



Dave Yost • Auditor of State

**CITY OF WAUSEON
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis): General Fund	20
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Statement of Cash Flows.....	23
Notes to the Basic Financial Statements.....	25
Schedule of Federal Awards Expenditures	55
Notes to the Schedule of Federal Awards Expenditures.....	56
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57

**CITY OF WAUSEON
FULTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings	61



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the 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 the City of Wauseon, Fulton County, Ohio (the City), as of and for the year ended December 31, 2010, 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, as of December 31, 2010, 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 September 19, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The schedule of federal awards expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 19, 2011

CITY OF WAUSEON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2010*

Unaudited

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, 2010. 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 2010 are as follows:

- In total, net assets increased \$1,073,384. Net assets of governmental activities increased \$717,088, which represents a 5.3% increase from 2009. Net assets of business-type activities increased \$356,296 or 2.6% from 2009.
- General revenues accounted for \$4,075,639 in revenue or 45.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,823,831, 54.2% of total revenues of \$8,899,470.
- The City had \$5,467,940 in expenses related to governmental activities; only \$2,178,018 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,056,796 were adequate to provide for these programs.
- Among major funds, the general fund had \$3,739,758 in revenues and other financing sources and \$3,782,996 in expenditures and other financing uses. The general fund's fund balance decreased from \$453,316 to \$423,282.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2010*

Unaudited

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, 2010**

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 2010 compared to 2009.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$4,980,386	\$4,553,711	\$3,666,550	\$3,242,618	\$8,646,936	\$7,796,329
Capital assets, Net	13,226,388	13,077,771	14,697,412	12,649,250	27,923,800	25,727,021
Total assets	18,206,774	17,631,482	18,363,962	15,891,868	36,570,736	33,523,350
Long-term debt outstanding	3,397,140	3,412,934	4,220,668	2,241,123	7,617,808	5,654,057
Other liabilities	503,743	629,745	233,611	97,358	737,354	727,103
Total liabilities	3,900,883	4,042,679	4,454,279	2,338,481	8,355,162	6,381,160
Net assets						
Invested in capital assets, net of related debt	10,156,388	9,977,771	10,556,298	10,459,980	20,712,686	20,437,751
Restricted	3,813,145	3,226,493	0	0	3,813,145	3,226,493
Unrestricted	336,358	384,539	3,353,385	3,093,407	3,689,743	3,477,946
Total net assets	<u>\$14,305,891</u>	<u>\$13,588,803</u>	<u>\$13,909,683</u>	<u>\$13,553,387</u>	<u>\$28,215,574</u>	<u>\$27,142,190</u>

This space intentionally left blank.

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2010 compared to 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services and Sales	\$635,770	\$516,903	\$2,637,718	\$2,076,028	\$3,273,488	\$2,592,931
Operating Grants and Contributions	980,875	499,487	0	0	980,875	499,487
Capital Grants and Contributions	561,373	0	8,095	190,447	569,468	190,447
Total Program Revenues	2,178,018	1,016,390	2,645,813	2,266,475	4,823,831	3,282,865
General revenues:						
Property Taxes	253,405	253,225	0	0	253,405	253,225
Income Taxes	3,069,261	2,995,850	0	0	3,069,261	2,995,850
Intergovernmental Revenues, Unrestricted	469,388	424,348	0	0	469,388	424,348
Investment Earnings	7,721	30,218	18,843	33,629	26,564	63,847
Miscellaneous	257,021	105,766	0	0	257,021	105,766
Total General Revenues	4,056,796	3,809,407	18,843	33,629	4,075,639	3,843,036
Total Revenues	6,234,814	4,825,797	2,664,656	2,300,104	8,899,470	7,125,901
Program Expenses						
Security of Persons and Property	2,241,306	2,281,293	0	0	2,241,306	2,281,293
Basic Utility Services	57,556	115,959	0	0	57,556	115,959
Leisure Time Activities	544,853	787,729	0	0	544,853	787,729
Community Environment	665,290	241,940	0	0	665,290	241,940
Transportation	871,987	1,016,215	0	0	871,987	1,016,215
General Government	1,020,927	920,730	0	0	1,020,927	920,730
Interest and Fiscal Charges	66,021	114,196	0	0	66,021	114,196
Water	0	0	1,367,293	1,309,247	1,367,293	1,309,247
Wastewater	0	0	990,853	1,003,246	990,853	1,003,246
Total expenses	5,467,940	5,478,062	2,358,146	2,312,493	7,826,086	7,790,555
Change in Net Assets Before Transfers	766,874	(652,265)	306,510	(12,389)	1,073,384	(664,654)
Transfers	(49,786)	(506,792)	49,786	506,792	0	0
Total Change in Net Assets	717,088	(1,159,057)	356,296	494,403	1,073,384	(664,654)
Beginning Net Assets	13,588,803	14,747,860	13,553,387	13,058,984	27,142,190	27,806,844
Ending Net Assets	\$14,305,891	\$13,588,803	\$13,909,683	\$13,553,387	\$28,215,574	\$27,142,190

Governmental Activities

Net assets of the City's governmental activities increased \$717,088. Ohio Department of Development grants for City improvement projects resulted in an increase in operating grants, capital grants and community environment expenses. Basic utility services and leisure time activities decreased due to decreases in salaries paid from these departments.

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.

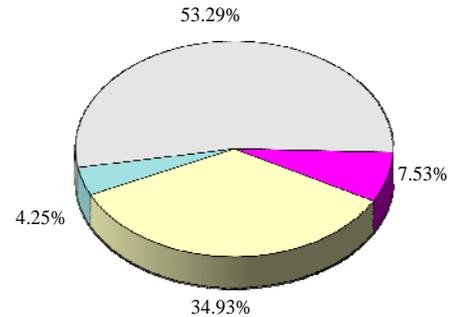
CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

Income taxes and property taxes made up 49.2% and 4.1% respectively of revenues for governmental activities for the City in 2010. The City's reliance upon tax revenues is demonstrated by the following graph indicating 53.29% of total revenues from general tax revenues:

Revenue Sources	2010	Percent of Total
General Tax Revenues	\$3,322,666	53.29%
Intergovernmental, Unrestricted	469,388	7.53%
Program Revenues	2,178,018	34.93%
General Other	264,742	4.25%
Total Revenue	\$6,234,814	100.00%



Business-Type Activities

Net assets of the business-type activities increased \$356,296. This represents a 2.6% change from the previous year. A 35% increase in water user rates and a 15% increase in wastewater user rates resulted in the increase in charges for services in business-type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$4,105,452, which is an increase from last year's balance of \$3,617,808. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Fund Balance December 31, 2009	Increase (Decrease)
General	\$423,282	\$453,316	(\$30,034)
Income Tax Capital Improvement	2,369,712	1,771,553	598,159
Other Governmental	1,312,458	1,392,939	(80,481)
Total	\$4,105,452	\$3,617,808	\$487,644

CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

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

	2010 Revenues	2009 Revenues	Increase (Decrease)
Taxes	\$2,083,437	\$2,047,543	\$35,894
Intergovernmental Revenue	521,016	479,980	41,036
Charges for Services	586,793	475,007	111,786
Licenses and Permits	9,920	11,165	(1,245)
Investment Earnings	29,750	18,099	11,651
Fines and Forfeitures	35,248	29,449	5,799
All Other Revenue	250,223	84,189	166,034
Total	\$3,516,387	\$3,145,432	\$370,955

General Fund revenues in 2010 increased approximately 11.8% compared to revenues in 2009. The most significant changes were increases in charges for services and all other revenue. A lump sum payment received for cell tower rental caused the increase in charges for services while a donation from First Energy Corporation toward an energy aggregation plan contributed to the increase in all other revenue.

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,176,419	\$2,227,712	(\$51,293)
Basic Utility Services	15,497	55,896	(40,399)
Leisure Time Activities	437,758	562,362	(124,604)
Community Environment	198,094	189,198	8,896
Transportation	267,154	279,796	(12,642)
General Government	628,752	688,318	(59,566)
Capital Outlay	2,944	19,042	(16,098)
Total	\$3,726,618	\$4,022,324	(\$295,706)

General Fund expenditures decreased \$295,706 or 7.4% when compared with the previous year. This decrease can be attributed to decreases in costs for salaries across several City departments.

	2010 Other Financing Sources (Uses)	2009 Other Financing Sources (Uses)	Increase (Decrease)
Other Financing Sources	\$63,371	\$87,958	(\$24,587)
Other Financing Uses	(56,378)	(80,076)	23,698
Transfers In	160,000	0	160,000
Total	\$166,993	\$7,882	\$159,111

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

Income Tax Capital Improvement Fund – The Income Tax Capital Improvement Fund Balance increased approximately 33.8%. Income tax receipts stabilized in 2010, while intergovernmental revenues increased substantially due to \$850,000 of grants from the Ohio Department of Development and \$150,000 in grants from the Community Development Block Grant revolving loan program for parking lot and building improvements. During 2010, \$160,000 was transferred to the general fund to assist in cash flow needs.

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 2010 the City amended its General Fund budget several times, none significant.

For the General Fund, original budgeted, final budgeted and actual budget basis revenues were not significantly different. Actual budget basis expenditures of \$3.8 million were less than final and original budget estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010 the City had \$27,923,800 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, equipment and vehicles. Of this total, \$13,226,388 was related to governmental activities and \$14,697,412 to the business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$862,323	\$862,323	\$0
Construction In Progress	34,797	362,426	(327,629)
Buildings	3,820,038	3,820,038	0
Improvements Other than Buildings	3,956,356	3,088,685	867,671
Machinery and Equipment	3,130,945	2,986,946	143,999
Infrastructure	7,434,532	7,434,532	0
Less: Accumulated Depreciation	(6,012,603)	(5,477,179)	(535,424)
Totals	<u>\$13,226,388</u>	<u>\$13,077,771</u>	<u>\$148,617</u>

Additions to improvements were the result of building demolition on property acquired at Clinton and Depot streets. The land will be utilized as a parking lot. Purchases of a vehicle, computer system and other equipment in the police and fire departments resulted in the increase in machinery and equipment.

CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2010	2009	
Land	\$103,710	\$103,710	\$0
Construction in Progress	2,856,341	506,792	2,349,549
Buildings	7,116,172	7,116,172	0
Improvements other than Buildings	11,276,350	11,174,549	101,801
Machinery and Equipment	4,843,176	4,807,878	35,298
Less: Accumulated Depreciation	(11,498,337)	(11,059,851)	(438,486)
Totals	\$14,697,412	\$12,649,250	\$2,048,162

Improvements at the wastewater treatment plant resulted in the increase in construction in progress. Additional information on the City's capital assets can be found in Note 8.

Debt

The following table summarizes the City's debt outstanding as of December 31, 2010 and 2009:

	2010	2009
Governmental Activities:		
Capital Leases	\$70,000	\$0
Long Term Note Payable	3,000,000	3,100,000
Compensated Absences	327,140	312,934
Total Governmental Activities	3,397,140	3,412,934
Business-Type Activities:		
Ohio Water Development Authority Loans	2,291,114	239,270
Long Term Note Payable	1,850,000	1,950,000
Compensated Absences	79,554	51,853
Total Business-Type Activities	4,220,668	2,241,123
Totals	\$7,617,808	\$5,654,057

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, 2010, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

ECONOMIC FACTORS

The City of Wauseon is the county seat of Fulton County, located in the northwest corner of Ohio. 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 are expected to exceed \$3 million again this year 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 up a mile long, new area for future economic development and will allow the City's income tax base to grow. A Senior Villas housing complex has been constructed and an option has been taken on additional acreage.

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.

This Page Intentionally Left Blank

CITY OF WAUSEON, OHIO

Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,665,588	\$ 1,659,347	\$ 3,324,935
Investments	1,115,831	1,195,135	2,310,966
Receivables:			
Taxes	719,554	0	719,554
Accounts	74,913	324,841	399,754
Intergovernmental	516,330	0	516,330
Interest	2	0	2
Special Assessments	1,842	0	1,842
Loans	462,790	225,659	688,449
Inventory of Supplies at Cost	51,187	121,001	172,188
Prepaid Items	44,215	39,341	83,556
Restricted Assets:			
Cash and Cash Equivalents	67,859	0	67,859
Cash and Cash Equivalents with Fiscal Agent	260,275	101,226	361,501
Non-Depreciable Capital Assets	897,120	2,960,051	3,857,171
Depreciable Capital Assets, Net	12,329,268	11,737,361	24,066,629
Total Assets	18,206,774	18,363,962	36,570,736
Liabilities:			
Accounts Payable	45,976	45,926	91,902
Accrued Wages and Benefits	185,830	72,506	258,336
Intergovernmental Payable	140	4,395	4,535
Retainage Payable	0	101,226	101,226
Unearned Revenue	245,172	0	245,172
Accrued Interest Payable	26,625	9,558	36,183
Noncurrent liabilities:			
Due within one year	3,165,205	1,913,242	5,078,447
Due in more than one year	231,935	2,307,426	2,539,361
Total Liabilities	3,900,883	4,454,279	8,355,162
Net Assets:			
Invested in Capital Assets, Net of Related Debt	10,156,388	10,556,298	20,712,686
Restricted For:			
Capital Projects	2,355,608	0	2,355,608
Other Purposes	1,457,537	0	1,457,537
Unrestricted	336,358	3,353,385	3,689,743
Total Net Assets	\$ 14,305,891	\$ 13,909,683	\$ 28,215,574

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Statement of Activities For the Year Ended December 31, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 2,241,306	\$ 516,970	\$ 48,796	\$ 61,373
Basic Utility Services	57,556	3,245	0	0
Leisure Time Activities	544,853	0	0	0
Community Environment	665,290	9,943	500,000	500,000
Transportation	871,987	0	432,079	0
General Government	1,020,927	105,612	0	0
Interest and Fiscal Charges	66,021	0	0	0
Total Governmental Activities	<u>5,467,940</u>	<u>635,770</u>	<u>980,875</u>	<u>561,373</u>
Business-Type Activities:				
Water	1,367,293	1,525,164	0	0
Wastewater	990,853	1,112,554	0	8,095
Total Business-Type Activities	<u>2,358,146</u>	<u>2,637,718</u>	<u>0</u>	<u>8,095</u>
Totals	<u>\$ 7,826,086</u>	<u>\$ 3,273,488</u>	<u>\$ 980,875</u>	<u>\$ 569,468</u>

General Revenues

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

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,614,167)	\$ 0	\$ (1,614,167)
(54,311)	0	(54,311)
(544,853)	0	(544,853)
344,653	0	344,653
(439,908)	0	(439,908)
(915,315)	0	(915,315)
(66,021)	0	(66,021)
<u>(3,289,922)</u>	<u>0</u>	<u>(3,289,922)</u>
0	157,871	157,871
0	129,796	129,796
<u>0</u>	<u>287,667</u>	<u>287,667</u>
<u>(3,289,922)</u>	<u>287,667</u>	<u>(3,002,255)</u>
253,405	0	253,405
3,069,261	0	3,069,261
469,388	0	469,388
7,721	18,843	26,564
257,021	0	257,021
(49,786)	49,786	0
<u>4,007,010</u>	<u>68,629</u>	<u>4,075,639</u>
717,088	356,296	1,073,384
<u>13,588,803</u>	<u>13,553,387</u>	<u>27,142,190</u>
<u>\$ 14,305,891</u>	<u>\$ 13,909,683</u>	<u>\$ 28,215,574</u>

CITY OF WAUSEON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2010**

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 59,919	\$ 1,300,091	\$ 305,578	\$ 1,665,588
Investments	41,277	864,094	210,460	1,115,831
Receivables:				
Taxes	536,799	182,755	0	719,554
Accounts	74,913	0	0	74,913
Intergovernmental	272,359	37,625	206,346	516,330
Interest	2	0	0	2
Special Assessments	1,842	0	0	1,842
Loans	0	0	462,790	462,790
Inventory of Supplies, at Cost	39,201	0	11,986	51,187
Prepaid Items	39,100	0	5,115	44,215
Restricted Assets:				
Cash and Cash Equivalents	0	0	67,859	67,859
Cash and Cash Equivalents with Fiscal Agent	0	0	260,275	260,275
Total Assets	<u>\$ 1,065,412</u>	<u>\$ 2,384,565</u>	<u>\$ 1,530,409</u>	<u>\$ 4,980,386</u>
Liabilities:				
Accounts Payable	\$ 43,572	\$ 2,186	\$ 218	\$ 45,976
Accrued Wages and Benefits Payable	173,207	146	12,477	185,830
Intergovernmental Payable	140	0	0	140
Deferred Revenue	425,211	12,521	205,256	642,988
Total Liabilities	<u>642,130</u>	<u>14,853</u>	<u>217,951</u>	<u>874,934</u>
Fund Balance:				
Nonspendable	78,301	0	479,891	558,192
Restricted	0	0	832,567	832,567
Committed	0	2,369,712	0	2,369,712
Unassigned	344,981	0	0	344,981
Total Fund Balance	<u>423,282</u>	<u>2,369,712</u>	<u>1,312,458</u>	<u>4,105,452</u>
Total Liabilities and Fund Balance	<u>\$ 1,065,412</u>	<u>\$ 2,384,565</u>	<u>\$ 1,530,409</u>	<u>\$ 4,980,386</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2010

Total Governmental Fund Balances \$ 4,105,452

*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. 13,226,388

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 397,816

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	(70,000)	
Long Term Note Payable	(3,000,000)	
Compensated Absences Payable	(327,140)	
Accrued Interest Payable	(26,625)	(3,423,765)

Net Assets of Governmental Activities **\$ 14,305,891**

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, 2010

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,083,437	\$ 1,225,728	\$ 0	\$ 3,309,165
Intergovernmental Revenue	521,016	1,061,373	369,957	1,952,346
Charges for Services	586,793	0	0	586,793
Licenses and Permits	9,920	0	0	9,920
Investment Earnings	29,750	(31,326)	9,297	7,721
Fines and Forfeitures	35,248	0	3,786	39,034
All Other Revenue	250,223	13,194	0	263,417
Total Revenue	3,516,387	2,268,969	383,040	6,168,396
Expenditures:				
Current:				
Security of Persons and Property	2,176,419	0	1,032	2,177,451
Basic Utility Services	15,497	0	0	15,497
Leisure Time Activities	437,758	0	0	437,758
Community Environment	198,094	7,041	159,486	364,621
Transportation	267,154	0	280,814	547,968
General Government	628,752	0	8,675	637,427
Capital Outlay	2,944	1,437,140	0	1,440,084
Debt Service:				
Principal Retirement	0	3,100,000	0	3,100,000
Interest & Fiscal Charges	0	94,550	0	94,550
Total Expenditures	3,726,618	4,638,731	450,007	8,815,356
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(210,231)	(2,369,762)	(66,967)	(2,646,960)
Other Financing Sources (Uses):				
Long Term Note Issuance	0	3,000,000	0	3,000,000
Other Financing Sources	63,371	22,921	0	86,292
Other Financing Uses	(56,378)	0	0	(56,378)
Other Financing Sources-Capital Lease	0	105,000	0	105,000
Transfers In	160,000	0	0	160,000
Transfers Out	0	(160,000)	0	(160,000)
Total Other Financing Sources (Uses)	166,993	2,967,921	0	3,134,914
Net Change in Fund Balance	(43,238)	598,159	(66,967)	487,954
Fund Balance at Beginning of Year	453,316	1,771,553	1,392,939	3,617,808
Increase (Decrease) in Inventory Reserve	13,204	0	(13,514)	(310)
Fund Balance End of Year	\$ 423,282	\$ 2,369,712	\$ 1,312,458	\$ 4,105,452

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2010***

Net Change in Fund Balances - Total Governmental Funds \$ 487,954

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	776,616	
Depreciation Expense	(614,408)	162,208

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.		(13,591)
--	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		36,504
--	--	--------

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 Issuance	(3,000,000)	
Long Term Note Principal Retirement	3,100,000	
Capital Lease Issuance	(105,000)	
Capital Lease Principal Retirement	35,000	
Accrued Interest Payable	28,529	58,529

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	(14,206)	
Change in Inventory	(310)	(14,516)

<i>Change in Net Assets of Governmental Activities</i>		<u>\$ 717,088</u>
---	--	--------------------------

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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,105,000	\$ 2,043,375	\$ 2,022,757	\$ (20,618)
Intergovernmental Revenue	442,200	465,725	466,514	789
Charges for Services	449,800	533,355	533,614	259
Licenses and Permits	11,600	9,900	9,920	20
Investment Earnings	30,000	21,000	20,938	(62)
Fines and Forfeitures	26,500	36,300	36,219	(81)
All Other Revenues	101,500	243,800	249,059	5,259
Total Revenues	<u>3,166,600</u>	<u>3,353,455</u>	<u>3,339,021</u>	<u>(14,434)</u>
Expenditures:				
Current:				
Security of Persons and Property	2,311,555	2,252,155	2,238,249	13,906
Basic Utility Services	50,650	28,650	18,575	10,075
Leisure Time Activities	575,006	459,106	450,891	8,215
Community Environment	203,476	202,176	195,075	7,101
Transportation	277,960	284,060	273,818	10,242
General Government	753,055	684,355	661,656	22,699
Capital Outlay	24,970	24,970	2,944	22,026
Total Expenditures	<u>4,196,672</u>	<u>3,935,472</u>	<u>3,841,208</u>	<u>94,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,030,072)	(582,017)	(502,187)	79,830
Other Financing Sources (Uses):				
Transfers In	650,000	160,000	160,000	0
Other Financing Sources	90,000	66,400	66,423	23
Other Financing Uses	(60,000)	(56,400)	(56,378)	22
Total Other Financing Sources (Uses):	<u>680,000</u>	<u>170,000</u>	<u>170,045</u>	<u>45</u>
Net Change in Fund Balance	(350,072)	(412,017)	(332,142)	79,875
Fund Balance at Beginning of Year	173,489	173,489	173,489	0
Prior Year Encumbrances	178,019	178,019	178,019	0
Fund Balance at End of Year	<u>\$ 1,436</u>	<u>\$ (60,509)</u>	<u>\$ 19,366</u>	<u>\$ 79,875</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2010**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 519,930	\$ 1,139,417	\$ 1,659,347
Investments	0	1,195,135	1,195,135
Receivables:			
Accounts	173,191	151,650	324,841
Loans	225,659	0	225,659
Inventory of Supplies at Cost	107,506	13,495	121,001
Prepaid Items	17,077	22,264	39,341
Total Current Assets	<u>1,043,363</u>	<u>2,521,961</u>	<u>3,565,324</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	101,226	101,226
Total Restricted Assets	<u>0</u>	<u>101,226</u>	<u>101,226</u>
Capital Assets, Net	7,287,688	7,409,724	14,697,412
Total Noncurrent Assets	<u>7,287,688</u>	<u>7,510,950</u>	<u>14,798,638</u>
Total Assets	<u>8,331,051</u>	<u>10,032,911</u>	<u>18,363,962</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	13,691	32,235	45,926
Accrued Wages and Benefits	47,295	25,211	72,506
Intergovernmental Payable	4,395	0	4,395
Retainage Payable	0	101,226	101,226
Compensated Absences Payable - Current	36,870	12,296	49,166
Accrued Interest Payable	9,558	0	9,558
General Obligation Notes Payable	1,850,000	0	1,850,000
OWDA Loans Payable - Current	14,076	0	14,076
Total Current Liabilities	<u>1,975,885</u>	<u>170,968</u>	<u>2,146,853</u>
Noncurrent Liabilities:			
OWDA Loans Payable	211,583	2,065,455	2,277,038
Compensated Absences Payable	12,388	18,000	30,388
Total Noncurrent Liabilities	<u>223,971</u>	<u>2,083,455</u>	<u>2,307,426</u>
Total Liabilities	<u>2,199,856</u>	<u>2,254,423</u>	<u>4,454,279</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,212,029	5,344,269	10,556,298
Unrestricted	919,166	2,434,219	3,353,385
Total Net Assets	<u>\$ 6,131,195</u>	<u>\$ 7,778,488</u>	<u>\$ 13,909,683</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, 2010**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Operating Revenues:			
Charges for Services	\$ 1,474,920	\$ 1,112,554	\$ 2,587,474
Total Operating Revenues	<u>1,474,920</u>	<u>1,112,554</u>	<u>2,587,474</u>
Operating Expenses:			
Personal Services	653,365	419,214	1,072,579
Contractual Services	127,396	112,274	239,670
Materials and Supplies	260,436	207,291	467,727
Depreciation	195,909	242,577	438,486
Total Operating Expenses	<u>1,237,106</u>	<u>981,356</u>	<u>2,218,462</u>
Operating Income	237,814	131,198	369,012
Non-Operating Revenue (Expenses):			
Interest Income	1,135	17,708	18,843
Interest and Fiscal Charges	(64,535)	0	(64,535)
Other Nonoperating Revenue	50,244	0	50,244
Other Nonoperating Expense	(65,652)	(9,497)	(75,149)
Total Non-Operating Revenues (Expenses)	<u>(78,808)</u>	<u>8,211</u>	<u>(70,597)</u>
Income Before Contributions	159,006	139,409	298,415
Contributions:			
Capital Contributions	0	57,881	57,881
Total Contributions	<u>0</u>	<u>57,881</u>	<u>57,881</u>
Change in Net Assets	159,006	197,290	356,296
Net Assets Beginning of Year	<u>5,972,189</u>	<u>7,581,198</u>	<u>13,553,387</u>
Net Assets End of Year	<u>\$ 6,131,195</u>	<u>\$ 7,778,488</u>	<u>\$ 13,909,683</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, 2010**

	Business-Type Activities		Totals
	Enterprise Funds		
	Water	Wastewater	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,536,443	\$1,068,402	\$2,604,845
Cash Payments for Goods and Services	(435,081)	(327,627)	(762,708)
Cash Payments to Employees	(611,159)	(405,592)	(1,016,751)
Net Cash Provided by Operating Activities	<u>490,203</u>	<u>335,183</u>	<u>825,386</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(74,420)	(2,243,561)	(2,317,981)
Capital Contributions	0	198,257	198,257
Notes Issued	1,850,000	0	1,850,000
Note Retirement	(1,950,000)	0	(1,950,000)
OWDA Loan Issuance	0	2,065,455	2,065,455
OWDA Loan Retirement	(13,611)	0	(13,611)
Interest Paid on All Debt	(79,027)	0	(79,027)
Net Cash Used by Capital and Related Financing Activities	<u>(267,058)</u>	<u>20,151</u>	<u>(246,907)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	0	(1,207,212)	(1,207,212)
Sale of Investments	0	1,195,817	1,195,817
Receipts of Interest	1,135	14,365	15,500
Net Cash Provided by Investing Activities	<u>1,135</u>	<u>2,970</u>	<u>4,105</u>
Net Increase in Cash and Cash Equivalents	224,280	358,304	582,584
Cash and Cash Equivalents at Beginning of Year	<u>295,650</u>	<u>882,339</u>	<u>1,177,989</u>
Cash and Cash Equivalents at End of Year	<u>\$519,930</u>	<u>\$1,240,643</u>	<u>\$1,760,573</u>
<u>Reconciliation of Cash and</u>			
<u> Cash Equivalents per the Statement of Net Assets:</u>			
Cash and Cash Equivalents	\$519,930	\$1,139,417	\$1,659,347
Cash and Cash Equivalents with Fiscal Agent	0	101,226	101,226
Cash and Cash Equivalents at End of Year	<u>\$519,930</u>	<u>\$1,240,643</u>	<u>\$1,760,573</u>

(Continued)

CITY OF WAUSEON, OHIO

	Business-Type Activities		Totals
	Enterprise Funds		
	Water	Wastewater	
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$237,814	\$131,198	\$369,012
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	195,909	242,577	438,486
Miscellaneous Nonoperating Revenue	64,461	0	64,461
Miscellaneous Nonoperating Expense	(65,815)	(9,497)	(75,312)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(2,938)	(44,152)	(47,090)
(Increase) Decrease in Inventory	9,372	(4,714)	4,658
Decrease in Prepaid Items	6,296	5,147	11,443
Increase in Accounts Payable	7,456	1,002	8,458
Increase in Accrued Wages and Benefits	21,441	6,686	28,127
Decrease in Intergovernmental Payable	(4,558)	0	(4,558)
Increase in Compensated Absences	20,765	6,936	27,701
Total Adjustments	<u>252,389</u>	<u>203,985</u>	<u>456,374</u>
Net Cash Provided by Operating Activities	<u>\$490,203</u>	<u>\$335,183</u>	<u>\$825,386</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During 2010 the Wastewater Fund received capital contributions from Governmental Activities of \$49,786.

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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.

The City's other governmental funds include the following special revenue funds:

Street Construction, Maintenance and Repair Fund - This fund is used to account for state-levied and controlled gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

State Highway Fund - This fund is used to account for the portion of the state gasoline tax and motor vehicle registration fees designated for street maintenance and repair of state highways within the City.

Permissive License Tax Fund - This fund is used to account for City-levied motor vehicle registration fees designated for street construction, maintenance and repair.

Law Enforcement Fund - This fund is used to account for funds received by the police department for contraband, per state statute.

Enforcement and Education Fund - This fund is used to account for fines levied by the courts and used to educate and treat persons with alcohol related problems and to enhance law enforcement activities as a deterrent to the operation of motor vehicles while under the influence of alcohol.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Community Development Block Grant Revolving Loan Fund - This fund is used to account for federal grants administered through the State which are designated for community and environmental improvements.

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.

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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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, 2010 but which are not intended to finance 2010 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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.

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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2010.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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:

	Net Change in Fund Balance
	<u>General Fund</u>
GAAP Basis (as reported)	(\$43,238)
Increase (Decrease):	
Accrued Revenues at December 31, 2010 received during 2011	(460,704)
Accrued Revenues at December 31, 2009 received during 2010	286,390
Accrued Expenditures at December 31, 2010 paid during 2011	216,919
Accrued Expenditures at December 31, 2009 paid during 2010	(256,376)
2009 Prepays for 2010	45,797
2010 Prepays for 2011	(39,100)
Outstanding Encumbrances	<u>(81,830)</u>
Budget Basis	<u><u>(\$332,142)</u></u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities 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 4, "Cash, Cash Equivalents and Investments."

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 which are reported at cost. The City allocates interest among the various funds as determined by City Ordinance. See Note 4, "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 funds when purchased.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, 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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

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.

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:

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
Ohio Water Development Authority Loan	Water 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

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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances (Continued)

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City has no fund balances reported as assigned at December 31, 2010.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

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 2010.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 2 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Income Tax Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Loans Receivable	\$0	\$0	\$462,790	\$462,790
Prepaid Items	39,100	0	5,115	44,215
Supplies Inventory	39,201	0	11,986	51,187
Total Nonspendable	<u>78,301</u>	<u>0</u>	<u>479,891</u>	<u>558,192</u>
Restricted:				
Street Improvements	0	0	556,926	556,926
Drug and Alcohol Treatment and Education	0	0	15,366	15,366
Community Development and Improvement	0	0	260,275	260,275
Total Restricted	<u>0</u>	<u>0</u>	<u>832,567</u>	<u>832,567</u>
Committed:				
Capital Improvements	0	2,369,712	0	2,369,712
Unassigned (Deficits):	344,981	0	0	344,981
Total Fund Balances	<u>\$423,282</u>	<u>\$2,369,712</u>	<u>\$1,312,458</u>	<u>\$4,105,452</u>

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS

For 2010 the City implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” and GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

Statement No. 51 addresses accounting and financial reporting standards for intangible assets in order to reduce inconsistencies and enhance comparability among state and local governments. The application of this new standard did not have an effect on the financial statements, nor did implementation require a restatement of prior year balances.

GASB Statement No. 53 provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any changes to the financial statements.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS (Continued)

Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions. The application of this new standard did not require a restatement of prior year balances.

NOTE 4 - 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 4 - 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 \$3,685,786 and the bank balance was \$4,086,568. Federal depository insurance covered \$853,404 of the bank balance and \$3,233,164 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>\$1,667,008</u>
Uninsured and collateralized with securities held by the pledging institution's trust department in the City's name	<u>1,566,156</u>
Total Balance	<u><u>\$3,233,164</u></u>

The City had cash with fiscal agent in the amount of \$260,275, 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 \$67,859, 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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2010 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
Government Money Market	\$53,486	AAA ^{1,2}	\$53,486	\$0	\$0
Treasury Notes	1,082,996	AAA ^{1,2}	578,193	504,803	0
FHLB	578,976	AAA ^{1,2}	401,820	0	177,156 ^b
FNMA	595,508	AAA ^{1,2}	0	100,478 ^a	495,030 ^c
Total Investments	<u>\$2,310,966</u>		<u>\$1,033,499</u>	<u>\$605,281</u>	<u>\$672,186</u>

¹ Standard & Poor's

² Moody's Investor Service

^a Call Option – Callable from March 2011.

^b Call Option – Callable from May 2012.

^c Call Option – Callable from August 2011.

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, 2% are invested in government money market accounts, 47% in treasury notes, 25% are FHLB, and 26% 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.

This space intentionally left blank.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 4 - 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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$3,754,295	\$2,310,966
Cash with Fiscal Agent	(67,859)	
Petty Cash	(650)	
Per GASB Statement No. 3	<u>\$3,685,786</u>	<u>\$2,310,966</u>

NOTE 5 - 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 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009 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 2008. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on values as of January 1, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold governments harmless by replacing a portion of the revenue lost due to the phasing out of the tax. In years 2006-2009, the lost revenue was fully reimbursed. In years 2010-2018, the lost revenue will not be reimbursed.

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, 2010 was \$2.20 per \$1,000 of assessed value. The assessed value upon which the 2010 levy was based was \$125,917,960. This amount constitutes \$122,852,370 in real property assessed value and \$3,065,590 in public utility 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 6 - RECEIVABLES

Receivables at December 31, 2010 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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2010:

Fund	Transfer In	Transfer Out
General Fund	\$160,000	\$0
Income Tax Capital Improvement Fund	0	160,000
Totals	<u>\$160,000</u>	<u>\$160,000</u>

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$862,323	\$0	\$0	\$862,323
Construction in Progress	362,426	8,928	(336,557)	34,797
Subtotal	<u>1,224,749</u>	<u>8,928</u>	<u>(336,557)</u>	<u>897,120</u>
<i>Capital assets being depreciated:</i>				
Buildings	3,820,038	0	0	3,820,038
Improvements Other than Buildings	3,088,685	867,671	0	3,956,356
Machinery and Equipment	2,986,946	236,574	(92,575)	3,130,945
Infrastructure	7,434,532	0	0	7,434,532
Subtotal	<u>17,330,201</u>	<u>1,104,245</u>	<u>(92,575)</u>	<u>18,341,871</u>
Total Cost	<u>\$18,554,950</u>	<u>\$1,113,173</u>	<u>(\$429,132)</u>	<u>\$19,238,991</u>

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(\$1,881,728)	(\$112,736)	\$0	(\$1,994,464)
Improvements Other than Buildings	(469,915)	(103,878)	0	(573,793)
Machinery and Equipment	(1,853,452)	(174,391)	78,984	(1,948,859)
Infrastructure	(1,272,084)	(223,403)	0	(1,495,487)
Total Accumulated Depreciation	<u>(\$5,477,179)</u>	<u>(\$614,408) *</u>	<u>\$78,984</u>	<u>(\$6,012,603)</u>
<i>Net Value:</i>	<u>\$13,077,771</u>			<u>\$13,226,388</u>

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 8 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$59,041
Basic Utility Services	55,993
Leisure Time Activities	102,408
Community Environment	10,994
Transportation	305,370
General Government	80,602
Total Depreciation Expense	\$614,408

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, 2010.

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$103,710	\$0	\$0	\$103,710
Construction in Progress	506,792	2,349,549	0	2,856,341
Subtotal	610,502	2,349,549	0	2,960,051
<i>Capital assets being depreciated:</i>				
Buildings	7,116,172	0	0	7,116,172
Improvements other than Buildings	11,174,549	101,801	0	11,276,350
Machinery and Equipment	4,807,878	35,298	0	4,843,176
Subtotal	23,098,599	137,099	0	23,235,698
Total Cost	\$23,709,101	\$2,486,648	\$0	\$26,195,749

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(\$3,549,082)	(\$162,981)	\$0	(\$3,712,063)
Improvements other than Buildings	(3,327,659)	(237,852)	0	(3,565,511)
Machinery and Equipment	(4,183,110)	(37,653)	0	(4,220,763)
Total Accumulated Depreciation	(\$11,059,851)	(\$438,486)	\$0	(\$11,498,337)

<i>Net Value:</i>	\$12,649,250	\$14,697,412
--------------------------	--------------	--------------

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 9 – 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 ("OPERS")

The following information was provided by OPERS 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 OPERS: 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). 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.

OPERS 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 OPERS. 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 ORC provides statutory authority for employee and employer contributions. For 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

February 28, 2010, and 9.77% from March 1 through December 31, 2010. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2010, 2009, and 2008 were \$168,747, \$159,583 and \$140,822, respectively, which were equal to the required contributions for each year.

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

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. 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% and 24.0% respectively for police officers and firefighters. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2010, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2010, 2009, and 2008 were \$83,669, \$87,101 and \$85,092 for police and \$10,109, \$10,109 and \$9,815 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. 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.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$96,202, \$115,391 and \$140,822, respectively, which were equal to the required contributions for each year.

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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions for health care to the OP&F for the years ending December 31, 2010, 2009, and 2008 were \$44,295, \$46,112 and \$45,049 for police and \$3,956, \$3,956 and \$3,840 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 11 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2010 was as follows:

Interest Rate	Purpose	Maturity Date	Balance			Balance December 31, 2010	Amount Due Within One Year
			December 31, 2009	Additions	Deductions		
Governmental Activities:							
	Capital Leases		\$0	\$105,000	(\$35,000)	\$70,000	\$35,000
	Long Term Notes Payable:						
3.05%	Street Improvement	2010	3,100,000	0	(3,100,000)	0	0
1.50%	Street Improvement	2011	0	3,000,000	0	3,000,000	3,000,000
	Compensated Absences		312,934	327,140	(312,934)	327,140	130,205
	Total Governmental Activities		3,412,934	3,432,140	(3,447,934)	3,397,140	3,165,205
Business-Type Activities:							
	Ohio Water Development Authority Loans:						
3.34%	Wastewater Treatment Plant	2031	0	2,065,455	0	2,065,455	0
3.39%	Tedrow Water Supply Improvements	2024	239,270	0	(13,611)	225,659	14,076
	Total Ohio Water Development Authority Loans		239,270	2,065,455	(13,611)	2,291,114	14,076
	Long Term Note Payable:						
3.70%	Water Improvements	2010	1,950,000	0	(1,950,000)	0	0
1.50%	Water Improvements	2011	0	1,850,000	0	1,850,000	1,850,000
	Compensated Absences		51,853	79,554	(51,853)	79,554	49,166
	Total Business-Type Activities		2,241,123	3,995,009	(2,015,464)	4,220,668	1,913,242
	Total Other Long-Term Obligations		\$5,654,057	\$7,427,149	(\$5,463,398)	\$7,617,808	\$5,078,447

Wastewater Treatment Plant Improvements - In 2010 the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan for improvements to the City's wastewater treatment plant. The total amount is subject to change and has not been finalized. The interest rate on the loan is 3.34%, per annum. This loan is payable from wastewater charges and is received by the City in increments as the project is completed. As of December 31, 2010, the City had received \$2,065,455 from OWDA. Subsequent amounts will be received in future years. An estimate of future financing requirements has been made based on the \$2,065,455 loan balance at December 31, 2010.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

The City's total debt margin was \$10,221,386 at December 31, 2010. 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, 2010 are as follows:

Years	Governmental Activities		Business-Type Activities			
	Long Term Notes		Long Term Notes		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$3,000,000	\$45,000	\$1,850,000	\$27,750	\$14,076	\$7,532
2012	0	0	0	0	88,412	74,912
2013	0	0	0	0	91,414	71,911
2014	0	0	0	0	94,517	68,806
2015	0	0	0	0	97,728	65,595
2016-2020	0	0	0	0	540,737	275,884
2021-2025	0	0	0	0	594,682	178,722
2026-2030	0	0	0	0	630,363	78,219
2031	0	0	0	0	139,185	2,531
Totals	<u>\$3,000,000</u>	<u>\$45,000</u>	<u>\$1,850,000</u>	<u>\$27,750</u>	<u>\$2,291,114</u>	<u>\$824,112</u>

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 12 - CAPITAL LEASES

The City leases a dump truck 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, 2010:

Year Ending December 31,	Capital Lease
2011	\$36,685
2012	<u>36,685</u>
Minimum Lease Payments	<u>73,370</u>
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(3,370)</u>
Present value of minimum lease payments	<u>\$70,000</u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 13 - 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 2010, 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	23,670,400/1,000	per occurrence
Boiler and Machinery	8,012,400/1,000	per occurrence
Automobile Physical Damage	1,816,514/500-1,000	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 14 - CONTINGENCIES

A. Grants

The City received financial assistance from State and Federal agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 14 – CONTINGENCIES (Continued)

B. Litigation

There are currently no matters in litigation with the City as defendant.

NOTE 15 – 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 16 - CONSTRUCTION COMMITMENTS

The City had the following contractual commitments at December 31, 2010:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Estimated Date of Completion</u>
Wet Weather Storage Basin:		
Mosser Construction Inc	\$812,241	2011
Brint Electric	75,340	2011

NOTE 17 – ENCUMBRANCE COMMITMENTS

At December 31, 2010 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$81,829
Income Tax Capital Improvement Fund	23,203
Other Governmental Funds	7,398
Total Governmental Funds	<u>\$112,430</u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 18 – RELATED PARTY TRANSACTIONS

The City procures printing services from Tomahawk Printing. Expenditures to Tomahawk Printing for the fiscal year 2010 were \$3,712. Mayor Jerry Dehnbostel is the owner of Tomahawk Printing.

The City has established a revolving loan fund from which it loans out monies to local business for the purpose of community development. Recipients of these funds include Wauseon Machine and JMW Computers, which represent related party transactions.

During fiscal year 2010, Council approved a loan to Wauseon Machine in the amount of \$160,000. Council member Jeffery Stiriz's brother-in-law is a co-owner of Wauseon Machine. Mr. Stiriz abstained from voting on the loan approval. Total amounts to be received from Wauseon Machine for loans outstanding at December 31, 2010 totaled \$272,266.

Council member Don Mathews is the father of the owner of JMW Computers. JMW Computers has defaulted on its loans due to the City as a result of nonpayment. The total amount due to the City as of December 31, 2010 is \$41,733.

NOTE 19 – SUBSEQUENT EVENT

On May 26, 2011, the City passed an ordinance providing for the issuance and sale of \$3,000,000 of Bonds, to pay costs of improving certain streets in the City.

On August 1, 2011, the City passed an ordinance providing for the issuance and sale of \$1,750,000 of Notes, in anticipation of the issuance of bonds, for the purpose of improving the municipal waterworks system by acquiring, constructing and installing a water line and municipal water treatment plant by constructing an additional treatment building and lagoon, acquiring additional treatment tanks, a high service pump and additional piping and making other necessary improvements.

**CITY OF WAUSEON
FULTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct Assistance</i>			
Assistance to Firefighters Grant		97.044	\$ <u>61,373</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development</i>			
Small Cities Community Development Block Grant	A-D-08-2EK-1	14.228	350,000
Small Cities Community Development Block Grant	A-T-09-2EK-1	14.228	2,436
Community Development Block Grant (Revolving Loan Grant)		14.228	150,000
Community Development Block Grant (Revolving Loan)		14.228	165,000
Total			<u>667,436</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Department of Public Safety</i>			
ARRA - Violence Against Women Formula Grants	2009-WF-VA5-8112	16.558	26,993
Justice Assistance Grant Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	2009-JG-LLE-5273	16.738	7,015
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to States and Territories	2009-JG-A02-6610	16.803	39,140
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to States and Territories	2009-RA-B01-2026	16.803	25,005
Total ARRA - Edward Byrne Memorial Justice Assistance Grant			<u>64,145</u>
Total			<u>71,160</u>
Total U.S. Department of Justice			<u>98,153</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ <u>826,962</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF WAUSEON
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

These loans are collateralized by the equipment/inventory purchased, mortgages on the property purchased and/or personal guaranties.

Activity in the CDBG revolving loan fund during 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010	\$369,853
Loans made	160,000
Grant made	150,000
Loan principal repaid	(111,042)
Ending loans receivable balance as of December 31, 2010	<u>\$418,811</u>
Cash balance on hand in the revolving loan fund as of December 31, 2010	\$243,150
Administrative costs expended during 2010	\$5,000

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2010, \$71,677 are more than 90 days past due.

NOTE C - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 19, 2011.

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

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

Dave Yost
Auditor of State

September 19, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of Council:

Compliance

We have audited the compliance of the City of Wauseon, Fulton County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Wauseon complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated September 19, 2011.

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



Dave Yost
Auditor of State

September 19, 2011

**CITY OF WAUSEON
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State Administered Small Cities Program) - CFDA # 14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This Page is Intentionally Left Blank.



Dave Yost • 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

SEPTEMBER 29, 2011