



**CITY OF WAUSEON
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT ON INDEPENDENT ACCOUNTANTS

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

To the Honorable Mayor and Members of the Council:

We have audited the accompanying general-purpose financial statements of the City of Wauseon, Fulton County, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2000 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 grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 31, 2000

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CITY OF WAUSEON, OHIO FULTON COUNTY

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THE CITY OF WAUSEON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	<i>Governmental</i>		
	<i>Fund Types</i>		
	General Fund	Special Revenue Funds	Capital Projects Funds
<u>Assets and Other Debits:</u>			
Assets:			
Cash and Cash Equivalents	\$1,677,718	\$321,923	\$2,870,903
Cash with Fiscal Agent	0	203,411	0
Receivables (net of allowance for doubtful accounts):			
Taxes	534,117	0	119,993
Accounts	38,571	0	0
Special Assessments	2,873	0	0
Loans	0	701,746	0
Intergovernmental Receivables	23,394	16,183	16,985
Inventory of Supplies at Cost	10,974	7,140	0
Prepaid Items	26,202	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0
Other Debits:			
Amount to be Provided for General Long-Term Obligations	0	0	0
Total Assets and Other Debits	<u>\$2,313,849</u>	<u>\$1,250,403</u>	<u>\$3,007,881</u>
<u>Liabilities, Equity and Other Credits:</u>			
Liabilities:			
Accounts Payable	\$24,284	\$897	\$142,344
Accrued Wages and Benefits	106,466	9,541	1,586
Intergovernmental Payables	369	0	0
Deferred Revenue	273,208	0	5,959
General Obligation Notes Payable	0	0	0
Compensated Absences Payable	11,012	0	0
Ohio Water Development Authority Loan Payable	0	0	0
Total Liabilities	<u>415,339</u>	<u>10,438</u>	<u>149,889</u>
Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balances:			
Reserved for Encumbrances	268,328	27,249	1,126,587
Reserved for Supplies Inventory	10,974	7,140	0
Reserved for Prepaid Items	26,202	0	0
Reserved for CDBG Loans	0	701,746	0
Unreserved:			
Undesignated	1,593,006	503,830	1,731,405
Total Equity and Other Credits	<u>1,898,510</u>	<u>1,239,965</u>	<u>2,857,992</u>
Total Liabilities, Equity and Other Credits	<u>\$2,313,849</u>	<u>\$1,250,403</u>	<u>\$3,007,881</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WAUSEON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

<i>Proprietary</i> <i>Fund Type</i>	<i>Fiduciary</i> <i>Fund Types</i>	<i>Account</i> <i>Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Expendable Trust Funds	General Fixed Assets	General Long-Term Obligations	
\$4,095,911	\$17,975	\$0	\$0	\$8,984,430
0	0	0	0	203,411
0	0	0	0	654,110
217,110	0	0	0	255,681
0	0	0	0	2,873
0	0	0	0	701,746
0	0	0	0	56,562
58,011	0	0	0	76,125
52,318	0	0	0	78,520
6,937,055	0	6,316,822	0	13,253,877
0	0	0	717,461	717,461
<u>\$11,360,405</u>	<u>\$17,975</u>	<u>\$6,316,822</u>	<u>\$717,461</u>	<u>\$24,984,796</u>
\$38,231	\$0	\$0	\$0	\$205,756
26,978	0	0	0	144,571
1,690	0	0	0	2,059
0	0	0	0	279,167
0	0	0	600,000	600,000
45,046	0	0	117,461	173,519
2,167,476	0	0	0	2,167,476
<u>2,279,421</u>	<u>0</u>	<u>0</u>	<u>717,461</u>	<u>3,572,548</u>
0	0	6,316,822	0	6,316,822
3,096,133	0	0	0	3,096,133
5,984,851	0	0	0	5,984,851
0	147	0	0	1,422,311
0	0	0	0	18,114
0	0	0	0	26,202
0	0	0	0	701,746
0	17,828	0	0	3,846,069
<u>9,080,984</u>	<u>17,975</u>	<u>6,316,822</u>	<u>0</u>	<u>21,412,248</u>
<u>\$11,360,405</u>	<u>\$17,975</u>	<u>\$6,316,822</u>	<u>\$717,461</u>	<u>\$24,984,796</u>

THE CITY OF WAUSEON, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Taxes	\$1,592,608	\$0	\$0	\$1,446,465	\$0	\$3,039,073
Intergovernmental Revenues	616,127	233,078	0	16,985	0	866,190
Charges for Services	211,110	0	0	0	0	211,110
Licenses and Permits	16,273	0	0	0	0	16,273
Investment Earnings	197,005	30,172	0	0	114	227,291
Fines and Forfeitures	21,156	913	0	0	0	22,069
All Other Revenues	38,794	0	0	0	3,950	42,744
Total Revenues	2,693,073	264,163	0	1,463,450	4,064	4,424,750
Expenditures:						
Current:						
Security of Persons and Property	950,507	0	0	0	560	951,067
Public Health and Welfare Services	1,200	0	0	0	0	1,200
Leisure Time Activities	324,378	0	0	0	0	324,378
Community Environment	330,506	313	0	178,008	0	508,827
Basic Utility Services	24,610	0	0	0	0	24,610
Transportation	222,026	223,241	0	0	0	445,267
General Government	476,015	0	0	0	0	476,015
Other Expenditures	1,900	0	0	0	0	1,900
Capital Outlay	9,545	0	0	615,084	0	624,629
Debt Service:						
Principal Retirement	0	0	675,000	0	0	675,000
Interest and Fiscal Charges	0	0	31,132	0	0	31,132
Total Expenditures	2,340,687	223,554	706,132	793,092	560	4,064,025
Excess (Deficiency) of Revenues Over (Under) Expenditures	352,386	40,609	(706,132)	670,358	3,504	360,725
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	600,000	0	0	600,000
Operating Transfer In	0	0	106,132	0	0	106,132
Operating Transfer Out	(106,132)	0	0	0	0	(106,132)
Other Financing Sources	34,712	0	0	4,170	0	38,882
Other Financing Uses	(140,916)	0	0	0	(8,200)	(149,116)
Total Other Financing Sources (Uses)	(212,336)	0	706,132	4,170	(8,200)	489,766
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	140,050	40,609	0	674,528	(4,696)	850,491
Fund Balance at Beginning of Year	1,757,796	1,193,716	0	2,183,464	22,671	5,157,647
Increase in Inventory Reserve	664	5,640	0	0	0	6,304
and Balance at End of Year	\$1,898,510	\$1,239,965	\$0	\$2,857,992	\$17,975	\$6,014,442

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WAUSEON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$1,655,450	\$1,655,178	(\$272)	\$0	\$0	\$0
Intergovernmental Revenues	488,541	502,748	14,207	233,000	233,052	52
Charges for Services	244,900	239,851	(5,049)	0	0	0
Licenses and Permits	13,700	16,273	2,573	0	0	0
Investment Earnings	196,996	198,283	1,287	30,172	30,172	0
Fines and Forfeitures	20,000	20,600	600	835	873	38
All Other Revenues	47,000	40,523	(6,477)	139,757	139,757	0
Total Revenues	<u>2,666,587</u>	<u>2,673,456</u>	<u>6,869</u>	<u>403,764</u>	<u>403,854</u>	<u>90</u>
Expenditures:						
Current:						
Security of Persons and Property	1,100,670	1,010,303	90,367	0	0	0
Public Health and Welfare Services	1,200	1,200	0	0	0	0
Leisure Time Activities	427,431	358,048	69,383	0	0	0
Community Environment	391,851	352,754	39,097	165,313	165,313	0
Basic Utility Services	53,410	27,783	25,627	0	0	0
Transportation	320,789	274,199	46,590	260,529	240,538	19,991
General Government	606,162	529,702	76,460	0	0	0
Other Expenditures	10,685	4,018	6,667	1,500	0	1,500
Capital Outlay	14,444	12,033	2,411	30,000	0	30,000
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>2,926,642</u>	<u>2,570,040</u>	<u>356,602</u>	<u>457,342</u>	<u>405,851</u>	<u>51,491</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(260,055)	103,416	363,471	(53,578)	(1,997)	51,581
Other Financing Sources (Uses):						
Proceeds of General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(113,700)	(106,132)	7,568	0	0	0
Other Financing Sources	40,413	34,712	(5,701)	0	0	0
Other Financing Uses	(165,440)	(146,614)	18,826	0	0	0
Total Other Financing Sources (Uses)	<u>(238,727)</u>	<u>(218,034)</u>	<u>20,693</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(498,782)	(114,618)	384,164	(53,578)	(1,997)	51,581
and Balance at Beginning of Year	1,433,869	1,433,869	0	494,322	494,322	0
and Prior Year Encumbrances	157,897	157,897	0	17,729	17,729	0
Fund Balance at End of Year	<u>\$1,092,984</u>	<u>\$1,477,148</u>	<u>\$384,164</u>	<u>\$458,473</u>	<u>\$510,054</u>	<u>\$51,581</u>

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

THE CITY OF WAUSEON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$1,445,000	\$1,440,976	(\$4,024)
Intergovernmental Revenues	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	0	0	0	1,445,000	1,440,976	(4,024)
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	50,000	35,663	14,337
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	1,838,571	833,615	1,004,956
Debt Service:						
Principal Retirement	675,000	675,000	0	0	0	0
Interest and Fiscal Charges	31,132	31,132	0	0	0	0
Total Expenditures	706,132	706,132	0	1,888,571	869,278	1,019,293
Excess (Deficiency) of Revenues Over (Under) Expenditures	(706,132)	(706,132)	0	(443,571)	571,698	1,015,269
Other Financing Sources (Uses):						
Proceeds of General Obligation Notes	600,000	600,000	0	0	0	0
Operating Transfers In	106,132	106,132	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	4,170	4,170
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	706,132	706,132	0	0	4,170	4,170
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(443,571)	575,868	1,019,439
Fund Balance at Beginning of Year	0	0	0	1,832,509	1,832,509	0
Prior Year Encumbrances	0	0	0	288,571	288,571	0
Fund Balance at End of Year	\$0	\$0	\$0	\$1,677,509	\$2,696,948	\$1,019,439

(Continued)

THE CITY OF WAUSEON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$3,100,450	\$3,096,154	(\$4,296)
Intergovernmental Revenues	0	0	0	721,541	735,800	14,259
Charges for Services	0	0	0	244,900	239,851	(5,049)
Licenses and Permits	0	0	0	13,700	16,273	2,573
Investment Earnings	105	114	9	227,273	228,569	1,296
Fines and Forfeitures	0	0	0	20,835	21,473	638
All Other Revenues	3,950	3,950	0	190,707	184,230	(6,477)
Total Revenues	4,055	4,064	9	4,519,406	4,522,350	2,944
Expenditures:						
Current:						
Security of Persons and Property	1,015	577	438	1,101,685	1,010,880	90,805
Public Health and Welfare Services	0	0	0	1,200	1,200	0
Leisure Time Activities	0	0	0	427,431	358,048	69,383
Community Environment	1,500	0	1,500	608,664	553,730	54,934
Basic Utility Services	0	0	0	53,410	27,783	25,627
Transportation	0	0	0	581,318	514,737	66,581
General Government	0	0	0	606,162	529,702	76,460
Other Expenditures	0	0	0	12,185	4,018	8,167
Capital Outlay	0	0	0	1,883,015	845,648	1,037,367
Debt Service:						
Principal Retirement	0	0	0	675,000	675,000	0
Interest and Fiscal Charges	0	0	0	31,132	31,132	0
Total Expenditures	2,515	577	1,938	5,981,202	4,551,878	1,429,324
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,540	3,487	1,947	(1,461,796)	(29,528)	1,432,268
Other Financing Sources (Uses):						
Proceeds of General Obligation Notes	0	0	0	600,000	600,000	0
Operating Transfers In	0	0	0	106,132	106,132	0
Operating Transfers Out	0	0	0	(113,700)	(106,132)	7,568
Other Financing Sources	0	0	0	40,413	38,882	(1,531)
Other Financing Uses	(8,700)	(8,200)	500	(174,140)	(154,814)	19,326
Total Other Financing Sources (Uses)	(8,700)	(8,200)	500	458,705	484,068	25,363
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,160)	(4,713)	2,447	(1,003,091)	454,540	1,457,631
Balance at Beginning of Year	22,673	22,673	0	3,783,373	3,783,373	0
Prior Year Encumbrances	15	15	0	464,212	464,212	0
Fund Balance at End of Year	\$15,528	\$17,975	\$2,447	\$3,244,494	\$4,702,125	\$1,457,631

*THE CITY OF WAUSEON, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999*

	<u>Enterprise Funds</u>
<u>Operating Revenues:</u>	
Charges for Services	\$2,023,082
Total Operating Revenues	<u>2,023,082</u>
<u>Operating Expenses:</u>	
Personal Services	718,718
Materials and Supplies	274,014
Contractual Services	285,326
Depreciation	518,864
Total Operating Expenses	<u>1,796,922</u>
Operating Income	226,160
<u>Nonoperating Revenues (Expenses):</u>	
Loss on Disposal of Fixed Assets	(96)
Interest Income	167,729
Interest and Fiscal Charges	(192,135)
Other Nonoperating Revenue	28,350
Other Nonoperating Expense	(25,995)
Net Nonoperating Revenues (Expenses)	<u>(22,147)</u>
Net Income	204,013
Add: Depreciation on Contributed Capital	196,216
Retained Earnings at Beginning of Year	<u>5,584,622</u>
Retained Earnings at End of Year	<u><u>\$5,984,851</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WAUSEON, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$2,067,547
Cash Payments for Goods and Services	(587,740)
Cash Payments to Employees	(733,259)
Net Cash Provided by Operating Activities	746,548
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(73,229)
Principal Paid on Ohio Water Development Authority Bonds	(158,600)
Interest Paid on All Debt	(192,135)
Net Cash Used for Capital and Related Financing Activities	(423,964)
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	167,729
Net Cash Provided by Investing Activities	167,729
Net Increase in Cash and Cash Equivalents	490,313
Cash and Cash Equivalents at Beginning of Year	3,605,598
Cash and Cash Equivalents at End of Year	\$4,095,911
<u>Reconciliation of Operating Income to Net Cash</u>	
Provided by Operating Activities:	
Operating Income	\$226,160
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	518,864
Miscellaneous Nonoperating Revenue	28,472
Miscellaneous Nonoperating Expenses	(25,420)
Adjustments to Assets and Liabilities:	
Decrease in Accounts Receivable	15,967
Decrease in Due From Other Funds	26
Decrease in Inventory	4,728
Increase in Prepaid Items	(1,782)
Decrease in Accounts Payable	(5,443)
Decrease in Accrued Wages and Benefits	(17,633)
Decrease in Intergovernmental Payable	(1,778)
Increase in Compensated Absences	4,387
Total Adjustments	520,388
Net Cash Provided by Operating Activities	\$746,548

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 1999, the Water Fund had an outstanding liability of \$22,370 for the purchase of certain capital assets.

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WAUSEON, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

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 accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 1999 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 general purpose 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, account groups, 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.

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 and account groups, 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 general purpose financial statements. The following fund types and account groups 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 governmental fund types:

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.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for the payment of general and special assessment long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Trust Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains expendable trust funds which are accounted for and reported similarly to governmental funds.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City other than that accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt and other long-term obligations of the City except that accounted for in the proprietary funds.

C. 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 and expendable trust 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.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, 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, income taxes other than those withheld by employers 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, 1999 but which are not intended to finance 1999 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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.

D. 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. Budgetary modifications may only be made by ordinance or resolution of the City Council.

1. Tax Budget

The Finance Director submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is 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.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by 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 1999.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual Non-GAAP Budgetary Basis--All Governmental Fund Types and Expendable Trust Funds are 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 general purpose 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).

Provisions of Ohio Revised Code (ORC) require that all proceeds and retirements of note renewals be recorded in a debt service fund. Therefore, the city budgets all note renewal activity in the debt service fund. However, Generally Accepted Accounting Principles (GAAP) require note obligations to remain obligations of the fund in which the original proceeds were deposited. All of the budgetary activity in the debt service fund relates to renewal notes. GAAP Basis reclassifications eliminate all activity in the debt service fund, therefore, no reconciliation is presented in the following table.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 governmental and similar trust funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	\$140,050	\$40,609	\$0	\$674,528	(\$4,696)
Increase (Decrease):					
Accrued Revenues at December 31, 1999 received during 2000	(325,747)	(16,183)	0	(131,019)	0
Accrued Revenues at December 31, 1998 received during 1999	306,130	16,117	0	108,545	0
Accrued Expenditures at December 31, 1999 paid during 2000	142,131	10,438	0	143,930	0
Accrued Expenditures at December 31, 1998 paid during 1999	(175,610)	(12,455)	0	(46,161)	(17)
1998 Prepays for 1999	25,200	0	0	0	0
1999 Prepays for 2000	(26,202)	0	0	0	0
Perspective Difference:					
(CDBG Loans)	0	(25,243)	0	0	0
Outstanding Encumbrances	(200,570)	(15,280)	0	(173,955)	0
Budget Basis	<u>(\$114,618)</u>	<u>(\$1,997)</u>	<u>\$0</u>	<u>\$575,868</u>	<u>(\$4,713)</u>

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with original maturities of three months or less. Certificates of deposit are considered cash equivalents because they are highly liquid investments with maturity dates of three months or less.

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."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 and certificates of deposit) 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."

G. Inventory

Inventory is stated at cost (first in, first out) in the governmental funds, and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at estimated historical cost, including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings	30
Improvements Other than Buildings	30 - 50
Machinery, Equipment, Furniture and Fixtures	10

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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. 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 55 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, 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 account "Compensated Absences Payable." The remaining portion of the liability is reported in the General Long-Term Obligations Account Group.

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

J. Pensions

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

K. 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.

L. Total Columns on Combined Financial Statements - Overview

Total columns on the Combined Statements-Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

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, Sewer Operating, Wastewater Debt Reserve, Construction Escrow and Pride of Wauseon Funds. Each fund type's portion of this pool is displayed on the Combined 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 two 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;
- 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).

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

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 110% 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. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying amount of the City's deposits was \$8,980,170 and the bank balance was \$9,069,213. Federal depository insurance covered \$300,000 of the bank balance, deposits of \$3,564,811 were classified as Category 2, and the remaining deposits of \$5,204,402 were classified as Category 3. The City also had cash with fiscal agent in the amount of \$203,411 related to the Community Development Block Grant Economic Development Revolving Loan Fund, of which \$100,000 is covered by Federal depository insurance and the remaining \$103,411 is classified as Category 2. The City also had petty cash in the amount of \$4,260. The City had no investments at December 31, 1999.

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 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998 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 1996. 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. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. 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.

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, 1999 was \$2.20 per \$1,000 of assessed value. The assessed value upon which the 1999 levy was based was \$107,328,830. This amount constitutes \$87,994,320 in real property assessed value, \$6,292,200 in public utility assessed value and \$13,042,310 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, 1999 consisted of taxes, accounts receivable, special assessments, loans receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

NOTE 5 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 1999:

Fund	Transfer In	Transfer Out
General Fund	\$0	(\$106,132)
Debt Service Fund:		
Municipal Building Debt Service Fund	106,132	0
Totals	<u>\$106,132</u>	<u>(\$106,132)</u>

NOTE 6 - FIXED ASSETS**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	December 31, 1998	Additions	Deletions	December 31, 1999
Land	\$386,874	\$0	\$0	\$386,874
Buildings and Improvements	3,354,704	0	0	3,354,704
Land Improvements	80,039	24,898	0	104,937
Machinery and Equipment	2,243,120	243,597	(16,410)	2,470,307
Totals	<u>\$6,064,737</u>	<u>\$268,495</u>	<u>(\$16,410)</u>	<u>\$6,316,822</u>

B. Proprietary Fixed Assets

Summary by Category at December 31, 1999:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$77,875	\$0	\$77,875
Buildings and Improvements	4,782,351	(2,089,862)	2,692,489
Land Improvements	4,296,739	(1,187,442)	3,109,297
Machinery and Equipment	4,471,366	(3,413,972)	1,057,394
Property, Plant and Equipment	<u>\$13,628,331</u>	<u>(\$6,691,276)</u>	<u>\$6,937,055</u>

NOTE 7 – 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. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio 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 the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1999 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% 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 PERS of Ohio for the years ending December 31, 1999, 1998 and 1997 were \$198,631, \$189,130 and \$179,923, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. A portion of each employer's contribution to the PERS of Ohio 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 PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 4.2% of covered payroll which amounted to \$61,568.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for other postemployment benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

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

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

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.

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, 1999, 1998 and 1997 were \$72,627, \$72,446 and \$71,871 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 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 1999 covered payroll that was used to fund postemployment health care benefits was \$26,071 representing 7.00% 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. As of December 31, 1998, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 11,424 for police and 9,186 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, 1998 were \$78,596,790, which was net of member contributions of \$5,331,515.

NOTE 8 - COMPENSATED ABSENCES

All full-time City employees earn vacation at varying rates based upon length of service. As of December 31, 1999, the liability for unpaid compensated absences was \$117,461 for all funds of the City except proprietary funds. This portion is considered long-term and is reported in the General Long-Term Obligations Account Group. The portion attributable to the proprietary funds has been recorded within those funds.

The compensated absences balances as of December 31, 1999 in the General Long-Term Obligations Account and the proprietary funds were as follows:

	General		Proprietary Funds	
	Long-Term Obligations			
	Hours	Amount	Hours	Amount
Sick Leave	5,252	\$65,092	3,046	\$26,069
Vacation / Compensatory Time	3,576	52,369	1,234	18,977
Totals	8,828	\$117,461	4,280	\$45,046

NOTE 9 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 1999 was as follows:

	Maturity Date	Balance December 31, 1998	Issued (Retired)	Balance December 31, 1999
Enterprise Funds Long-Term Debt:				
Ohio Water Development Authority:				
Wastewater Treatment Plant	01/01/09	\$2,326,076	(\$158,600)	\$2,167,476
Total Enterprise Long-Term Debt		\$2,326,076	(\$158,600)	\$2,167,476
General Long-Term Debt:				
Bond Anticipation Notes:				
4.63% Municipal Building Renovation	05/20/99	\$675,000	(\$675,000)	\$0
4.15% Municipal Building Renovation	05/18/00	0	600,000	600,000
Total Bond Anticipation Notes		675,000	(75,000)	600,000
Other Long-Term Obligations:				
Compensated Absences		108,741	8,720	117,461
Total General Long-Term Debt and Other Long-Term Obligations		\$783,741	(\$66,280)	\$717,461

The enterprise long-term debt is composed of the remaining cost of construction that the City of Wauseon financed through the Ohio Water Development Authority for the construction of a new wastewater treatment plant.

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

The City's total debt margin was approximately \$11,269,527 at December 31, 1999. 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. The City has no debt within the 5.5% unvoted debt limitation or the 10.5% overall debt limitation.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999 are as follows:

Years	OWDA Loan		Totals
	Principal	Interest	
2000	\$171,700	\$179,034	\$350,734
2001	185,882	164,852	350,734
2002	201,236	149,498	350,734
2003	217,858	132,876	350,734
2004	235,853	114,881	350,734
2005-2008	1,154,947	247,981	1,402,928
Totals	\$2,167,476	\$989,122	\$3,156,598

NOTE 10 - CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, governments and private sources provided to the City's proprietary funds that are not subject to repayment. These assets are recorded at their estimated fair market value on the date received. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to contributed capital. Changes in contributed capital are as follows:

	Water Fund	Sewer Fund	Total
Balance at Beginning of Year	\$144,422	\$3,147,927	\$3,292,349
Additions	0	0	0
Reductions	(3,009)	(193,207)	(196,216)
Balance at End of Year	\$141,413	\$2,954,720	\$3,096,133

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains enterprise funds which provide water and sewer services. Segment information for the year ended December 31, 1999 is as follows:

	Water	Sewer	Total
Operating Revenues	\$958,706	\$1,064,376	\$2,023,082
Depreciation Expense	107,527	411,337	518,864
Operating Income	72,216	153,944	226,160
Net Income	131,903	72,110	204,013
Property, Plant and Equipment:			
Additions	4,441	81,581	86,022
Deletions	960	0	960
Total Assets	3,350,176	8,010,229	11,360,405
Net Working Capital	1,916,248	2,440,203	4,356,451
Loans Payable	0	2,167,476	2,167,476
Total Equity	3,271,238	5,809,746	9,080,984

NOTE 12 - 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. The City is a member of the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under 2744.081 of the Ohio Revised Code. OGRMP is a "fixed cost, fully reinsured, non-assessable program" for over 550 member political subdivisions. The organization is controlled by a Board of Directors comprised of public officials from participating members. Coverage is 100% reinsured over the insured's deductibles. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

The following is a summary of insurance coverages at year end:

Coverage		
Property	\$22,606,513	per occurrence
Liability	3,000,000/5,000,000	per occurrence
Wrongful Acts	3,000,000/4,000,000	per occurrence
Law Enforcement	3,000,000/4,000,000	per occurrence
Automobile	3,000,000	per occurrence
Bond	50,000	per occurrence
Crime	10,000	per occurrence
Inland Marine	3,367,168	per occurrence
Fire Vehicle RC	1,746,000	per occurrence
EDP	225,188	per occurrence
Boiler and Machinery	21,500,000	per occurrence

NOTE 12 - RISK MANAGEMENT (Continued)

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. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 13 - CONSTRUCTION COMMITMENTS

As of December 31, 1999, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Waterline connection to Delta, Ohio	\$1,060,000	05/01/2000
Water Plant recarbonation basin roof	38,204	03/01/2000
Total	<u>\$1,098,204</u>	

NOTE 14 - 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.

THE CITY OF WAUSEON, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 1999

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
<u>General Government:</u>					
Municipal Building	\$11,666	\$2,021,920	\$15,787	\$915,572	\$2,964,945
General Storm	46,230	0	0	0	46,230
Miscellaneous	111,126	1,400	22,561	54,916	190,003
Total	<u>169,022</u>	<u>2,023,320</u>	<u>38,348</u>	<u>970,488</u>	<u>3,201,178</u>
<u>Transportation:</u>					
Street	<u>4,630</u>	<u>112,013</u>	<u>3,832</u>	<u>865,402</u>	<u>985,877</u>
<u>Leisure Time Activities:</u>					
Parks	<u>141,551</u>	<u>899,087</u>	<u>46,369</u>	<u>333,045</u>	<u>1,420,052</u>
<u>Community Environment:</u>					
Chamber of Commerce	25,383	3,670	0	0	29,053
Homecoming Storage	12,850	28,143	0	0	40,993
Recycling	33,438	288,471	16,388	301,372	639,669
Total	<u>71,671</u>	<u>320,284</u>	<u>16,388</u>	<u>301,372</u>	<u>709,715</u>
Total General Fixed Assets	<u><u>\$386,874</u></u>	<u><u>\$3,354,704</u></u>	<u><u>\$104,937</u></u>	<u><u>\$2,470,307</u></u>	<u><u>\$6,316,822</u></u>

*THE CITY OF WAUSEON, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 1999*

<u>Function and Activity</u>	<u>December 31, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1999</u>
<u>General Government:</u>				
Municipal Building	\$2,851,928	\$114,427	(\$1,410)	\$2,964,945
General Storm	46,230	0	0	46,230
Miscellaneous	167,442	22,561	0	190,003
Total	<u>3,065,600</u>	<u>136,988</u>	<u>(1,410)</u>	<u>3,201,178</u>
<u>Transportation:</u>				
Street	916,548	84,329	(15,000)	985,877
<u>Leisure Time Activities:</u>				
Parks	1,398,351	21,701	0	1,420,052
<u>Community Environment:</u>				
Chamber of Commerce	29,053	0	0	29,053
Homecoming Storage	40,993	0	0	40,993
Recycling	614,192	25,477	0	639,669
Total	<u>684,238</u>	<u>25,477</u>	<u>0</u>	<u>709,715</u>
Total General Fixed Assets	<u>\$6,064,737</u>	<u>\$268,495</u>	<u>(\$16,410)</u>	<u>\$6,316,822</u>

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Honorable Mayor and Members of the Council:

We have audited the financial statements of the City of Wauseon, Fulton County, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated August 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
OCTOBER 10, 2000**