



Dave Yost • Auditor of State



**CITY OF WAUSEON  
FULTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Position 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
Statement of Net Position – Proprietary Funds .....	21
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds .....	23
Notes to the Basic Financial Statements .....	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings .....	57

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Wauseon  
Fulton County  
230 Clinton Street  
Wauseon, Ohio 43567-2101

To the Members of Council:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining und information of the City of Wauseon, Fulton County, Ohio (the City), as of and for the year ended as of December 31, 2013, and the respective changes in financial position and, where applicable its cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 15 of the financial statements, during 2013, the City changed its accounting of cash within the Income Tax Capital Improvement Fund and Other Governmental Funds which was related to previously issued financial statements which have been restated for the correction of material misstatement in the respective period. We did not modify our opinion regarding this matter

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 25, 2014

## **CITY OF WAUSEON, OHIO**

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2013***

***Unaudited***

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The discussion and analysis of the City of Wauseon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2013. 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 2013 are as follows:

- ❑ In total, net position increased \$1,046,102. Net position of governmental activities increased \$175,329, which represents a 1% increase from 2012. Net position of business-type activities increased \$870,773 or 6% from 2012.
- ❑ General revenues accounted for \$4,189,150 in revenue or 49% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,293,248, 51% of total revenues of \$8,482,398.
- ❑ The City had \$5,041,421 in expenses related to governmental activities; only \$1,031,706 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,185,044 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$3,900,001 in revenues and other financing sources and \$3,694,534 in expenditures and other financing uses. The general fund's fund balance increased from \$770,362 to \$988,320.

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

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

These statements are as follows:

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

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

# CITY OF WAUSEON, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. 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 position and how it has changed. Net position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is 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 Position 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, 2013**

**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 position for 2013 compared to 2012.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$5,621,216	\$5,289,064	\$5,740,604	\$4,722,258	\$11,361,820	\$10,011,322
Capital Assets, Net	12,550,360	12,988,033	14,756,023	15,145,026	27,306,383	28,133,059
Total Assets	18,171,576	18,277,097	20,496,627	19,867,284	38,668,203	38,144,381
Long-term Debt Outstanding	2,936,984	3,070,461	4,531,667	4,756,496	7,468,651	7,826,957
Other Liabilities	199,355	347,110	81,035	97,636	280,390	444,746
Total Liabilities	3,136,339	3,417,571	4,612,702	4,854,132	7,749,041	8,271,703
Deferred Inflows of Resources	219,737	219,355	0	0	219,737	219,355
Net Position						
Net Investment in Capital Assets	9,955,360	10,268,033	10,303,663	10,459,592	20,259,023	20,727,625
Restricted	1,484,881	1,484,570	0	0	1,484,881	1,484,570
Unrestricted	3,375,259	2,887,568	5,580,262	4,553,560	8,955,521	7,441,128
Total Net Position	<u>\$14,815,500</u>	<u>\$14,640,171</u>	<u>\$15,883,925</u>	<u>\$15,013,152</u>	<u>\$30,699,425</u>	<u>\$29,653,323</u>

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## CITY OF WAUSEON, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2013*

*Unaudited*

Changes in Net Position – The following table shows the changes in net position for 2013 compared to 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services and Sales	\$559,611	\$584,026	\$3,120,107	\$3,024,789	\$3,679,718	\$3,608,815
Operating Grants and Contributions	472,095	537,277	141,435	0	613,530	537,277
Capital Grants and Contributions	0	277,204	0	0	0	277,204
Total Program Revenues	1,031,706	1,398,507	3,261,542	3,024,789	4,293,248	4,423,296
General revenues:						
Property Taxes	224,879	224,047	0	0	224,879	224,047
Income Taxes	3,480,320	3,420,832	0	0	3,480,320	3,420,832
Intergovernmental Revenues, Unrestricted	279,268	285,354	0	0	279,268	285,354
Investment Earnings	12,401	28,883	4,106	9,711	16,507	38,594
Miscellaneous	188,176	147,639	0	0	188,176	147,639
Total General Revenues	4,185,044	4,106,755	4,106	9,711	4,189,150	4,116,466
Total Revenues	5,216,750	5,505,262	3,265,648	3,034,500	8,482,398	8,539,762
Program Expenses						
Security of Persons and Property	2,303,994	2,453,677	0	0	2,303,994	2,453,677
Basic Utility Services	43,370	77,658	0	0	43,370	77,658
Leisure Time Activities	563,882	526,474	0	0	563,882	526,474
Community Environment	338,900	332,131	0	0	338,900	332,131
Transportation	924,716	978,449	0	0	924,716	978,449
General Government	772,384	785,261	0	0	772,384	785,261
Interest and Fiscal Charges	94,175	104,121	0	0	94,175	104,121
Water	0	0	1,246,227	1,394,634	1,246,227	1,394,634
Wastewater	0	0	1,148,648	1,045,621	1,148,648	1,045,621
Total Expenses	5,041,421	5,257,771	2,394,875	2,440,255	7,436,296	7,698,026
Total Change in Net Position	175,329	247,491	870,773	594,245	1,046,102	841,736
Beginning Net Position	14,640,171	14,392,680	15,013,152	14,418,907	29,653,323	28,811,587
Ending Net Position	\$14,815,500	\$14,640,171	\$15,883,925	\$15,013,152	\$30,699,425	\$29,653,323

### **Governmental Activities**

Net position of the City's governmental activities increased \$175,329. Contributions received in the prior year for ball field improvements at Dorothy B. Biddle Park resulted in the subsequent decrease in capital grants in the current year. Similarly, Moving Ohio Forward grants received in the prior year for the demolition of blighted properties resulted in the subsequent decrease in operating grants in the current year.

Expenses remained consistent with the previous year.

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.

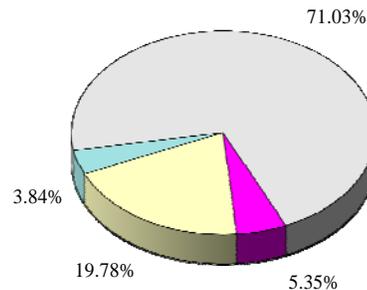
## CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2013**

**Unaudited**

Income taxes and property taxes made up 67% and 4% respectively of revenues for governmental activities for the City in 2013. The City's reliance upon tax revenues is demonstrated by the following graph indicating 71% of total revenues from general tax revenues:

Revenue Sources	2013	Percent of Total
General Tax Revenues	\$3,705,199	71.03%
Intergovernmental, Unrestricted	279,268	5.35%
Program Revenues	1,031,706	19.78%
General Other	200,577	3.84%
Total Revenue	<u>\$5,216,750</u>	<u>100.00%</u>



### **Business-Type Activities**

Net position of the business-type activities increased \$870,773. This represents a 6% change from the previous year. Overall, revenues and expenses were consistent with the previous year. The Water Department received \$46,609 of proceeds from the Atrazine Class Action Settlement Fund, which is reported as operating contributions.

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

The City's governmental funds reported a combined fund balance of \$4,902,866, which is an increase from last year's balance of \$4,296,117. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2013 and 2012:

	Fund Balance December 31, 2013	Restated Fund Balance December 31, 2012	Increase (Decrease)
General	\$988,320	\$770,362	\$217,958
Income Tax Capital Improvement	2,527,327	2,181,012	346,315
Other Governmental	1,387,219	1,344,743	42,476
Total	<u>\$4,902,866</u>	<u>\$4,296,117</u>	<u>\$606,749</u>

## CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2013**

**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:

	2013 Revenues	2012 Revenues	Increase (Decrease)
Taxes	\$2,829,507	\$2,775,739	\$53,768
Intergovernmental Revenue	295,719	383,814	(88,095)
Charges for Services	487,901	535,356	(47,455)
Licenses and Permits	9,572	7,479	2,093
Investment Earnings	10,424	17,371	(6,947)
Fines and Forfeitures	20,833	26,762	(5,929)
All Other Revenue	127,028	122,538	4,490
<b>Total</b>	<b>\$3,780,984</b>	<b>\$3,869,059</b>	<b>(\$88,075)</b>

General Fund revenues remained stable in 2013, decreasing approximately 2% when compared to revenues in 2012.

	2013 Expenditures	2012 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,160,286	\$2,275,213	(\$114,927)
Basic Utility Services	23,300	16,310	6,990
Leisure Time Activities	430,984	380,274	50,710
Community Environment	189,307	187,382	1,925
Transportation	254,904	292,618	(37,714)
General Government	578,930	587,474	(8,544)
Capital Outlay	0	125	(125)
<b>Total</b>	<b>\$3,637,711</b>	<b>\$3,739,396</b>	<b>(\$101,685)</b>

General Fund expenditures remained stable in 2013, decreasing \$101,685 or 3% when compared with the previous year.

	2013 Other Financing Sources (Uses)	2012 Other Financing Sources (Uses)	Increase (Decrease)
Other Financing Sources	\$119,017	\$46,272	\$72,745
Other Financing Uses	(56,823)	(39,012)	(17,811)
<b>Total</b>	<b>\$62,194</b>	<b>\$7,260</b>	<b>\$54,934</b>

## **CITY OF WAUSEON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2013***

***Unaudited***

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*Income Tax Capital Improvement Fund* – The Income Tax Capital Improvement fund balance increased approximately 16%. This increase in fund balance can be attributed to a decrease in capital outlays in 2013.

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 2013 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 \$3.9 million were less than final and original budget estimates.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal 2013 the City had \$27,306,383 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, equipment and vehicles. Of this total, \$12,550,360 was related to governmental activities and \$14,756,023 to the business-type activities. The following table shows fiscal year 2013 and 2012 balances:

	Governmental Activities		Increase (Decrease)
	2013	2012	
Land	\$1,538,017	\$1,538,017	\$0
Construction In Progress	77,649	0	77,649
Buildings	3,816,327	3,826,068	(9,741)
Improvements Other than Buildings	3,610,990	3,579,962	31,028
Machinery and Equipment	3,530,461	3,705,866	(175,405)
Infrastructure	7,514,542	7,514,542	0
Less: Accumulated Depreciation	(7,537,626)	(7,176,422)	(361,204)
Totals	<u>\$12,550,360</u>	<u>\$12,988,033</u>	<u>(\$437,673)</u>

The disposal of equipment in the Parks and Street departments resulted in the decrease in machinery and equipment.

## CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2013**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2013	2012	
Land	\$103,710	\$103,710	\$0
Construction in Progress	4,065,667	4,058,845	6,822
Buildings	7,116,172	7,116,172	0
Improvements other than Buildings	11,318,381	11,286,734	31,647
Machinery and Equipment	4,923,304	4,952,657	(29,353)
Less: Accumulated Depreciation	(12,771,211)	(12,373,092)	(398,119)
Totals	\$14,756,023	\$15,145,026	(\$389,003)

Increases in improvements included the extension of sewer lines along Airport Highway.

Additional information on the City's capital assets can be found in Note 7.

### **Debt**

The following table summarizes the City's debt outstanding as of December 31, 2013 and 2012:

	2013	2012
<b>Governmental Activities:</b>		
General Obligation Bonds	\$2,595,000	\$2,720,000
Compensated Absences	341,984	350,461
Total Governmental Activities	2,936,984	3,070,461
<b>Business-Type Activities:</b>		
Ohio Water Development Authority Loans	2,902,360	3,035,434
Long Term Note Payable	1,550,000	1,650,000
Compensated Absences	79,307	71,062
Total Business-Type Activities	4,531,667	4,756,496
Totals	\$7,468,651	\$7,826,957

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, 2013, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

## **CITY OF WAUSEON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2013***

***Unaudited***

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### **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 \$3.5 million again this year and are allocated 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 was constructed through what was previously farmland in the northeast corner of the City. This opened up a mile long area for future economic development which will allow the City's income tax base to grow. An office building and a housing complex have 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 Jamie L. Giguere, Director of Finance, City of Wauseon at 419-335-9022 or [jamie.giguere@cityofwauseon.com](mailto:jamie.giguere@cityofwauseon.com).

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**CITY OF WAUSEON, OHIO**

**Statement of Net Position**  
**December 31, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,282,206	\$ 3,736,182	\$ 7,018,388
Investments	530,858	1,209,286	1,740,144
Receivables:			
Taxes	639,062	0	639,062
Accounts	79,667	394,800	474,467
Intergovernmental	284,930	0	284,930
Interest	1,507	0	1,507
Special Assessments	1,505	0	1,505
Loans	292,308	181,971	474,279
Inventory of Supplies at Cost	48,910	179,448	228,358
Prepaid Items	27,399	38,917	66,316
Restricted Assets:			
Cash and Cash Equivalents	394,220	0	394,220
Cash and Cash Equivalents with Fiscal Agent	38,644	0	38,644
Non-Depreciable Capital Assets	1,615,666	4,169,377	5,785,043
Depreciable Capital Assets, Net	10,934,694	10,586,646	21,521,340
<b>Total Assets</b>	<b>18,171,576</b>	<b>20,496,627</b>	<b>38,668,203</b>
<b>Liabilities:</b>			
Accounts Payable	15,903	16,835	32,738
Accrued Wages and Benefits	176,051	58,603	234,654
Accrued Interest Payable	7,401	5,597	12,998
Noncurrent liabilities:			
Due within one year	277,830	1,591,129	1,868,959
Due in more than one year	2,659,154	2,940,538	5,599,692
<b>Total Liabilities</b>	<b>3,136,339</b>	<b>4,612,702</b>	<b>7,749,041</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	219,737	0	219,737
<b>Net Position:</b>			
Net Investment in Capital Assets	9,955,360	10,303,663	20,259,023
Restricted For:			
Other Purposes	1,484,881	0	1,484,881
Unrestricted	3,375,259	5,580,262	8,955,521
<b>Total Net Position</b>	<b>\$ 14,815,500</b>	<b>\$ 15,883,925</b>	<b>\$ 30,699,425</b>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

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**Statement of Activities**  
**For the Year Ended December 31, 2013**

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	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Security of Persons and Property	\$ 2,303,994	\$ 510,131	\$ 30,341
Basic Utility Services	43,370	2,710	0
Leisure Time Activities	563,882	0	0
Community Environment	338,900	10,042	51,900
Transportation	924,716	0	389,854
General Government	772,384	36,728	0
Interest and Fiscal Charges	94,175	0	0
<b>Total Governmental Activities</b>	5,041,421	559,611	472,095
<b>Business-Type Activities:</b>			
Water	1,246,227	1,674,036	46,609
Wastewater	1,148,648	1,446,071	94,826
<b>Total Business-Type Activities</b>	2,394,875	3,120,107	141,435
<b>Totals</b>	\$ 7,436,296	\$ 3,679,718	\$ 613,530

**General Revenues**

Property Taxes Levied for:

General Purposes

Income Taxes

Intergovernmental Revenues, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

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Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,763,522)	\$ 0	\$ (1,763,522)
(40,660)	0	(40,660)
(563,882)	0	(563,882)
(276,958)	0	(276,958)
(534,862)	0	(534,862)
(735,656)	0	(735,656)
(94,175)	0	(94,175)
<u>(4,009,715)</u>	<u>0</u>	<u>(4,009,715)</u>
0	474,418	474,418
<u>0</u>	<u>392,249</u>	<u>392,249</u>
<u>0</u>	<u>866,667</u>	<u>866,667</u>
<u>\$ (4,009,715)</u>	<u>\$ 866,667</u>	<u>\$ (3,143,048)</u>
224,879	0	224,879
3,480,320	0	3,480,320
279,268	0	279,268
12,401	4,106	16,507
<u>188,176</u>	<u>0</u>	<u>188,176</u>
<u>4,185,044</u>	<u>4,106</u>	<u>4,189,150</u>
175,329	870,773	1,046,102
<u>14,640,171</u>	<u>15,013,152</u>	<u>29,653,323</u>
<u>\$ 14,815,500</u>	<u>\$ 15,883,925</u>	<u>\$ 30,699,425</u>

**CITY OF WAUSEON, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2013**

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 618,880	\$ 2,114,511	\$ 548,815	\$ 3,282,206
Investments	106,786	329,377	94,695	530,858
Receivables:				
Taxes	536,902	102,160	0	639,062
Accounts	74,376	0	5,291	79,667
Intergovernmental	99,356	0	185,574	284,930
Interest	1,507	0	0	1,507
Special Assessments	1,505	0	0	1,505
Loans	0	0	292,308	292,308
Inventory of Supplies, at Cost	35,782	0	13,128	48,910
Prepaid Items	27,399	0	0	27,399
Restricted Assets:				
Cash and Cash Equivalents	0	0	394,220	394,220
Cash and Cash Equivalents with Fiscal Agent	0	0	38,644	38,644
<b>Total Assets</b>	<b>\$ 1,502,493</b>	<b>\$ 2,546,048</b>	<b>\$ 1,572,675</b>	<b>\$ 5,621,216</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 12,469	\$ 3,243	\$ 191	\$ 15,903
Accrued Wages and Benefits Payable	152,869	276	22,906	176,051
Compensated Absences Payable	1,976	0	0	1,976
<b>Total Liabilities</b>	<b>167,314</b>	<b>3,519</b>	<b>23,097</b>	<b>193,930</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Amounts	127,122	15,202	162,359	304,683
Property Tax Levy for Next Fiscal Year	219,737	0	0	219,737
<b>Total Deferred Inflows of Resources</b>	<b>346,859</b>	<b>15,202</b>	<b>162,359</b>	<b>524,420</b>
<b>Fund Balance:</b>				
Nondspendable	63,181	0	305,436	368,617
Restricted	0	0	1,081,783	1,081,783
Committed	0	2,527,327	0	2,527,327
Assigned	524,181	0	0	524,181
Unassigned	400,958	0	0	400,958
<b>Total Fund Balance</b>	<b>988,320</b>	<b>2,527,327</b>	<b>1,387,219</b>	<b>4,902,866</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,502,493</b>	<b>\$ 2,546,048</b>	<b>\$ 1,572,675</b>	<b>\$ 5,621,216</b>

See accompanying notes to the basic financial statements

## CITY OF WAUSEON, OHIO

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### ***Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2013***

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<b>Total Governmental Fund Balances</b>	\$	4,902,866
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		12,550,360
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		304,683
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(2,595,000)	
Compensated Absences Payable	(340,008)	
Accrued Interest Payable	(7,401)	(2,942,409)
	<u>                    </u>	<u>                    </u>
<b><i>Net Position of Governmental Activities</i></b>	<b>\$</b>	<b><u>14,815,500</u></b>

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, 2013

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,829,507	\$ 868,740	\$ 0	\$ 3,698,247
Intergovernmental Revenue	295,719	121,900	420,060	837,679
Charges for Services	487,901	0	0	487,901
Licenses and Permits	9,572	0	0	9,572
Investment Earnings	10,424	(8,184)	10,161	12,401
Fines and Forfeitures	20,833	0	40,835	61,668
All Other Revenue	127,028	8,589	1,815	137,432
<b>Total Revenue</b>	<b>3,780,984</b>	<b>991,045</b>	<b>472,871</b>	<b>5,244,900</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,160,286	0	25,982	2,186,268
Basic Utility Services	23,300	0	0	23,300
Leisure Time Activities	430,984	0	0	430,984
Community Environment	189,307	14,240	44,350	247,897
Transportation	254,904	0	362,172	617,076
General Government	578,930	0	0	578,930
Capital Outlay	0	430,255	0	430,255
Debt Service:				
Principal Retirement	0	0	125,000	125,000
Interest & Fiscal Charges	0	0	94,376	94,376
<b>Total Expenditures</b>	<b>3,637,711</b>	<b>444,495</b>	<b>651,880</b>	<b>4,734,086</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	143,273	546,550	(179,009)	510,814
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources	119,017	19,141	0	138,158
Other Financing Uses	(56,823)	0	0	(56,823)
Transfers In	0	0	219,376	219,376
Transfers Out	0	(219,376)	0	(219,376)
<b>Total Other Financing Sources (Uses)</b>	<b>62,194</b>	<b>(200,235)</b>	<b>219,376</b>	<b>81,335</b>
Net Change in Fund Balance	205,467	346,315	40,367	592,149
<b>Fund Balance at Beginning of Year - Restated</b>	<b>770,362</b>	<b>2,181,012</b>	<b>1,344,743</b>	<b>4,296,117</b>
Increase in Inventory	12,491	0	2,109	14,600
<b>Fund Balance End of Year</b>	<b>\$ 988,320</b>	<b>\$ 2,527,327</b>	<b>\$ 1,387,219</b>	<b>\$ 4,902,866</b>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2013***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 592,149

***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	280,338	
Depreciation Expense	(661,720)	(381,382)

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

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.		(56,291)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(109,485)
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The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

General Obligation Bond Principal Retirement	125,000	
Accrued Interest Payable	201	125,201

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	(9,463)	
Change in Inventory	14,600	5,137

<b><i>Change in Net Position of Governmental Activities</i></b>		<b><u>\$ 175,329</u></b>
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See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 2,755,000	\$ 2,809,409	\$ 2,857,034	\$ 47,625
Intergovernmental Revenue	250,400	356,950	360,390	3,440
Charges for Services	488,500	491,700	493,285	1,585
Licenses and Permits	4,250	10,300	10,561	261
Investment Earnings	15,000	10,000	9,924	(76)
Fines and Forfeitures	26,400	21,200	21,562	362
All Other Revenues	112,000	131,891	127,935	(3,956)
Total Revenues	<u>3,651,550</u>	<u>3,831,450</u>	<u>3,880,691</u>	<u>49,241</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,398,376	2,430,285	2,367,924	62,361
Basic Utility Services	39,600	30,600	23,745	6,855
Leisure Time Activities	551,853	493,853	441,380	52,473
Community Environment	218,324	200,324	192,652	7,672
Transportation	304,352	285,352	273,765	11,587
General Government	646,941	667,541	622,226	45,315
Capital Outlay	400	400	0	400
Total Expenditures	<u>4,159,846</u>	<u>4,108,355</u>	<u>3,921,692</u>	<u>186,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(508,296)	(276,905)	(41,001)	235,904
<b>Other Financing Sources (Uses):</b>				
Transfers In	150,000	0	0	0
Other Financing Sources	75,000	126,000	123,087	(2,913)
Other Financing Uses	(57,000)	(58,000)	(56,823)	1,177
Total Other Financing Sources (Uses):	<u>168,000</u>	<u>68,000</u>	<u>66,264</u>	<u>(1,736)</u>
Net Change in Fund Balance	(340,296)	(208,905)	25,263	234,168
Fund Balance at Beginning of Year	361,115	361,115	361,115	0
Prior Year Encumbrances	148,156	148,156	148,156	0
Fund Balance at End of Year	<u>\$ 168,975</u>	<u>\$ 300,366</u>	<u>\$ 534,534</u>	<u>\$ 234,168</u>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Net Position  
Proprietary Funds  
December 31, 2013**

	Business-Type Activities		
	Enterprise Funds		Total
	Water	Wastewater	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,780,717	\$ 1,955,465	\$ 3,736,182
Investments	0	1,209,286	1,209,286
Receivables:			
Accounts	202,983	191,817	394,800
Loans	181,971	0	181,971
Inventory of Supplies at Cost	169,956	9,492	179,448
Prepaid Items	6,602	32,315	38,917
<b>Total Current Assets</b>	<b>2,342,229</b>	<b>3,398,375</b>	<b>5,740,604</b>
Noncurrent Assets:			
Capital Assets, Net	6,757,106	7,998,917	14,756,023
<b>Total Noncurrent Assets</b>	<b>6,757,106</b>	<b>7,998,917</b>	<b>14,756,023</b>
<b>Total Assets</b>	<b>9,099,335</b>	<b>11,397,292</b>	<b>20,496,627</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	3,426	13,409	16,835
Accrued Wages and Benefits	33,850	24,753	58,603
Compensated Absences Payable - Current	17,674	7,885	25,559
Accrued Interest Payable	5,597	0	5,597
General Obligation Notes Payable	1,550,000	0	1,550,000
OWDA Loans Payable - Current	15,570	0	15,570
<b>Total Current Liabilities</b>	<b>1,626,117</b>	<b>46,047</b>	<b>1,672,164</b>
Noncurrent Liabilities:			
OWDA Loans Payable	166,401	2,720,389	2,886,790
Compensated Absences Payable	32,063	21,685	53,748
<b>Total Noncurrent Liabilities</b>	<b>198,464</b>	<b>2,742,074</b>	<b>2,940,538</b>
<b>Total Liabilities</b>	<b>1,824,581</b>	<b>2,788,121</b>	<b>4,612,702</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,025,135	5,278,528	10,303,663
Unrestricted	2,249,619	3,330,643	5,580,262
<b>Total Net Position</b>	<b>\$ 7,274,754</b>	<b>\$ 8,609,171</b>	<b>\$ 15,883,925</b>

See accompanying notes to the basic financial statements

**CITY OF WAUSEON, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2013**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,632,294	\$ 1,439,203	\$ 3,071,497
<b>Total Operating Revenues</b>	<u>1,632,294</u>	<u>1,439,203</u>	<u>3,071,497</u>
<b>Operating Expenses:</b>			
Personal Services	593,083	473,518	1,066,601
Contractual Services	145,223	150,794	296,017
Materials and Supplies	203,838	164,789	368,627
Depreciation	222,959	244,574	467,533
<b>Total Operating Expenses</b>	<u>1,165,103</u>	<u>1,033,675</u>	<u>2,198,778</u>
<b>Operating Income</b>	467,191	405,528	872,719
<b>Non-Operating Revenues (Expenses):</b>			
Interest Income	1,676	2,430	4,106
Interest and Fiscal Charges	(17,473)	(97,992)	(115,465)
Lawsuit Claim Proceeds	46,609	0	46,609
Loss on Disposal of Capital Assets	(1,886)	(5,827)	(7,713)
Intergovernmental Grants	0	94,826	94,826
Other Nonoperating Revenue	41,742	6,868	48,610
Other Nonoperating Expense	(61,765)	(11,154)	(72,919)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>8,903</u>	<u>(10,849)</u>	<u>(1,946)</u>
<b>Change in Net Position</b>	476,094	394,679	870,773
<b>Net Position Beginning of Year</b>	<u>6,798,660</u>	<u>8,214,492</u>	<u>15,013,152</u>
<b>Net Position End of Year</b>	<u>\$ 7,274,754</u>	<u>\$ 8,609,171</u>	<u>\$ 15,883,925</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, 2013**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,670,165	\$1,437,976	\$3,108,141
Cash Payments for Goods and Services	(437,598)	(320,072)	(757,670)
Cash Payments to Employees	(589,154)	(473,065)	(1,062,219)
Net Cash Provided by Operating Activities	<u>643,413</u>	<u>644,839</u>	<u>1,288,252</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	0	94,826	94,826
Lawsuit Claim Proceeds	46,609	0	46,609
Net Cash Provided by Noncapital Financing Activities	<u>46,609</u>	<u>94,826</u>	<u>141,435</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(29,974)	(56,269)	(86,243)
Notes Issued	1,550,000	0	1,550,000
Note Retirement	(1,650,000)	0	(1,650,000)
OWDA Loan Retirement	(15,055)	(118,019)	(133,074)
Interest Paid on All Debt	(14,786)	(97,992)	(112,778)
Net Cash Used by Capital and Related Financing Activities	<u>(159,815)</u>	<u>(272,280)</u>	<u>(432,095)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	0	(1,233,615)	(1,233,615)
Sale of Investments	0	1,230,011	1,230,011
Receipts of Interest	1,676	9,951	11,627
Net Cash Provided by Investing Activities	<u>1,676</u>	<u>6,347</u>	<u>8,023</u>
Net Increase in Cash and Cash Equivalents	531,883	473,732	1,005,615
Cash and Cash Equivalents at Beginning of Year	1,248,834	1,481,733	2,730,567
Cash and Cash Equivalents at End of Year	<u>\$1,780,717</u>	<u>\$1,955,465</u>	<u>\$3,736,182</u>

(Continued)

**CITY OF WAUSEON, OHIO**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$467,191	\$405,528	\$872,719
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	222,959	244,574	467,533
Miscellaneous Nonoperating Revenue	59,016	6,868	65,884
Miscellaneous Nonoperating Expense	(65,837)	(11,154)	(76,991)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(21,145)	(8,095)	(29,240)
(Increase) Decrease in Inventory	(18,336)	2,106	(16,230)
Decrease in Prepaid Items	5,960	5,588	11,548
Increase (Decrease) in Accounts Payable	(8,376)	919	(7,457)
Decrease in Accrued Wages and Benefits	(1,413)	(2,450)	(3,863)
Decrease in Intergovernmental Payable	(1,948)	(1,948)	(3,896)
Increase in Compensated Absences	5,342	2,903	8,245
Total Adjustments	176,222	239,311	415,533
Net Cash Provided by Operating Activities	<u>\$643,413</u>	<u>\$644,839</u>	<u>\$1,288,252</u>

See accompanying notes to the basic financial statements

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

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

The financial statements are presented as of December 31, 2013 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 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.

#### **Jointly Governed Organization**

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

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

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

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, 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 25% of City income tax receipts.

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

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The enterprise funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the balance sheet. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The City's major enterprise funds are:

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

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

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

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

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus.

The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows/inflows of resources 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.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

##### **C. Basis of Presentation – Financial Statements (Continued)**

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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.

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 inflows of resources. Property taxes measurable as of December 31, 2013 but which are not intended to finance 2013 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 4.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

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

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.

##### **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.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

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

##### **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 2013.

##### **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.

##### **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.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

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

##### **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 on the budgetary basis.

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	\$205,467
Increase (Decrease):	
Accrued Revenues at December 31, 2013 received during 2014	(366,787)
Accrued Revenues at December 31, 2012 received during 2013	470,564
Accrued Expenditures at December 31, 2013 paid during 2014	167,314
Accrued Expenditures at December 31, 2012 paid during 2013	(284,304)
2012 Prepays for 2013	51,540
2013 Prepays for 2014	(27,399)
Outstanding Encumbrances	(191,132)
Budget Basis	<u><u>\$25,263</u></u>

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

##### **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 3, "Cash, Cash Equivalents and Investments."

##### **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 3, "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, 2013, 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.

# CITY OF WAUSEON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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

#### **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 Position, but they are not reported in the Fund Financial Statements.

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

##### 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 Position and in the respective funds.

##### 3. Depreciation

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

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

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **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 Loans	Water Fund, Wastewater Fund
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund, Water Fund, Wastewater Fund
Long Term Note Payable/GO Bonds	Income Tax Capital Improvement Fund, Bond Retirement 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 35% 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 position, "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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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

##### **M. Net Position**

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets 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 position is 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 in 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **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 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) 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.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) 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 2013.

##### **S. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City reports no deferred outflows of resources.

**CITY OF WAUSEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013**

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

**S. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

**NOTE 2 – FUND BALANCE CLASSIFICATION**

Fund balance is classified as nonspendable, restricted, committed, assigned, 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	\$292,308	\$292,308
Prepaid Items	27,399	0	0	27,399
Supplies Inventory	35,782	0	13,128	48,910
Total Nonspendable	<u>63,181</u>	<u>0</u>	<u>305,436</u>	<u>368,617</u>
Restricted:				
Street Improvements	0	0	643,142	643,142
Drug and Alcohol Treatment and Education	0	0	44,421	44,421
Community Development and Improvement	0	0	394,220	394,220
Total Restricted	<u>0</u>	<u>0</u>	<u>1,081,783</u>	<u>1,081,783</u>
Committed:				
Capital Improvements	0	2,527,327	0	2,527,327
Assigned:				
Excess Appropriations Over Estimated Revenues	345,516	0	0	345,516
Encumbrances	178,665	0	0	178,665
Total Assigned	<u>524,181</u>	<u>0</u>	<u>0</u>	<u>524,181</u>
Unassigned (Deficits):	400,958	0	0	400,958
Total Fund Balances	<u>\$988,320</u>	<u>\$2,527,327</u>	<u>\$1,387,219</u>	<u>\$4,902,866</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 3 - 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 \$6,782,109 and the bank balance was \$6,830,711. Federal depository insurance covered \$811,865 of the bank balance and \$6,018,846 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$2,400,349</u>
Uninsured and collateralized with securities held by the pledging institution's trust department in the City's name	<u>3,618,497</u>
Total Balance	<u><u>\$6,018,846</u></u>

The City had restricted cash in the amount of \$394,220, which was related to the Community Development Block Grant Economic Development Revolving Loan Fund. In addition, the City also had cash with fiscal agent in the amount of \$38,644, 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, 2013*

#### NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

##### **B. Investments**

The City's investments at December 31, 2013 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
Money Market Mutual Fund	\$210,565	AA+ <sup>1</sup> / Aaa <sup>2</sup>	\$210,565	\$0	\$0
Marketable CDs	419,284	AAA <sup>3</sup>	419,284	0	0
FFCB	367,565	AA+ <sup>1</sup> / Aaa <sup>2</sup>	0	184,305	183,260
FHLMC	305,895	AA+ <sup>1</sup> / Aaa <sup>2</sup>	180,880	125,015	0
FHLB	623,856	AA+ <sup>1</sup> / Aaa <sup>2</sup>	175,878	175,038	272,940
FNMA	442,828	AA+ <sup>1</sup> / Aaa <sup>2</sup>	0	442,828	0
Total Investments	<u>\$2,369,993</u>		<u>\$986,607</u>	<u>\$927,186</u>	<u>\$456,200</u>

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

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

<sup>3</sup> All are fully FDIC insured and therefore have an implied AAA credit rating

*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, 9% is invested in a Money Market Mutual Fund, 18% are in Marketable Certificates of Deposit, 15% are invested in FFCB, 13% in FHLMC, 26% are FHLB, and 19% 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.

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

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

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$7,451,252	\$1,740,144
Cash with Fiscal Agent	(38,644)	
Petty Cash	(650)	
Investments:		
Money Market Mutual Fund	(210,565)	210,565
Marketable CDs	(419,284)	419,284
Per GASB Statement No. 3	<u>\$6,782,109</u>	<u>\$2,369,993</u>

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 4 - TAXES**

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

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2013 were levied after October 1, 2012 on assessed values as of January 1, 2012, the lien date. Assessed values 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 are made in the third year following reappraisal. The last reappraisal was completed in 2008. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wauseon. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2013 was \$2.20 per \$1,000 of assessed value. The assessed value upon which the 2013 levy was based was \$114,135,190. This amount constitutes \$110,448,610 in real property assessed value and \$3,686,580 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 Income Tax Capital Improvement Funds.

#### **NOTE 5 - RECEIVABLES**

Receivables at December 31, 2013 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 inflows are considered collectible in full.

**CITY OF WAUSEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013**

**NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2013:

Fund	Transfer In	Transfer Out
Income Tax Capital Improvement Fund	\$0	\$219,376
Other Governmental Funds	219,376	0
Totals	<u>\$219,376</u>	<u>\$219,376</u>

**NOTE 7 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2013:

*Historical Cost:*

Class	December 31, 2012	Additions	Deletions	December 31, 2013
<i>Capital assets not being depreciated:</i>				
Land	\$1,538,017	\$0	\$0	\$1,538,017
Construction in Progress	0	77,649	0	77,649
Subtotal	<u>1,538,017</u>	<u>77,649</u>	<u>0</u>	<u>1,615,666</u>
<i>Capital assets being depreciated:</i>				
Buildings	3,826,068	0	(9,741)	3,816,327
Improvements Other than Buildings	3,579,962	35,000	(3,972)	3,610,990
Machinery and Equipment	3,705,866	167,689	(343,094)	3,530,461
Infrastructure	7,514,542	0	0	7,514,542
Subtotal	<u>18,626,438</u>	<u>202,689</u>	<u>(356,807)</u>	<u>18,472,320</u>
Total Cost	<u>\$20,164,455</u>	<u>\$280,338</u>	<u>(\$356,807)</u>	<u>\$20,087,986</u>

*Accumulated Depreciation:*

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Buildings	(\$2,219,740)	(\$116,895)	\$8,767	(\$2,327,868)
Improvements Other than Buildings	(800,909)	(81,900)	3,575	(879,234)
Machinery and Equipment	(2,162,796)	(239,522)	288,174	(2,114,144)
Infrastructure	(1,992,977)	(223,403)	0	(2,216,380)
Total Accumulated Depreciation	<u>(\$7,176,422)</u>	<u>(\$661,720) *</u>	<u>\$300,516</u>	<u>(\$7,537,626)</u>
<i>Net Value:</i>	<u>\$12,988,033</u>			<u>\$12,550,360</u>

The City changed the classification of assets, which resulted in the beginning balance of Land, Infrastructure, and Improvements other than buildings to be adjusted by \$168,451, \$80,010, and (\$248,461), respectively. Beginning accumulated depreciation for Infrastructure and Improvements other than buildings changed by \$50,684 and (\$50,684), respectively.

**CITY OF WAUSEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013**

**NOTE 7 - CAPITAL ASSETS (Continued)**

**A. Governmental Activities Capital Assets (Continued)**

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

Security of Persons and Property	\$103,227
Basic Utility Services	20,070
Leisure Time Activities	135,693
Community Environment	15,657
Transportation	306,241
General Government	80,832
Total Depreciation Expense	\$661,720

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, 2013.

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

Summary by Category at December 31, 2013:

**Historical Cost:**

Class	December 31, 2012	Additions	Deletions	December 31, 2013
<b>Capital assets not being depreciated:</b>				
Land	\$103,710	\$0	\$0	\$103,710
Construction in Progress	4,058,845	6,822	0	4,065,667
Subtotal	4,162,555	6,822	0	4,169,377
<b>Capital assets being depreciated:</b>				
Buildings	7,116,172	0	0	7,116,172
Improvements other than Buildings	11,286,734	31,647	0	11,318,381
Machinery and Equipment	4,952,657	47,774	(77,127)	4,923,304
Subtotal	23,355,563	79,421	(77,127)	23,357,857
Total Cost	\$27,518,118	\$86,243	(\$77,127)	\$27,527,234

**Accumulated Depreciation:**

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Buildings	(\$4,038,025)	(\$162,981)	\$0	(\$4,201,006)
Improvements other than Buildings	(4,043,083)	(239,419)	0	(4,282,502)
Machinery and Equipment	(4,291,984)	(65,133)	69,414	(4,287,703)
Total Accumulated Depreciation	(\$12,373,092)	(\$467,533)	\$69,414	(\$12,771,211)

<b>Net Value:</b>	\$15,145,026	\$14,756,023
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## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 8 – 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 visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 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 2013, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2013 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 and Combined Plans was 13.0% for calendar year 2013. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's contributions for pension obligations to OPERS for the years ending December 31, 2013, 2012, and 2011 were \$242,134, \$179,162 and \$191,162, respectively, which were equal to the required contributions for each year.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **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, by calling (614) 228-2975, or by visiting [www.op-f.org](http://www.op-f.org).

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, employers were 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. The portion of employer contributions used to fund pension obligations from January 1, 2013 through May 31, 2013 was 14.81% for police officers and 19.31% for firefighters. The portion of employer contributions used to fund pension obligations from June 1, 2013 through December 31, 2013 was 16.65% for police officers and 21.15% for firefighters. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2013, 2012, and 2011 were \$106,402, \$81,706 and \$89,825 for police officers and \$3,233, \$9,719 and \$10,497 for firefighters, respectively, which were equal to the required contributions for each year.

#### **NOTE 9 - 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.

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.

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 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 2013, 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 and Combined Plans was 1.0% for calendar year 2013. 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, 2013, 2012, and 2011 were \$18,626, \$71,665 and \$76,465, respectively, which were equal to the required contributions for each year.

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

## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 9 - 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. That report is also available on OP&F’s website at [www.op-f.org](http://www.op-f.org).

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.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made 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 2013, the portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013 for both police officers and firefighters. 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, 2013, 2012, and 2011 were \$24,228, \$43,256 and \$47,555 for police and \$574, \$3,803 and \$4,108 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, 2013**

**NOTE 10 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2013 was as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2012	Additions	Deductions	Balance December 31, 2013	Amount Due Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2.0-5.0%	Street Improvement	2029	\$2,720,000	\$0	(\$125,000)	\$2,595,000	\$130,000
	Compensated Absences		350,461	341,984	(350,461)	341,984	147,830
	Total Governmental Activities		3,070,461	341,984	(475,461)	2,936,984	277,830
<b>Business-Type Activities:</b>							
Ohio Water Development Authority Loans:							
3.34%	Wastewater Treatment Plant	2031	2,838,408	0	(118,019)	2,720,389	0
3.39%	Tedrow Water Supply Improvements	2024	197,026	0	(15,055)	181,971	15,570
	Total Ohio Water Development Authority Loans		3,035,434	0	(133,074)	2,902,360	15,570
Long Term Note Payable:							
0.50%	Water Improvements	2013	1,650,000	0	(1,650,000)	0	0
1.00%	Water Improvements	2014	0	1,550,000	0	1,550,000	1,550,000
	Compensated Absences		71,062	79,307	(71,062)	79,307	25,559
	Total Business-Type Activities		4,756,496	1,629,307	(1,854,136)	4,531,667	1,591,129
	Total Other Long-Term Obligations		\$7,826,957	\$1,971,291	(\$2,329,597)	\$7,468,651	\$1,868,959

*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, 2013, the City had received \$3,008,266 from OWDA. Subsequent amounts will be received in future years. As of December 31, 2013 the loan has not been finalized and there is no amortization schedule for the loan.

The Water Improvements Note Payable series 2013 will mature on August 20, 2014 and was issued in anticipation of the issuance of bonds for the purpose of improving the municipal waterworks system. The notes were used to retire the series 2012 notes payable, which matured on August 6, 2013.

## **CITY OF WAUSEON, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

#### **NOTE 10 - LONG-TERM OBLIGATIONS (Continued)**

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.

The City issued \$3,000,000 street improvement bonds on May 26, 2011. This bond issue includes serial and term bonds. The City established a bond retirement fund in 2013.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

Years	<b>Governmental Activities</b>		<b>Business-Type Activities</b>			
	<b>General Obligation Bond</b>		<b>Long Term Note</b>		<b>OWDA Loans</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$130,000	\$91,875	\$1,550,000	\$15,500	\$15,570	\$6,038
2015	130,000	89,275	0	0	16,102	5,505
2016	135,000	86,675	0	0	16,652	4,956
2017	135,000	83,638	0	0	17,222	4,386
2018	140,000	80,263	0	0	17,810	3,797
2019-2023	775,000	328,740	0	0	98,615	9,424
2024-2028	940,000	162,990	0	0	0	0
2029-2031	210,000	8,925	0	0	0	0
<b>Totals</b>	<b>\$2,595,000</b>	<b>\$932,381</b>	<b>\$1,550,000</b>	<b>\$15,500</b>	<b>\$181,971</b>	<b>\$34,106</b>

The City's total debt margin was \$9,389,195 at December 31, 2013. 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.

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## **CITY OF WAUSEON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2013***

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#### **NOTE 11 - 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 2013, 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	\$25,480,400/1,000	per occurrence
Boiler and Machinery	\$8,012,400/1,000	per occurrence
Automobile Physical Damage	\$1,993,142/500-1,000	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 12 - 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, 2013.

**CITY OF WAUSEON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013**

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**NOTE 12 – CONTINGENCIES (Continued)**

**B. Litigation**

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

**NOTE 13 – 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 14 – RELATED PARTY TRANSACTIONS**

The City procures work clothing from Shaw's Clothing. Expenditures to Shaw's Clothing for the fiscal year 2013 were \$9,076. Mayor Doug Shaw is the owner of Shaw's Clothing.

**NOTE 15 – RESTATEMENT OF FUND BALANCE**

Adjustments were necessary to the beginning of year fund balance in the Income Tax Capital Improvement Fund and Other Governmental Funds to reflect the reclassification of cash balances. The reclassification of cash balances resulted in the changes to beginning of year fund balance as detailed below. This restatement had no impact on total beginning of year fund balance in the governmental funds or governmental activities net position.

	Income Tax Capital Improvement Fund	Other Governmental Funds
Fund Balance at December 31, 2012	\$2,389,673	\$1,136,082
Cash Balance Reclassification	(208,661)	208,661
Fund Balance, as Restated	<u>\$2,181,012</u>	<u>\$1,344,743</u>

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# Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2014 and wherein the City changed its accounting for cash within the Income Tax Capital Improvement Fund and Other Governmental Funds in 2013.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

Columbus, Ohio

September 25, 2014

**CITY OF WAUSEON  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013**

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

**FINDING NUMBER 2013-001**

**Material Weakness – Inventory Records**

The City reported \$169,956 in Water Fund inventory of which \$127,160 was related to the public works department. Sound internal control policies require some form of documentation be provided to support the unit price of each inventory item.

Unit price support for the evaluation of public works inventory could not be verified due to the records being unavailable. This resulted in the accuracy and valuation of the inventory amounts reported for public works not being substantiated.

We recommend the City maintain supporting documentation (i.e. Invoice, bids, etc.) for all inventory items.

**FINDING NUMBER 2013-002**

**Material Weakness – Recording “On behalf” Grants**

The City was the beneficiary of an Ohio Public Works Commission (OPWC) grant, which expenditures were made directly to the Ohio Water Development Authority (OWDA), for \$94,826 to pay for a portion of the OWDA waste water treatment plant improvement debt interest. These monies were not recorded on the City’s financial statements. Since OPWC directly paid the invoices, the City did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the City applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in the Sewer Operating Fund.

We recommend the Finance Director record all benefits received from state or federal grants as a memo receipt and expenditure on the City’s records. In addition, City management should review Auditor of State Bulletins 2000-008 and 2002-004 for recording on behalf payments received from the State.

**Officials’ Response:**

We did not receive a response from Officials to the findings reported above.

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**CITY OF WAUSEON  
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Rev. Code §§ 5705.09(B) and 5709.09 (C) for not establishing a sinking fund or debt retirement fund.	Yes	

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# 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  
OCTOBER 9, 2014**