



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF WAUSEON  
FULTON COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Honorable Mayor and Members of the Council:

We have audited the accompanying general-purpose financial statements of the City of Wauseon (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

July 17, 2002

**THE CITY OF WAUSEON, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

	<i>Governmental</i>		
	<i>Fund Types</i>		
	General Fund	Special Revenue Funds	Capital Projects Fund
<u>Assets and Other Debits:</u>			
Assets:			
Cash and Cash Equivalents	\$1,622,273	\$214,734	\$2,884,072
Cash with Fiscal Agent	0	386,867	0
Receivables (net of allowance for doubtful accounts):			
Taxes	541,395	0	245,807
Accounts	36,737	0	0
Special Assessments	522	0	0
Loans	0	572,338	0
Intergovernmental Receivables	11,203	84,661	250,153
Inventory of Supplies at Cost	17,063	12,350	0
Prepaid Items	17,792	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0
Other Debits:			
Amount to be Provided for General Long-Term Obligations	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$2,246,985</u>	<u>\$1,270,950</u>	<u>\$3,380,032</u>
<u>Liabilities, Equity and Other Credits:</u>			
Liabilities:			
Accounts Payable	\$22,094	\$2,759	\$22,551
Accrued Wages and Benefits	109,366	5,477	313
Intergovernmental Payables	7,003	0	0
Accrued Interest Payable	0	0	0
Deferred Revenue	285,820	54,610	162,399
Retainage Payable	0	0	0
General Obligation Notes Payable	0	0	0
Compensated Absences Payable	0	0	0
Ohio Water Development Authority Loan Payable	0	0	0
<b>Total Liabilities</b>	<u>424,283</u>	<u>62,846</u>	<u>185,263</u>
Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balances:			
Reserved for Encumbrances	112,880	12,407	740,108
Reserved for Supplies Inventory	17,063	12,350	0
Reserved for Prepaid Items	17,792	0	0
Reserved for CDBG Loans	0	572,338	0
Unreserved:			
Undesignated	1,674,967	611,009	2,454,661
<b>Total Equity and Other Credits</b>	<u>1,822,702</u>	<u>1,208,104</u>	<u>3,194,769</u>
<b>Total Liabilities, Equity and Other Credits</b>	<u>\$2,246,985</u>	<u>\$1,270,950</u>	<u>\$3,380,032</u>

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

**THE CITY OF WAUSEON, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

<i>Proprietary</i> <i>Fund Type</i>	<i>Fiduciary</i> <i>Fund Type</i>	<i>Account</i> <i>Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Expendable Trust Funds	General Fixed Assets	General Long-Term Obligations	
\$4,166,463	\$17,635	\$0	\$0	\$8,905,177
175,474	0	0	0	562,341
0	0	0	0	787,202
229,725	0	0	0	266,462
0	0	0	0	522
0	0	0	0	572,338
0	0	0	0	346,017
93,674	0	0	0	123,087
34,572	0	0	0	52,364
11,831,709	0	6,980,266	0	18,811,975
0	0	0	448,654	448,654
<u>\$16,531,617</u>	<u>\$17,635</u>	<u>\$6,980,266</u>	<u>\$448,654</u>	<u>\$30,876,139</u>
\$21,272	\$0	\$0	\$0	\$68,676
30,379	0	0	0	145,535
2,208	0	0	0	9,211
7,007	0	0	0	7,007
0	0	0	0	502,829
175,474	0	0	0	175,474
3,000,000	0	0	280,000	3,280,000
47,867	0	0	168,654	216,521
1,809,906	0	0	0	1,809,906
<u>5,094,113</u>	<u>0</u>	<u>0</u>	<u>448,654</u>	<u>6,215,159</u>
0	0	6,980,266	0	6,980,266
3,641,396	0	0	0	3,641,396
7,796,108	0	0	0	7,796,108
0	0	0	0	865,395
0	0	0	0	29,413
0	0	0	0	17,792
0	0	0	0	572,338
0	17,635	0	0	4,758,272
<u>11,437,504</u>	<u>17,635</u>	<u>6,980,266</u>	<u>0</u>	<u>24,660,980</u>
<u>\$16,531,617</u>	<u>\$17,635</u>	<u>\$6,980,266</u>	<u>\$448,654</u>	<u>\$30,876,139</u>

**THE CITY OF WAUSEON, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Expendable Trust Funds	
<b>Revenues:</b>						
Taxes	\$1,777,444	\$0	\$0	\$1,546,004	\$0	\$3,323,448
Intergovernmental Revenues	507,232	237,800	0	92,153	0	837,185
Charges for Services	215,903	0	0	0	0	215,903
Licenses and Permits	14,110	0	0	0	0	14,110
Investment Earnings	184,023	29,448	0	0	90	213,561
Fines and Forfeitures	26,137	719	0	0	0	26,856
All Other Revenues	53,080	0	0	0	1,500	54,580
<b>Total Revenues</b>	<b>2,777,929</b>	<b>267,967</b>	<b>0</b>	<b>1,638,157</b>	<b>1,590</b>	<b>4,685,643</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	1,136,347	0	0	0	327	1,136,674
Public Health and Welfare Services	600	0	0	0	0	600
Leisure Time Activities	390,377	0	0	0	0	390,377
Community Environment	369,202	126	0	38,515	0	407,843
Basic Utility Services	70,549	0	0	0	0	70,549
Transportation	222,865	246,056	0	0	0	468,921
General Government	518,210	0	0	0	0	518,210
Other Expenditures	5,905	0	0	0	0	5,905
Capital Outlay	64,763	47,744	0	1,519,776	0	1,632,283
<b>Debt Service:</b>						
Principal Retirement	0	0	550,000	0	0	550,000
Interest and Fiscal Charges	0	0	28,795	0	0	28,795
<b>Total Expenditures</b>	<b>2,778,818</b>	<b>293,926</b>	<b>578,795</b>	<b>1,558,291</b>	<b>327</b>	<b>5,210,157</b>
<b>Excess (Deficiency) of</b>						
Revenues Over (Under) Expenditures	(889)	(25,959)	(578,795)	79,866	1,263	(524,514)
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	280,000	0	0	280,000
Operating Transfers In	0	0	298,795	0	0	298,795
Operating Transfers Out	(298,795)	0	0	0	0	(298,795)
Other Financing Sources	63,501	0	0	13,475	0	76,976
Other Financing Uses	(94,969)	0	0	0	(1,500)	(96,469)
<b>Total Other Financing Sources (Uses)</b>	<b>(330,263)</b>	<b>0</b>	<b>578,795</b>	<b>13,475</b>	<b>(1,500)</b>	<b>260,507</b>
<b>Excess (Deficiency) of Revenues and</b>						
Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(331,152)	(25,959)	0	93,341	(237)	(264,007)
Restated Fund Balance at Beginning of Year	2,148,712	1,226,257	0	3,101,428	17,872	6,494,269
Increase in Inventory Reserve	5,142	7,806	0	0	0	12,948
<b>Fund Balance at End of Year</b>	<b>\$1,822,702</b>	<b>\$1,208,104</b>	<b>\$0</b>	<b>\$3,194,769</b>	<b>\$17,635</b>	<b>\$6,243,210</b>

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

**THE CITY OF WAUSEON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$1,708,000	\$1,678,029	(\$29,971)	\$0	\$0	\$0
Intergovernmental Revenues	575,300	577,076	1,776	233,000	237,345	4,345
Charges for Services	228,500	233,276	4,776	0	0	0
Licenses and Permits	15,025	14,110	(915)	0	0	0
Investment Earnings	185,000	184,023	(977)	29,448	29,448	0
Fines and Forfeitures	25,000	25,826	826	700	677	(23)
All Other Revenues	59,100	52,329	(6,771)	304,046	304,046	0
Total Revenues	2,795,925	2,764,669	(31,256)	567,194	571,516	4,322
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	1,294,453	1,176,313	118,140	0	0	0
Public Health and Welfare Services	600	600	0	0	0	0
Leisure Time Activities	442,097	408,746	33,351	0	0	0
Community Environment	432,358	387,840	44,518	305,126	305,126	0
Basic Utility Services	81,614	77,940	3,674	0	0	0
Transportation	283,564	226,201	57,363	306,047	282,661	23,386
General Government	656,519	581,891	74,628	0	0	0
Other Expenditures	16,015	6,330	9,685	3,500	0	3,500
Capital Outlay	73,948	71,032	2,916	135,000	47,744	87,256
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,281,168	2,936,893	344,275	749,673	635,531	114,142
Excess (Deficiency) of Revenues Over (Under) Expenditures	(485,243)	(172,224)	313,019	(182,479)	(64,015)	118,464
<b>Other Financing Sources (Uses):</b>						
Proceeds of General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(300,000)	(298,795)	1,205	0	0	0
Other Financing Sources	121,600	121,850	250	0	0	0
Other Financing Uses	(152,457)	(99,044)	53,413	0	0	0
Total Other Financing Sources (Uses)	(330,857)	(275,989)	54,868	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(816,100)	(448,213)	367,887	(182,479)	(64,015)	118,464
Fund Balance at Beginning of Year	1,774,463	1,774,463	0	628,903	628,903	0
Prior Year Encumbrances	154,046	154,046	0	21,547	21,547	0
Fund Balance at End of Year	\$1,112,409	\$1,480,296	\$367,887	\$467,971	\$586,435	\$118,464

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

(Continued)

**THE CITY OF WAUSEON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Debt Service Fund</i>			<i>Capital Projects Fund</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$1,450,000	\$1,420,935	(\$29,065)
Intergovernmental Revenues	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,450,000</b>	<b>1,420,935</b>	<b>(29,065)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	50,000	39,421	10,579
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	3,074,171	2,267,619	806,552
<b>Debt Service:</b>						
Principal Retirement	550,000	550,000	0	0	0	0
Interest and Fiscal Charges	28,795	28,795	0	0	0	0
<b>Total Expenditures</b>	<b>578,795</b>	<b>578,795</b>	<b>0</b>	<b>3,124,171</b>	<b>2,307,040</b>	<b>817,131</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(578,795)	(578,795)	0	(1,674,171)	(886,105)	788,066
<b>Other Financing Sources (Uses):</b>						
Proceeds of General Obligation Notes	300,000	280,000	(20,000)	0	0	0
Operating Transfers In	300,000	298,795	(1,205)	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Other Financing Sources	0	0	0	2,000	13,475	11,475
Other Financing Uses	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>600,000</b>	<b>578,795</b>	<b>(21,205)</b>	<b>2,000</b>	<b>13,475</b>	<b>11,475</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	21,205	0	(21,205)	(1,672,171)	(872,630)	799,541
Fund Balance at Beginning of Year	0	0	0	2,881,872	2,881,872	0
Prior Year Encumbrances	0	0	0	112,171	112,171	0
<b>Fund Balance at End of Year</b>	<b>\$21,205</b>	<b>\$0</b>	<b>(\$21,205)</b>	<b>\$1,321,872</b>	<b>\$2,121,413</b>	<b>\$799,541</b>

(Continued)

**THE CITY OF WAUSEON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$3,158,000	\$3,098,964	(\$59,036)
Intergovernmental Revenues	0	0	0	808,300	814,421	6,121
Charges for Services	0	0	0	228,500	233,276	4,776
Licenses and Permits	0	0	0	15,025	14,110	(915)
Investment Earnings	100	90	(10)	214,548	213,561	(987)
Fines and Forfeitures	0	0	0	25,700	26,503	803
All Other Revenues	1,500	1,500	0	364,646	357,875	(6,771)
<b>Total Revenues</b>	<b>1,600</b>	<b>1,590</b>	<b>(10)</b>	<b>4,814,719</b>	<b>4,758,710</b>	<b>(56,009)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	359	327	32	1,294,812	1,176,640	118,172
Public Health and Welfare Services	0	0	0	600	600	0
Leisure Time Activities	0	0	0	442,097	408,746	33,351
Community Environment	2,000	0	2,000	789,484	732,387	57,097
Basic Utility Services	0	0	0	81,614	77,940	3,674
Transportation	0	0	0	589,611	508,862	80,749
General Government	0	0	0	656,519	581,891	74,628
Other Expenditures	0	0	0	19,515	6,330	13,185
Capital Outlay	0	0	0	3,283,119	2,386,395	896,724
<b>Debt Service:</b>						
Principal Retirement	0	0	0	550,000	550,000	0
Interest and Fiscal Charges	0	0	0	28,795	28,795	0
<b>Total Expenditures</b>	<b>2,359</b>	<b>327</b>	<b>2,032</b>	<b>7,736,166</b>	<b>6,458,586</b>	<b>1,277,580</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(759)	1,263	2,022	(2,921,447)	(1,699,876)	1,221,571
<b>Other Financing Sources (Uses):</b>						
Proceeds of General Obligation Notes	0	0	0	300,000	280,000	(20,000)
Operating Transfers In	0	0	0	300,000	298,795	(1,205)
Operating Transfers Out	0	0	0	(300,000)	(298,795)	1,205
Other Financing Sources	0	0	0	123,600	135,325	11,725
Other Financing Uses	(3,000)	(1,500)	1,500	(155,457)	(100,544)	54,913
<b>Total Other Financing Sources (Uses)</b>	<b>(3,000)</b>	<b>(1,500)</b>	<b>1,500</b>	<b>268,143</b>	<b>314,781</b>	<b>46,638</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,759)	(237)	3,522	(2,653,304)	(1,385,095)	1,268,209
Fund Balance at Beginning of Year	17,813	17,813	0	5,303,051	5,303,051	0
Prior Year Encumbrances	59	59	0	287,823	287,823	0
<b>Fund Balance at End of Year</b>	<b>\$14,113</b>	<b>\$17,635</b>	<b>\$3,522</b>	<b>\$2,937,570</b>	<b>\$4,205,779</b>	<b>\$1,268,209</b>

**THE CITY OF WAUSEON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise Funds
<u>Operating Revenues:</u>	
Charges for Services	\$2,016,285
Total Operating Revenues	2,016,285
<u>Operating Expenses:</u>	
Personal Services	712,513
Materials and Supplies	231,211
Contractual Services	160,265
Depreciation	441,956
Total Operating Expenses	1,545,945
Operating Income	470,340
<u>Nonoperating Revenues (Expenses):</u>	
Loss on Disposal of Fixed Assets	(6,139)
Intergovernmental Revenue	1,000,000
Capital Contributions	1,624
Interest Income	263,834
Interest and Fiscal Charges	(358,143)
Other Nonoperating Revenue	19,822
Other Nonoperating Expense	(28,764)
Net Nonoperating Revenues (Expenses)	892,234
Net Income	1,362,574
Add: Depreciation on Contributed Capital	125,337
Retained Earnings at Beginning of Year	6,308,197
Retained Earnings at End of Year	\$7,796,108

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

**THE CITY OF WAUSEON, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Enterprise Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$2,059,652
Cash Payments for Goods and Services	(332,368)
Cash Payments to Employees	(713,433)
Net Cash Provided by Operating Activities	<u>1,013,851</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Intergovernmental Revenue	<u>1,000,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,000,000</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(4,770,682)
Proceeds from General Obligation Notes	3,000,000
Retirement of General Obligation Notes	(4,100,000)
Principal Paid on Ohio Water Development Authority Loans	(185,870)
Interest Paid on All Debt	(368,477)
Net Cash Used For Capital and Related Financing Activities	<u>(6,425,029)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>263,834</u>
Net Cash Provided by Investing Activities	<u>263,834</u>
Net Decrease in Cash and Cash Equivalents	(4,147,344)
Cash and Cash Equivalents at Beginning of Year	<u>8,489,281</u>
Cash and Cash Equivalents at End of Year	<u><u>\$4,341,937</u></u>
<u>Reconciliation of Cash and</u>	
<u>    Cash Equivalents per the Balance Sheet:</u>	
Cash and Cash Equivalents	4,166,463
Cash with Fiscal Agent	175,474
Cash and Cash Equivalents at End of Year	<u><u>\$4,341,937</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>    Provided by Operating Activities:</u>	
Operating Income	\$470,340
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	441,956
Miscellaneous Nonoperating Revenue	40,596
Miscellaneous Nonoperating Expenses	(28,764)
Adjustments to Assets and Liabilities:	
Increase in Accounts Receivable	(3,520)
Decrease in Intergovernmental Receivable	6,291
Increase in Inventory	(35,290)
Decrease in Prepaid Items	19,556
Decrease in Accounts Payable	(72,106)
Decrease in Accrued Wages and Benefits	(8,338)
Increase in Retainage Payable	175,474
Increase in Intergovernmental Payables	238
Increase in Compensated Absences Payable	7,418
Total Adjustments	<u>543,511</u>
Net Cash Provided by Operating Activities	<u><u>\$1,013,851</u></u>

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

**THE CITY OF WAUSEON, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

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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 accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2001 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

**A. Reporting Entity**

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

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

**1. Jointly Governed Organization**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

***Proprietary Funds***

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)

*Fiduciary Funds*

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

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

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

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

**C. Basis of Accounting**

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

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.

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

**C. Basis of Accounting (Continued)**

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

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, loans and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2001 but which are not intended to finance 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

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

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,"* the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**D. Budgetary Process**

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

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

**D. Budgetary Process** (Continued)

1. Tax Budget

The Finance Director submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

3. Appropriations

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

4. Encumbrances

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

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

**D. Budgetary Process (Continued)**

**5. Lapsing of Appropriations**

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

**6. Budgetary Basis of Accounting**

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

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

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

**D. Budgetary Process (Continued)**

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental and similar trust funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Expendable Trust Funds
GAAP Basis (as reported)	(\$331,152)	(\$25,959)	\$0	\$93,341	(\$237)
Increase (Decrease):					
Accrued Revenues at December 31, 2001 received during 2002	(304,037)	(30,051)	0	(333,561)	0
Accrued Revenues at December 31, 2000 received during 2001	349,126	29,554	0	116,339	0
Accrued Expenditures at December 31, 2001 paid during 2002	138,463	8,236	0	22,864	0
Accrued Expenditures at December 31, 2000 paid during 2001	(169,618)	(29,675)	0	(8,954)	0
2000 Prepays for 2001	28,774	0	0	0	0
2001 Prepays for 2002	(17,792)	0	0	0	0
Perspective Difference:					
(CDBG Loans)	0	(954)	0	0	0
Outstanding Encumbrances	(141,977)	(15,166)	0	(762,659)	0
Budget Basis	<u>(\$448,213)</u>	<u>(\$64,015)</u>	<u>\$0</u>	<u>(\$872,630)</u>	<u>(\$237)</u>

**E. Cash and Cash Equivalents**

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

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

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

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) 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."

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

**1. Property, Plant and Equipment - General Governmental Purposes**

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

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

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

**2. Property, Plant and Equipment - Proprietary Funds**

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

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

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

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

**I. Compensated Absences**

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

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Unused sick time may be accumulated until retirement. Employees with a minimum of ten years of service with the City are paid one-quarter of the accumulated sick time upon retirement to a maximum of 57 days wages. Monetary compensation for accumulated unused vacation and/or sick leave is the hourly rate of compensation of the employee at the time of separation.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The remaining portion of the liability is reported in the General Long-Term Obligations Account Group.

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

**J. Pensions**

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

**K. Reservations of Fund Balance**

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

**L. Total Columns on Combined Financial Statements - Overview**

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

**NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For the fiscal year ended December 31, 2001, the City has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". The implementation of GASB 33 and GASB 36 had the following effect on Special Revenue fund balance at December 31, 2000:

Fund Type	Fund Balance as Reported 12/31/2000	Adjustment Increase	Fund Balance as Restated 12/31/2000
Special Revenue	\$1,212,853	\$13,404	\$1,226,257

**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, Sewer Operating, Wastewater Debt Reserve, Construction Escrow and Pride of Wauseon Funds. Each fund type's portion of this pool is displayed on the Combined Balance Sheet as "Cash and Cash Equivalents." The deposits and investments of the aforementioned funds are held separately from those of other City funds. Ohio law requires the classification of funds held by the City into three categories.

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

*Deposits:*

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

*Investments:*

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

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

**A. Deposits**

At year end, the carrying amount of the City's deposits was \$8,657,917 and the bank balance was \$9,999,061. Federal depository insurance covered \$300,000 of the bank balance, deposits of \$4,878,040 were classified as Category 2, and the remaining deposits of \$4,821,021 were classified as Category 3. The City also had cash with fiscal agent in the amount of \$562,341, \$386,867 of which was related to the Community Development Block Grant Economic Development Revolving Loan Fund, and \$175,474 of which was related to construction escrow accounts. \$100,000 of the cash with fiscal agent is covered by Federal depository insurance and the remaining \$462,341 is classified as Category 2. The City also had petty cash in the amount of \$4,260.

**B. Investments**

The City's investments at December 31, 2001 were as follows:

<u>Non-Categorized Investments</u>	<u>Reported Amount</u>
Repurchase Agreement	\$243,000

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

The classification of cash, cash equivalents and investments on the combined 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 combined financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$8,905,177	\$0
Investments:		
Repurchase Agreement	<u>(243,000)</u>	<u>243,000</u>
Per GASB Statement No. 3	<u>\$8,662,177</u>	<u>\$243,000</u>

\* Does not include Cash with Fiscal Agent

**NOTE 4 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000 the lien date. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed during 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wauseon. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2001 was \$2.20 per \$1,000 of assessed value. The assessed value upon which the 2001 levy was based was \$116,001,810. This amount constitutes \$90,359,190 in real property assessed value, \$4,374,850 in public utility assessed value and \$21,267,770 in tangible personal property assessed value.

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

**B. Income Tax**

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

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2001 consisted of taxes, accounts receivable, special assessments, loans receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

**NOTE 6 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2001:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$298,795
Debt Service Fund:		
Municipal Building Debt Service Fund	298,795	0
Totals	<u>\$298,795</u>	<u>\$298,795</u>

**NOTE 7 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by Category of changes in general fixed assets:

Category	December 31, 2000	Additions	Deletions	December 31, 2001
Land	\$496,644	\$0	\$0	\$496,644
Buildings and Improvements	3,370,338	23,300	0	3,393,638
Land Improvements	119,046	269,530	0	388,576
Machinery and Equipment	2,616,184	195,713	(110,489)	2,701,408
Totals	<u>\$6,602,212</u>	<u>\$488,543</u>	<u>(\$110,489)</u>	<u>\$6,980,266</u>

**B. Proprietary Fixed Assets**

Summary by Category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$77,875	\$0	\$77,875
Buildings and Improvements	4,952,592	(2,353,652)	2,598,940
Land Improvements	5,131,988	(1,522,019)	3,609,969
Machinery and Equipment	4,621,488	(3,747,730)	873,758
Construction in Progress	4,671,167	0	4,671,167
Property, Plant and Equipment	<u>\$19,455,110</u>	<u>(\$7,623,401)</u>	<u>\$11,831,709</u>

**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. Public Employees Retirement System (the "PERS of Ohio")**

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$219,476, \$165,456 and \$198,631, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$69,649.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or

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

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

depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5%. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$95,529, \$80,383 and \$72,627 which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs

paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

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

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

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$36,742 representing 7.5% of covered payroll. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,431, which was net of member contributions of \$5,657,431.

**NOTE 9 - NOTES PAYABLE**

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
Enterprise Bond Anticipation Notes:			
4.980% Waterworks System Improvement	\$4,100,000	(\$4,100,000)	\$0
2.750% Waterworks System Improvement	0	3,000,000	3,000,000
Total Enterprise Bond Anticipation Notes	<u>\$4,100,000</u>	<u>(\$1,100,000)</u>	<u>\$3,000,000</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2001 was as follows:

	Maturity Date	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
<b>Enterprise Funds Long-Term Debt:</b>				
Ohio Water Development Authority Loan:				
Wastewater Treatment Plant	01/01/09	\$1,995,776	(\$185,870)	\$1,809,906
Total Enterprise Long-Term Debt		<u>\$1,995,776</u>	<u>(\$185,870)</u>	<u>\$1,809,906</u>
<b>General Long-Term Debt:</b>				
Bond Anticipation Notes:				
5.25% Municipal Building Renovation	05/17/01	\$550,000	(\$550,000)	\$0
4.50% Municipal Building Renovation	05/16/02	<u>0</u>	<u>280,000</u>	<u>280,000</u>
Total Bond Anticipation Notes		550,000	(270,000)	280,000
<b>Other Long-Term Obligations:</b>				
Compensated Absences		<u>148,668</u>	<u>19,986</u>	<u>168,654</u>
Total General Long-Term Debt and Other Long-Term Obligations		<u>\$698,668</u>	<u>(\$250,014)</u>	<u>\$448,654</u>

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

The City's total debt margin was approximately \$12,180,190 at December 31, 2001. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. The City has no debt within the 5.5% unvoted debt limitation or the 10.5% overall debt limitation.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 are as follows:

Years	OWDA Loan		
	Principal	Interest	Totals
2002	\$201,236	\$149,498	\$350,734
2003	217,858	132,876	350,734
2004	235,854	114,882	350,736
2005	255,334	95,400	350,734
2006	276,426	74,308	350,734
2007-2008	623,198	78,272	701,470
Totals	<u>\$1,809,906</u>	<u>\$645,236</u>	<u>\$2,455,142</u>

**NOTE 11 - COMPENSATED ABSENCES**

All full-time City employees earn vacation at varying rates based upon length of service. As of December 31, 2001, the liability for unpaid compensated absences was \$168,654 for all funds of the City except proprietary funds. This portion is considered long-term and is reported in the General Long-Term Obligations Account Group. The portion attributable to the proprietary funds has been recorded within those funds.

The compensated absences balances as of December 31, 2001 in the General Long-Term Obligations Account and the proprietary funds were as follows:

	General		Proprietary Funds	
	Long-Term Obligations			
	Hours	Amount	Hours	Amount
Sick Leave	22,410	\$95,709	5,622	\$26,430
Vacation / Compensatory Time	4,498	72,945	1,228	21,437
Totals	<u>26,908</u>	<u>\$168,654</u>	<u>6,850</u>	<u>\$47,867</u>

**NOTE 12 - CONTRIBUTED CAPITAL**

Contributed capital represents resources from other funds, governments and private sources provided to the City's proprietary funds that are not subject to repayment. These assets are recorded at their estimated fair market value on the date received. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to contributed capital. Capital contributions received after December 31, 2000 are recorded as revenue in the proprietary funds. Changes in contributed capital are as follows:

	Water Fund	Sewer Fund	Total
Balance at Beginning of Year	\$999,378	\$2,767,355	\$3,766,733
Reductions	(21,146)	(104,191)	(125,337)
Balance at End of Year	<u>\$978,232</u>	<u>\$2,663,164</u>	<u>\$3,641,396</u>

**NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains enterprise funds which provide water and sewer services. Segment information for the year ended December 31, 2001 is as follows:

	Water	Sewer	Total
Operating Revenues	\$1,145,374	\$870,911	\$2,016,285
Depreciation Expense	222,718	219,238	441,956
Operating Income	322,388	147,952	470,340
Net Income	1,277,017	85,557	1,362,574
Property, Plant and Equipment:			
Additions	4,686,247	86,059	4,772,306
Deletions	0	37,265	37,265
Total Assets	8,887,761	7,643,856	16,531,617
Net Working Capital	(1,128,546)	2,592,114	1,463,568
Notes and Loans Payable	3,000,000	1,809,906	4,809,906
Total Equity	5,642,535	5,794,969	11,437,504

**NOTE 14 - RISK MANAGEMENT**

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

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

Coverage		
Property	\$24,444,274	per occurrence
Liability	3,000,000/5,000,000	per occurrence
Wrongful Acts	3,000,000/5,000,000	per occurrence
Law Enforcement	3,000,000/5,000,000	per occurrence
Automobile	3,000,000	per occurrence
Bond	50,000	per occurrence
Crime	10,000	per occurrence
Inland Marine	3,523,435	per occurrence
Fire Vehicle RC	2,085,000	per occurrence
EDP	283,898	per occurrence
Boiler and Machinery	21,500,000	per occurrence

**NOTE 14 - RISK MANAGEMENT (Continued)**

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

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

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**NOTE 15 - CONSTRUCTION COMMITMENTS**

As of December 31, 2001, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Bikepath Construction	\$18,412	April 2002
Dickman Road Extension	5,000	April 2002
Glenwood Street Extension	48,993	June 2002
Field of Dreams Park	32,000	June 2002
Wauseon to Napoleon Waterline	311,845	April 2002
Total	<u>\$416,250</u>	

**NOTE 16 - CONTINGENCIES**

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

**NOTE 17 – 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. The agreement states that the City of Napoleon will contribute \$1,000,000 towards its share of the project which was reported as intergovernmental revenue in the enterprise fund. 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.

**THE CITY OF WAUSEON, OHIO**  
**SCHEDULE OF GENERAL FIXED ASSETS**  
**BY CATEGORY**  
**DECEMBER 31, 2001**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Land Improvements</u>	<u>Machinery and Equipment</u>	<u>Total</u>
<b><u>General Government:</u></b>					
Municipal Building	\$11,666	\$2,023,181	\$15,787	\$993,893	\$3,044,527
General Storm	123,874	0	0	5,960	129,834
Miscellaneous	111,126	1,400	22,561	54,916	190,003
Total	<u>246,666</u>	<u>2,024,581</u>	<u>38,348</u>	<u>1,054,769</u>	<u>3,364,364</u>
<b><u>Transportation:</u></b>					
Street	<u>4,630</u>	<u>112,013</u>	<u>3,832</u>	<u>956,285</u>	<u>1,076,760</u>
<b><u>Leisure Time Activities:</u></b>					
Parks	<u>186,527</u>	<u>941,603</u>	<u>305,154</u>	<u>380,342</u>	<u>1,813,626</u>
<b><u>Community Environment:</u></b>					
Chamber of Commerce	25,383	3,670	0	0	29,053
Recycling	33,438	311,771	41,242	310,012	696,463
Total	<u>58,821</u>	<u>315,441</u>	<u>41,242</u>	<u>310,012</u>	<u>725,516</u>
Total General Fixed Assets	<u>\$496,644</u>	<u>\$3,393,638</u>	<u>\$388,576</u>	<u>\$2,701,408</u>	<u>\$6,980,266</u>

**THE CITY OF WAUSEON, OHIO**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Function and Activity</u>	<u>December 31,</u> <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2001</u>
<u>General Government:</u>				
Municipal Building	\$2,990,661	\$139,849	(\$85,983)	\$3,044,527
General Storm	123,874	5,960	0	129,834
Miscellaneous	190,003	0	0	190,003
Total	<u>3,304,538</u>	<u>145,809</u>	<u>(85,983)</u>	<u>3,364,364</u>
<u>Transportation:</u>				
Street	<u>1,075,270</u>	<u>17,596</u>	<u>(16,106)</u>	<u>1,076,760</u>
<u>Leisure Time Activities:</u>				
Parks	<u>1,545,492</u>	<u>276,534</u>	<u>(8,400)</u>	<u>1,813,626</u>
<u>Community Environment:</u>				
Chamber of Commerce	29,053	0	0	29,053
Recycling	647,859	48,604	0	696,463
Total	<u>676,912</u>	<u>48,604</u>	<u>0</u>	<u>725,516</u>
Total General Fixed Assets	<u><u>\$6,602,212</u></u>	<u><u>\$488,543</u></u>	<u><u>(\$110,489)</u></u>	<u><u>\$6,980,266</u></u>



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the Honorable Mayor and Members of the Council:

We have audited the financial statements of the City of Wauseon (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

**Jim Petro**  
Auditor of State

July 17, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**CITY OF WAUSEON**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 13, 2002**