enterprise funds are:

**Water Fund** - This fund is used to account for the operation of the City's water service.

**Wastewater Fund** - This fund is used to account for the operation of the City's sanitary sewer service.

## ***CITY OF WAUSEON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements**

***Government-wide Financial Statements*** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

## ***CITY OF WAUSEON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, loans and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2007 but which are not intended to finance 2007 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.

The accrual basis of accounting is utilized for reporting purposes by the government wide financial statements and by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting** (Continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

##### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the fund level. Budgetary modifications may only be made by ordinance or resolution of the City Council.

##### **1. Tax Budget**

Prior to fiscal year 2002, the Finance Director would submit an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget was submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year. Beginning in year 2002, this requirement was waived by the County Budget Commission.

##### **2. Estimated Resources**

Prior to October 1, the City accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

## ***CITY OF WAUSEON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process** (Continued)

##### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. The budgetary figures which appear in the Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual Non-GAAP Budgetary Basis for the General Fund is provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

##### **4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

##### **5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

##### **6. Budgetary Basis of Accounting**

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process** (Continued)

##### **6. Budgetary Basis of Accounting** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$99,243)
Increase (Decrease):	
Accrued Revenues at December 31, 2007 received during 2008	(340,854)
Accrued Revenues at December 31, 2006 received during 2007	346,724
Accrued Expenditures at December 31, 2007 paid during 2008	195,380
Accrued Expenditures at December 31, 2006 paid during 2007	(158,687)
2006 Prepays for 2007	24,929
2007 Prepays for 2008	(19,655)
Outstanding Encumbrances	<u>(181,085)</u>
Budget Basis	<u><u>(\$232,491)</u></u>

##### **F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and repurchase agreements.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 2, "Cash, Cash Equivalents and Investments."



## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements), which are reported at cost. The City allocates interest among the various funds as determined by City Ordinance. See Note 2, "Cash, Cash Equivalents and Investments."

##### **H. Inventory**

On the government-wide financial statements and in the proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. For all funds, 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 purchased.

##### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### **J. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

**CITY OF WAUSEON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation (Continued)**

**2. Property, Plant and Equipment – Business Type Activities**

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

**3. Depreciation**

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	30
Improvements other than Buildings	30 - 50
Infrastructure	30
Machinery, Equipment, Furniture and Fixtures	10

**K. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Ohio Water Development Authority Loan	Water Fund, Wastewater Fund
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund, Water Fund, Wastewater Fund
Capital Lease	Income Tax Capital Improvement Fund
Long Term Note Payable	Income Tax Capital Improvement Fund, Water Fund

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **L. Compensated Absences**

All full-time City employees earn vacation at varying rates based upon length of service. Ohio Law requires that vacation time not be accumulated for more than three years. However, City policy requires that all vacation time be used by the employee's anniversary date. Accrued vacation can be carried over with the written authorization of the department head. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Unused vacation is payable upon termination of employment.

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Unused sick time may be accumulated until retirement. Police department employees with a minimum of ten years of service with the City are paid one-quarter of the accumulated sick time upon retirement to a maximum of 60 days wages. All other employees with a minimum of ten years of service with the City are paid 30% of the accumulated sick time upon retirement to a maximum of 60 days wages. Monetary compensation for accumulated unused vacation and/or sick leave is the hourly rate of compensation of the employee at the time of separation.

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

Compensated absences are expensed in the enterprise funds when earned and the related liability reported within the funds.

##### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **N. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

##### **O. Interfund Activity**

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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### **P. Reservations of Fund Balance**

Reserves indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for supplies inventory, prepaid items, Community Development Block Grant (CDBG) Loans and encumbered amounts that are not accrued at year end.

##### **Q. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during fiscal year 2007.

## ***CITY OF WAUSEON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The City maintains a cash and investments pool used by all funds except the Water Operating, Water Service Deposits, Wastewater Operating, Wastewater Debt Reserve, and the Revolving Loan Funds. Each fund type's portion of this pool is displayed on the Balance Sheet as "Cash and Cash Equivalents." The deposits and investments of the aforementioned funds are held separately from those of other City funds. Ohio law requires the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;

# **CITY OF WAUSEON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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### **NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

#### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$4,069,493 and the bank balance was \$4,171,820. Federal depository insurance covered \$291,687 of the bank balance and \$3,880,133 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$2,380,657</u>
Uninsured and collateralized with securities held by the pledging institution's trust department in the City's name	<u>1,499,476</u>
Total Balance	<u><u>\$3,880,133</u></u>

The City had cash with fiscal agent in the amount of \$313,564, which was related to the Community Development Block Grant Economic Development Revolving Loan Fund. In addition, the City also had restricted cash in the amount of \$62,973, which was related to permissive tax monies held and secured by Fulton County. The City had petty cash in the amount of \$650.

**CITY OF WAUSEON, OHIO**

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**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2007**

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2007 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
Repurchase Agreement	\$1,640,635	N/A	\$1,640,635	\$0	\$0
FFCB	148,406	AAA <sup>1,2</sup>	0	148,406	0
FHLMC	262,716	AAA <sup>1,2</sup>	50,246	212,470	0
FHLB	517,570	AAA <sup>1,2</sup>	300,223	217,347	0
FNMA	847,969	AAA <sup>1,2</sup>	847,969 <sup>a</sup>	0	0
Total Investments	<u>\$3,417,296</u>		<u>\$2,839,073</u>	<u>\$578,223</u>	<u>\$0</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

<sup>a</sup> Call Option – Continuously callable from July 2005 to maturity.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 4% are FFCB, 8% are FHLMC, 15% are FHLB, and 25% are FNMA.

*Custodial Credit Risk* – The City's balance of investments are held by the trust department of its banking institution in the City's name.

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## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$5,773,751	\$1,776,661
Cash with Fiscal Agent	(62,973)	
Petty Cash	(650)	
Investments:		
Repurchase Agreement	(1,640,635)	1,640,635
Per GASB Statement No. 3	<u>\$4,069,493</u>	<u>\$3,417,296</u>

#### **NOTE 3 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006 the lien date. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed during 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to 12.5 percent in 2007. The rate will be reduced to 6.25 percent for 2008 and finally to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.



## ***CITY OF WAUSEON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 3 - TAXES (Continued)**

##### **A. Property Taxes** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wauseon. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2007 was \$2.20 per \$1,000 of assessed value. The assessed value upon which the 2007 levy was based was \$131,976,831. This amount constitutes \$120,593,790 in real property assessed value, \$2,801,410 in public utility assessed value and \$8,581,631 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is .22% (2.20 mills) of assessed value.

##### **B. Income Tax**

The City levies a tax of one and one half percent on all salaries, wages, and other compensation earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City. The tax also applies to the net income earned by business organizations on work conducted within the City of Wauseon. Income tax revenue is accounted for through the General and Capital Projects Funds.

#### **NOTE 4 - RECEIVABLES**

Receivables at December 31, 2007 consisted of taxes, accounts receivable, special assessments, interest, loans receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

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**CITY OF WAUSEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 5 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2007:

**Historical Cost:**

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<b>Capital assets not being depreciated:</b>				
Land	\$840,276	\$0	\$0	\$840,276
Construction in Progress	0	6,255	0	6,255
<b>Capital assets being depreciated:</b>				
Buildings	3,787,708	5,500	0	3,793,208
Improvements Other than Buildings	2,299,753	283,466	(500)	2,582,719
Machinery and Equipment	2,674,792	187,843	(293,604)	2,569,031
Infrastructure	7,434,532	0	0	7,434,532
Subtotal	16,196,785	476,809	(294,104)	16,379,490
Total Cost	\$17,037,061	\$483,064	(\$294,104)	\$17,226,021

**Accumulated Depreciation:**

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$1,544,694)	(\$111,930)	\$0	(\$1,656,624)
Improvements Other than Buildings	(185,092)	(85,324)	90	(270,326)
Machinery and Equipment	(1,601,043)	(180,826)	253,770	(1,528,099)
Infrastructure	(590,858)	(223,403)	0	(814,261)
Total Accumulated Depreciation	(\$3,921,687)	(\$601,483) *	\$253,860	(\$4,269,310)
<b>Net Value:</b>	<u>\$13,115,374</u>			<u>\$12,956,711</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$50,086
Basic Utility Services	51,786
Leisure Time Activities	92,037
Community Environment	20,558
Transportation	313,005
General Government	74,011
Total Depreciation Expense	<u>\$601,483</u>

Under GASB Statement No. 34, the City is not required to retroactively report infrastructure assets. Only infrastructure capital assets acquired or constructed beginning in 2003 are reflected in the basic financial statements for the fiscal year ended December 31, 2007.

**CITY OF WAUSEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 5 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2007:

*Historical Cost:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$77,875	\$0	\$0	\$77,875
<i>Capital assets being depreciated:</i>				
Buildings	6,671,523	434,949	0	7,106,472
Improvements other than Buildings	10,701,154	17,834	0	10,718,988
Machinery and Equipment	4,714,374	24,495	0	4,738,869
	<u>22,087,051</u>	<u>477,278</u>	<u>0</u>	<u>22,564,329</u>
Total Cost	<u>\$22,164,926</u>	<u>\$477,278</u>	<u>\$0</u>	<u>\$22,642,204</u>

*Accumulated Depreciation:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$3,060,430)	(\$162,690)	\$0	(\$3,223,120)
Improvements other than Buildings	(2,647,088)	(221,755)	0	(2,868,843)
Machinery and Equipment	(4,040,932)	(54,603)	0	(4,095,535)
Total Accumulated Depreciation	<u>(\$9,748,450)</u>	<u>(\$439,048)</u>	<u>\$0</u>	<u>(\$10,187,498)</u>
<i>Net Value:</i>	<u>\$12,416,476</u>			<u>\$12,454,706</u>

**NOTE 6 – DEFINED BENEFIT PENSION PLANS**

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

**A. Ohio Public Employees Retirement System (the “Ohio PERS”)**

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year).

## ***CITY OF WAUSEON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)**

Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2007, 2006, and 2005 were \$270,141, \$256,694 and \$247,087, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$107,482.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)**

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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

##### **B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)**

All City full-time police officers participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)**

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2007, 2006, and 2005 were \$139,913, \$136,143 and \$125,452 for police, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2007 covered payroll that was used to fund postemployment health care benefits was \$48,431 representing 6.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

**CITY OF WAUSEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 7 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2007 was as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2006	Additions	Deductions	Balance December 31, 2007	Amount Due Within One Year
<b>Governmental Activities:</b>							
	Capital Leases		\$66,002	\$0	(\$21,074)	\$44,928	\$21,988
	Long Term Note Payable:						
	4.36% Street Improvement	2009	3,850,000	0	(300,000)	3,550,000	300,000
	Compensated Absences		230,755	272,711	(230,755)	272,711	110,169
	Total Governmental Activities		4,146,757	272,711	(551,829)	3,867,639	432,157
<b>Business-Type Activities:</b>							
	Ohio Water Development Authority Loans:						
	8.26% Wastewater Treatment Plant	2009	623,198	0	(299,258)	323,940	323,940
	3.39% Tedrow Water Supply Improvements	2024	277,462	0	(12,305)	265,157	12,726
	Total Ohio Water Development Authority Loans		900,660	0	(311,563)	589,097	336,666
	Long Term Note Payable:						
	4.23% Water Improvements	2008	2,500,000	0	(300,000)	2,200,000	2,200,000
	Compensated Absences		33,584	66,713	(33,584)	66,713	37,372
	Total Business-Type Activities		3,434,244	66,713	(645,147)	2,855,810	2,574,038
	Total Other Long-Term Obligations		\$7,581,001	\$339,424	(\$1,196,976)	\$6,723,449	\$3,006,195

**CITY OF WAUSEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 7 - LONG-TERM OBLIGATIONS (Continued)**

The City's total debt margin was approximately \$10,307,567 at December 31, 2007. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

Years	OWDA Loans			Long Term Notes		
	Principal	Interest	Totals	Principal	Interest	Totals
2008	\$336,666	\$31,396	\$368,062	\$2,500,000	\$237,923	\$2,737,923
2009	13,161	8,447	21,608	3,250,000	69,225	3,319,225
2010	13,611	7,997	21,608	0	0	0
2011	14,076	7,532	21,608	0	0	0
2012	14,558	7,050	21,608	0	0	0
2013-2017	80,600	27,438	108,038	0	0	0
2018-2022	95,354	12,684	108,038	0	0	0
2023	21,071	537	21,608	0	0	0
Totals	\$589,097	\$103,081	\$692,178	\$5,750,000	\$307,148	\$6,057,148

In 2002 the City entered into a loan agreement with OWDA on behalf of Fulton County for the Tedrow Waterline Project. Fulton County remits payment to the City in order to meet the loan debt obligation.

**NOTE 8 - CAPITAL LEASES**

The City leases an excavator under a capital lease. The original cost of the equipment and the related liability are reported on the Government – wide Statement of Net Assets.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2007:

Year Ending December 31,	Capital Lease
2008	\$23,935
2009	23,935
Minimum Lease Payments	<u>47,870</u>
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(2,942)</u>
Present value of minimum lease payments	<u>\$44,928</u>



## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

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#### **NOTE 9 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2007, the City participated in the Public Entities Pool of Ohio (PEP), established as a risk sharing self insurance pool for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance program for its members. PEP is a corporation governed by a seven member board of directors, consisting of representatives elected by the 230 participating governments.

The City pays an annual premium to the PEP. The agreement provides that the PEP will be self-sustaining through member premiums and excess insurance. The types of coverages and deductibles per occurrence are as follows:

<u>Coverage</u>		
Legal Liability	\$3,000,000	per occurrence
Automobile Liability	3,000,000	per occurrence
Law Enforcement	3,000,000/5,000	per occurrence
Wrongful Acts	3,000,000/5,000	per occurrence
Real Property	22,476,400/1,000	per occurrence
Boiler and Machinery	30,795,100/1,000	per occurrence
Automobile Physical Damage	1,514,145/500-1,000	per occurrence

The City also purchases insurance coverage to provide employee health benefits and pays unemployment claims to the State of Ohio as incurred.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

#### **NOTE 10 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

**CITY OF WAUSEON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 11 – RAW WATERLINE COST SHARING AGREEMENT**

The City of Wauseon and City of Napoleon, Henry County entered into an agreement for the construction and operation of a raw water supply line from the City of Napoleon to the City of Wauseon. The City of Wauseon paid for the construction of the raw water line. Per the agreement, the City of Napoleon contributed \$1,000,000 towards its share of the project in 2001. The balance of the City of Napoleon's commitment will be repaid through water credits to the City of Wauseon over a period of twenty five years.

**NOTE 12 - CONSTRUCTION COMMITMENTS**

The City had the following contractual commitment at December 31, 2007:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
Combined Sewer Overflow Elimination Phase I	\$156,914	May 2008



**Mary Taylor, CPA**  
Auditor of State

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

City of Wauseon  
Fulton County  
230 Clinton Street  
Wauseon, Ohio 43567-2104

To the Honorable Mayor and Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauseon, Fulton County, Ohio (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

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

We noted certain matters that we reported to the City's management in a separate letter dated October 1, 2008.

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of the audit committee, management, and City Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 1, 2008



**Mary Taylor, CPA**  
Auditor of State

**CITY OF WAUSEON**

**FULTON 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 6, 2008**