



Mary Taylor, CPA  
Auditor of State



**CITY OF WAVERLY  
PIKE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Waverly  
Pike County  
201 West North Street  
Waverly, Ohio 45690

To the City Council:

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

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

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the capital assets reported in the governmental activities, business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2007.

In our opinion, except for such adjustments, if any, that would have been necessary had sufficient, competent, evidential matter been available to assure the accuracy, completeness, existence and valuation of the City's recorded capital assets, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Pike County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Bridge and Street Fund, Fire Fund, and Police Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 4, 2008

**City of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

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

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$616,323. Net assets of governmental activities increased \$439,504. Net assets of business-type activities increased \$176,819.
- Governmental Activities general revenues accounted for \$3,212,715 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$572,773 or 15 percent of total revenues of \$3,785,488. Business-type activities general revenues accounted for \$49,990 in revenue or 3 percent of all revenues. Program specific revenues accounted for \$1,483,975 or 97 percent of total revenues of \$1,533,965.
- The City had \$3,185,984 in expenses related to governmental activities; \$572,773 of these expenses were offset by program specific charges for services, grants or contributions; the remainder of these expenses were offset by general revenues. The City had \$1,517,146 in expenses related to business-type activities; \$1,483,975 was offset by program specific charges for services, grants or contributions.

**Using the Annual Financial Report**

This annual report consists of a series of financial statements and notes to the financial statements. These statements are organized so the reader can understand the City of Waverly as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at specific financial conditions.

The statement of net assets and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what monies remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in a single column.

**City of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

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**Reporting the City as a Whole**

Statement of Net Assets and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those net assets. The change in net assets is important because it identifies whether the financial position of the City has improved or diminished for the City as a whole. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the statement of net assets and the statement of activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's services are reported as governmental activities including police, fire, administration, and all departments with the exception of business-type activities (wastewater treatment, and water services).
- **Business-Type Activities** - These services have a charge based upon usage. The City charges fees to recoup the cost of the entire operation of the Water Plant and Wastewater Treatment Plant as well as all capital expenses associated with these facilities.

**Reporting the City's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents; however, fund financial statements focus on the City's most significant funds. The City of Waverly's major funds are the General Fund, Bridge and Street, Fire, and Police Special Revenue Funds and the Water and Sewer Enterprise Funds.

**Governmental Funds** - Most of the City's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the year-end balances available for spending in the future periods. These funds are reported using the modified accrual basis of 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 governmental operations and the basic services provided. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future on services provided to residents. The relationships between governmental activities reported in the statement of net assets and the statement of activities and the governmental fund statements are reconciled in the financial statements.

**Enterprise Funds** - When the City charges customers for the services it provides, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.



**City of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

**The City as a Whole**

Table 1 provides a summary of the City's net assets for 2007 compared to the prior year:

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006	2007	2006
<b>Assets</b>						
Current and Other Assets	\$3,171,996	\$2,954,752	\$ 589,125	\$ 475,296	\$ 3,761,121	\$3,430,048
Capital Assets, Net	3,499,928	3,395,100	9,331,762	9,585,857	12,831,690	12,980,957
<b>Total Assets</b>	<b>6,671,924</b>	<b>6,349,852</b>	<b>9,920,887</b>	<b>10,061,153</b>	<b>16,592,811</b>	<b>16,411,005</b>
<b>Liabilities</b>						
Current and Other Liabilities	1,231,414	1,205,440	76,177	114,282	1,307,591	1,319,722
Long-Term Liabilities	917,746	1,061,152	4,120,815	4,399,795	5,038,561	5,460,947
<b>Total Liabilities</b>	<b>2,149,160</b>	<b>2,266,592</b>	<b>4,196,992</b>	<b>4,514,077</b>	<b>6,346,152</b>	<b>6,780,669</b>
<b>Net Assets</b>						
Invested in Capital Assets						
Net of Related Debt	2,632,354	2,403,832	5,225,512	5,173,229	7,857,866	7,577,061
Restricted	720,560	500,846	-	-	720,560	500,846
Unrestricted	1,169,850	1,178,582	498,383	373,847	1,668,233	1,552,429
<b>Total Net Assets</b>	<b>\$4,522,764</b>	<b>\$4,083,260</b>	<b>\$5,723,895</b>	<b>\$5,547,076</b>	<b>\$10,246,659</b>	<b>\$9,630,336</b>

\* - Restated, See Note 17

Total governmental activities net assets increased \$439,504 while business-type activities increased \$176,819. The increase to governmental current assets is due to an increase to taxes receivable and an increase in current year tax revenues. The increase to the net assets for the business type activities is due mainly to the decrease in long-term liabilities for the current year.

**City of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
(Unaudited)

Table 2 shows the changes in net assets for the year ended December 31, 2007 as compared to the prior year.

Table 2

	Governmental Activities		Business Type Activities		Total	
	2007	2006*	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$ 199,119	\$ 241,003	\$ 1,460,766	\$ 1,296,639	\$ 1,659,885	\$ 1,537,642
Operating Grants and Contributions	224,823	370,901	-	81,026	224,823	451,927
Capital Grants	148,831	521,563	23,209	-	172,040	521,563
<b>Total Program Revenues</b>	<b>572,773</b>	<b>1,133,467</b>	<b>1,483,975</b>	<b>1,377,665</b>	<b>2,056,748</b>	<b>2,511,132</b>
General Revenues:						
Property & Income Taxes	2,596,849	2,360,692	-	-	2,596,849	2,360,692
Grants and Entitlements	501,769	539,662	-	-	501,769	539,662
Unrestricted Investment Earnings	8,812	19,385	156	544	8,968	19,929
Other	105,285	103,238	49,834	80,803	155,119	184,041
<b>Total General Revenues</b>	<b>3,212,715</b>	<b>3,022,977</b>	<b>49,990</b>	<b>81,347</b>	<b>3,262,705</b>	<b>3,104,324</b>
<b>Total Revenues</b>	<b>3,785,488</b>	<b>4,156,444</b>	<b>1,533,965</b>	<b>1,459,012</b>	<b>5,319,453</b>	<b>5,615,456</b>
<b>Program Expenses</b>						
General Government -						
Legislative and Executive	1,016,436	816,760	-	-	1,016,436	816,760
Security of Persons & Property	1,513,063	1,462,799	-	-	1,513,063	1,462,799
Transportation	621,087	644,474	-	-	621,087	644,474
Public Health	1,470	1,470	-	-	1,470	1,470
Community Environment	784	798	-	-	784	798
Interest and Fiscal Charges	33,144	36,812	-	-	33,144	36,812
Water	-	-	804,757	789,811	804,757	789,811
Sewer	-	-	712,389	830,697	712,389	830,697
<b>Total Expenses</b>	<b>3,185,984</b>	<b>2,963,113</b>	<b>1,517,146</b>	<b>1,620,508</b>	<b>4,703,130</b>	<b>4,583,621</b>
Increase (Decrease) in Net Assets Before Transfers	599,504	1,193,331	16,819	(161,496)	616,323	1,031,835
Transfers	(160,000)	-	160,000	-	-	-
Increase (Decrease) in Net Assets	439,504	1,193,331	176,819	(161,496)	616,323	1,031,835
Beginning Net Assets	4,083,260	2,889,929	5,547,076	5,708,572	9,630,336	8,598,501
Ending Net Assets	\$ 4,522,764	\$ 4,083,260	\$ 5,723,895	\$ 5,547,076	\$ 10,246,659	\$ 9,630,336

\* As restated – See Note 17.

The decrease in revenues for governmental activities is due to a decrease in capital grants moneys because construction projects finished up during 2007. Legislative and executive expenses increased due to an increase in the operating expenses of the City.

**City of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

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**Governmental Activities**

Several revenue sources fund governmental activities, with income taxes generally being the biggest contributor. General revenues from property taxes are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 96% of all general revenues in the governmental activities, the City monitors each of these revenue sources very closely for fluctuations.

General government and security of persons and property are the major activities of the City, generating approximately 79% of the total expenses.

**Business-Type Activities**

The City's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the City's residents. The sewer operations generated program revenues of \$790,557 and had expenses of \$712,389. The water operations generated program revenues of \$670,209 and had expenses of \$804,757. The City's goal is to cover the costs of operations as well as build a cash balance in these funds. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues of \$4,045,613 and expenditures of \$4,498,759. The net change in fund balance for the year was most significant in the Police Fund, where the fund balance went from \$59,429 in 2006 to \$182,991 in 2007. The primary reason for this increase was due to an increase in income tax revenue which was partially offset by the increases in expenditures. The Bridge and Street Fund had a fund balance increase of \$59,352.

The Fire Fund had a fund balance increase of \$55,683 due to an increase in tax revenue. The General Fund had a fund balance increase in the amount of \$160,829 due primarily to an increase in tax revenue.

**General Fund Budgeting Highlights**

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.

For the General Fund, original budgeted revenues were \$2,355,900 and final budgeted revenues were \$2,376,400. Actual revenues varied with final budgeted revenues in the amount of \$66,322. Original budgeted expenditures and other financing sources were \$2,504,490 and final budgeted expenditures and other financing sources were \$2,623,734. Actual budgetary basis expenditures were \$96,838 less than the final budgeted expenditures.

**City of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2007 the City had \$12,831,690 invested in land, land improvements, construction in progress, buildings and improvements, furniture and equipment, vehicles, water and sewer lines, and infrastructure, net of accumulated depreciation. Table 3 shows 2007 balances as compared to the prior year.

Table 3

	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006	2007	2006*
Land	\$ 239,268	\$ 239,268	\$ 70,000	\$ 70,000	\$ 309,268	\$ 309,268
Land Improvements	260,073	304,519	58,410	68,088	318,483	372,607
Furniture and Equipment	737,578	813,083	139,227	163,932	876,805	977,015
Buildings and Improvements	778,162	809,702	8,761,978	8,975,706	9,540,140	9,785,408
Infrastructure	1,484,847	395,568	302,147	209,440	1,786,994	605,008
Construction in Progress	-	832,960	-	98,691	-	931,651
<b>Totals</b>	<b>\$ 3,499,928</b>	<b>\$ 3,395,100</b>	<b>\$ 9,331,762</b>	<b>\$ 9,585,857</b>	<b>\$ 12,831,690</b>	<b>\$ 12,980,957</b>

\*As restated – See Note 17.

The decrease noted in the capital assets for business-type activities is due to current year depreciation expense. The decrease to governmental activities was mainly due to current year depreciation which was partially offset by additions. See Note 8 for additional information on the City's capital assets.

**Debt**

At December 31, 2007, the City of Waverly had \$5,038,561 in notes, loans, and compensated absences outstanding with \$336,330 due within one year.

Table 4  
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Compensated Absences	\$ 50,172	\$ 37,823	\$ 18,781	\$ 19,228	\$ 68,953	\$ 57,051
Synagro Loan	-	-	144,109	182,240	144,109	182,240
Long Term Notes	775,771	919,882	126,928	161,352	902,699	1,081,234
O.W.D.A. Loans	-	-	3,733,291	3,931,867	3,733,291	3,931,867
O.P.W.C. Loans	91,803	103,447	97,706	105,108	189,509	208,555
<b>Total</b>	<b>\$ 917,746</b>	<b>\$ 1,061,152</b>	<b>\$ 4,120,815</b>	<b>\$ 4,399,795</b>	<b>\$ 5,038,561</b>	<b>\$ 5,460,947</b>

The City's overall legal debt margin was \$6,594,200 at December 31, 2007.

See Note 13 for additional information about the City's debt.

**The Future**

The City of Waverly continues to work diligently to increase revenues and decrease costs to put the City on more stable footing. The City has continued to grow with new homes constructed annually, and several new commercial facilities opened with more planned for the future.

The City of Waverly has committed itself to financial excellence in the coming years. Our commitment to the residents of the City of Waverly should always be full disclosure of the financial position of the City.

**City of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

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**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Harvey Whaley, City Auditor, 201 W. North Street, Waverly, Ohio 45690, (740) 947-9555.

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,462,354	\$223,114	\$1,685,468
Receivables:			
Taxes	1,470,349	0	1,470,349
Accounts	11,288	347,101	358,389
Special Assessments	10,588	0	10,588
Due from Other Governments	215,010	0	215,010
Loans Receivable	2,407	0	2,407
Restricted Assets:			
Cash and Cash Equivalents	0	18,910	18,910
Non-Depreciable Capital Assets	239,268	70,000	309,268
Depreciable Capital Assets	3,260,660	9,261,762	12,522,422
<i>Total Assets</i>	<u>6,671,924</u>	<u>9,920,887</u>	<u>16,592,811</u>
<b>LIABILITIES:</b>			
Accounts Payable	41,255	24,029	65,284
Accrued Wages and Benefits	30,968	8,228	39,196
Due to Other Governments	105,417	25,010	130,427
Unearned Revenue	1,053,774	0	1,053,774
Retainage Payable	0	18,910	18,910
Long-Term Liabilities:			
Due Within One Year	162,160	174,170	336,330
Due in More Than One Year	755,586	3,946,645	4,702,231
<i>Total Liabilities</i>	<u>2,149,160</u>	<u>4,196,992</u>	<u>6,346,152</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	2,632,354	5,225,512	7,857,866
Restricted for:			
Capital Projects	64,615	0	64,615
Police	198,500	0	198,500
Bridge and Street	144,239	0	144,239
Fire	82,755	0	82,755
Other Purposes	230,451	0	230,451
Unrestricted	1,169,850	498,383	1,668,233
<i>Total Net Assets</i>	<u>\$4,522,764</u>	<u>\$5,723,895</u>	<u>\$10,246,659</u>

See accompanying notes to the basic financial statements.

City of Waverly  
Statement of Activities  
For the Year Ended December 31, 2007

	<u>Program Revenues</u>			<u>Net(Expense)Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government:							
Legislative and Executive	\$1,016,436	\$18,533	\$123	\$60,118	(\$937,662)	\$0	(\$937,662)
Security of Persons and Property	1,513,063	170,479	158,119	61,150	(1,123,315)	0	(1,123,315)
Public Health	1,470	27	6,897	0	5,454	0	5,454
Community Environment	784	14	95	0	(675)	0	(675)
Transportation	621,087	9,784	57,652	18,856	(534,795)	0	(534,795)
Interest and Fiscal Charges	33,144	282	1,937	8,707	(22,218)	0	(22,218)
<i>Total Governmental Activities</i>	<u>3,185,984</u>	<u>199,119</u>	<u>224,823</u>	<u>148,831</u>	<u>(2,613,211)</u>	<u>0</u>	<u>(2,613,211)</u>
Business-Type Activities:							
Sewer	712,389	790,557	0	0	0	78,168	78,168
Water	804,757	670,209	0	23,209	0	(111,339)	(111,339)
<i>Total Business-Type Activities</i>	<u>1,517,146</u>	<u>1,460,766</u>	<u>0</u>	<u>23,209</u>	<u>0</u>	<u>(33,171)</u>	<u>(33,171)</u>
<i>Totals</i>	<u>\$4,703,130</u>	<u>\$1,659,885</u>	<u>\$224,823</u>	<u>\$172,040</u>	<u>(2,613,211)</u>	<u>(33,171)</u>	<u>(2,646,382)</u>
General Revenues:							
Taxes:							
Property Taxes Levied for:							
General Purposes					223,822	0	223,822
Other Purposes					820,278	0	820,278
Income Taxes					1,552,749	0	1,552,749
Grants and Contributions not Restricted to Specific Programs					501,769	0	501,769
Unrestricted Investment Earnings					8,812	156	8,968
Miscellaneous					105,285	49,834	155,119
<i>Total General Revenues</i>					<u>3,212,715</u>	<u>49,990</u>	<u>3,262,705</u>
Transfers					(160,000)	160,000	0
<i>Total General Revenues and Transfers</i>					<u>3,052,715</u>	<u>209,990</u>	<u>3,262,705</u>
<i>Change in Net Assets</i>					439,504	176,819	616,323
<i>Net Assets Beginning of Year - As Restricted - See Note 17</i>					<u>4,083,260</u>	<u>5,547,076</u>	<u>9,630,336</u>
<i>Net Assets End of Year</i>					<u>\$4,522,764</u>	<u>\$5,723,895</u>	<u>\$10,246,659</u>

See accompanying notes to the basic financial statements.



City of Waverly  
Balance Sheet  
Governmental Funds  
December 31, 2007

	<u>General Fund</u>	<u>Bridge &amp; Street</u>	<u>Fire</u>	<u>Police</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Equity in Pooled Cash and Cash Equivalents	\$717,487	\$121,063	\$112,386	\$245,727	\$265,691	\$1,462,354
Receivables:						
Taxes	738,931	97,235	137,241	496,942	0	1,470,349
Accounts	10,728	0	0	100	460	11,288
Due from Other Governments	81,523	98,948	6,127	19,355	9,057	215,010
Special Assessments Receivable	0	0	0	0	10,588	10,588
Loans Receivable	0	0	0	0	2,407	2,407
<i>Total Assets</i>	<u>\$1,548,669</u>	<u>\$317,246</u>	<u>\$255,754</u>	<u>\$762,124</u>	<u>\$288,203</u>	<u>\$3,171,996</u>
<b>LIABILITIES:</b>						
Accounts Payable	\$20,832	\$10,138	\$4,069	\$6,216	\$0	\$41,255
Accrued Wages and Benefits	6,889	8,375	1,798	13,906	0	30,968
Due to Other Governments	22,021	14,425	19,530	49,441	0	105,417
Deferred Revenue	411,666	165,795	141,252	509,570	15,926	1,244,209
<i>Total Liabilities</i>	<u>461,408</u>	<u>198,733</u>	<u>166,649</u>	<u>579,133</u>	<u>15,926</u>	<u>1,421,849</u>
<b>FUND BALANCES:</b>						
Reserved for Encumbrances	42,437	0	3,862	3,039	2,673	52,011
Reserved for Loans	0	0	0	0	2,407	2,407
Unreserved, Undesignated, Reported in:						
General Fund	1,044,824	0	0	0	0	1,044,824
Special Revenue Funds	0	118,513	85,243	179,952	213,168	596,876
Capital Projects Funds	0	0	0	0	54,029	54,029
<i>Total Fund Balances</i>	<u>1,087,261</u>	<u>118,513</u>	<u>89,105</u>	<u>182,991</u>	<u>272,277</u>	<u>1,750,147</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,548,669</u>	<u>\$317,246</u>	<u>\$255,754</u>	<u>\$762,124</u>	<u>\$288,203</u>	<u>\$3,171,996</u>

See accompanying notes to the basic financial statements.

*City of Waverly*  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2007*

<b>Total Governmental Fund Balances</b>		\$1,750,147
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,499,928
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	25,633	
Intergovernmental	154,214	
Special Assessments	10,588	
Total		190,435
Long-Term Liabilities, including notes, loans, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences Payable	(50,172)	
General Obligation Notes and Loans Payable	(867,574)	
Total		(917,746)
<b>Net Assets of Governmental Activities</b>		<b>\$4,522,764</b>

See accompanying notes to the basic financial statements.

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

	<u>General Fund</u>	<u>Bridge &amp; Street</u>	<u>Fire</u>	<u>Police</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>						
Taxes	\$1,777,892	\$103,331	\$177,960	\$543,351	\$0	\$2,602,534
Intergovernmental	476,776	226,345	51,140	139,815	145,256	1,039,332
Interest	7,878	345	0	0	589	8,812
Charges for Services	0	0	30,920	100	69	31,089
Fees, Licenses and Permits	16,008	0	0	0	366	16,374
Fines and Forfeitures	193,679	0	0	400	907	194,986
Other	72,460	4,110	7,495	18,398	50,023	152,486
<i>Total Revenues</i>	<u>2,544,693</u>	<u>334,131</u>	<u>267,515</u>	<u>702,064</u>	<u>197,210</u>	<u>4,045,613</u>
<b>EXPENDITURES:</b>						
Current:						
General Government:						
Legislative and Executive	992,266	0	0	0	1,010	993,276
Security of Persons and Property	67,313	0	256,282	1,000,705	89,042	1,413,342
Public Health	1,470	0	0	0	0	1,470
Community Environment	0	0	0	0	784	784
Transportation	74,163	467,645	0	0	40,687	582,495
Capital Outlay	74,508	19,955	0	102,796	56,693	253,952
Debt Service:						
Principal	0	32,061	596,675	68,919	522,641	1,220,296
Interest and Fiscal Charges	0	1,194	11,997	2,718	17,235	33,144
<i>Total Expenditures</i>	<u>1,209,720</u>	<u>520,855</u>	<u>864,954</u>	<u>1,175,138</u>	<u>728,092</u>	<u>4,498,759</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>1,334,973</u>	<u>(186,724)</u>	<u>(597,439)</u>	<u>(473,074)</u>	<u>(530,882)</u>	<u>(453,146)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>						
Proceeds of Notes	0	26,076	558,122	46,636	433,707	1,064,541
Transfers In	0	220,000	95,000	550,000	151,879	1,016,879
Transfers Out	(1,174,144)	0	0	0	(2,735)	(1,176,879)
<i>Total Other Financing Sources and Uses</i>	<u>(1,174,144)</u>	<u>246,076</u>	<u>653,122</u>	<u>596,636</u>	<u>582,851</u>	<u>904,541</u>
<i>Net Change in Fund Balance</i>	160,829	59,352	55,683	123,562	51,969	451,395
<i>Fund Balance at Beginning of Year</i>	<u>926,432</u>	<u>59,161</u>	<u>33,422</u>	<u>59,429</u>	<u>220,308</u>	<u>1,298,752</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$1,087,261</u>	<u>\$118,513</u>	<u>\$89,105</u>	<u>\$182,991</u>	<u>\$272,277</u>	<u>\$1,750,147</u>

See accompanying notes to the basic financial statements.

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

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**Net Change in Fund Balances - Total Governmental Funds** \$451,395

**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 additions exceeded depreciation in the current period.

Capital Asset Additions	480,263	
Current Year Depreciation	<u>(283,672)</u>	
Total		196,591

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Capital Assets	<u>(91,763)</u>	
Total		(91,763)

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

Intergovernmental	(163,909)	
Charges for Services	(43,330)	
Other	(47,201)	
Taxes	<u>(5,685)</u>	
Total		(260,125)

Repayments of note and loan principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

1,220,296

Proceeds from the sale of notes in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(1,064,541)

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 governmental funds.

Increase in Compensated Absences	<u>(12,349)</u>	
Total		<u>(12,349)</u>

**Net Change in Net Assets of Governmental Activities** \$439,504

See accompanying notes to the basic financial statements.

*City of Waverly*  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*

*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$144,999	\$148,802	\$161,105	\$12,303
Income Taxes	1,463,931	1,476,669	1,517,881	41,212
Licenses and Permits	5,092	5,137	5,280	143
Fines and Forfeitures	186,795	188,420	193,679	5,259
Intergovernmental	478,863	480,179	484,436	4,257
Interest	7,601	7,667	7,881	214
Other	68,619	69,526	72,460	2,934
Total Revenues	<u>2,355,900</u>	<u>2,376,400</u>	<u>2,442,722</u>	<u>66,322</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	881,520	1,098,926	1,033,838	65,088
Security of Persons and Property	86,500	87,060	68,739	18,321
Public Health	1,470	1,470	1,470	0
Transportation	75,000	75,000	74,163	837
Capital Outlay	100,000	97,000	84,408	12,592
Total Expenditures	<u>1,144,490</u>	<u>1,359,456</u>	<u>1,262,618</u>	<u>96,838</u>
Excess of Revenues Over(Under) Expenditures	<u>1,211,410</u>	<u>1,016,944</u>	<u>1,180,104</u>	<u>163,160</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	<u>(1,360,000)</u>	<u>(1,264,278)</u>	<u>(1,174,144)</u>	<u>90,134</u>
Total Other Financing Sources and Uses	<u>(1,360,000)</u>	<u>(1,264,278)</u>	<u>(1,174,144)</u>	<u>90,134</u>
Net Change in Fund Balance	(148,590)	(247,334)	5,960	253,294
Fund Balance at Beginning of Year	608,294	608,294	608,294	0
Prior Year Encumbrances Appropriated	<u>33,355</u>	<u>33,355</u>	<u>33,355</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>\$493,059</u></u>	<u><u>\$394,315</u></u>	<u><u>\$647,609</u></u>	<u><u>\$253,294</u></u>

See accompanying notes to the basic financial statements.

**City of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*

*Bridge and Street Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$87,827	\$93,390	\$103,995	\$10,605
Intergovernmental	187,499	196,373	213,288	16,915
Interest	299	315	345	30
Other	3,567	3,754	4,110	356
Total Revenues	<u>279,192</u>	<u>293,832</u>	<u>321,738</u>	<u>27,906</u>
EXPENDITURES:				
Current:				
Transportation	464,260	505,086	467,616	37,470
Capital Outlay	32,500	32,500	19,955	12,545
Debt Service:				
Principal	0	0	32,061	(32,061)
Interest and Fiscal Charges	0	0	1,195	(1,195)
Total Expenditures	<u>496,760</u>	<u>537,586</u>	<u>520,827</u>	<u>16,759</u>
Excess of Revenues Over(Under) Expenditures	<u>(217,568)</u>	<u>(243,754)</u>	<u>(199,089)</u>	<u>44,665</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Loans	0	0	26,076	26,076
Transfers In	190,908	200,918	220,000	19,082
Total Other Financing Sources and Uses	<u>190,908</u>	<u>200,918</u>	<u>246,076</u>	<u>45,158</u>
Net Change in Fund Balance	(26,660)	(42,836)	46,987	89,823
Fund Balance at Beginning of Year	69,079	69,079	69,079	0
Prior Year Encumbrances Appropriated	182	182	182	0
Fund Balance (Deficit) at End of Year	<u>\$42,601</u>	<u>\$26,425</u>	<u>\$116,248</u>	<u>\$89,823</u>

See accompanying notes to the basic financial statements.

**City of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*

*Fire Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$116,448	\$135,663	\$179,042	\$43,379
Charges for Services	22,042	24,768	30,920	6,152
Intergovernmental	48,836	49,544	51,140	1,596
Other	4,151	5,178	7,495	2,317
Total Revenues	<u>191,477</u>	<u>215,153</u>	<u>268,597</u>	<u>53,444</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	256,792	246,427	256,900	(10,473)
Capital Outlay	10,500	15,842	0	15,842
Debt Service:				
Principal	50,550	50,550	596,675	(546,125)
Interest and Fiscal Charges	0	0	11,997	(11,997)
Total Expenditures	<u>317,842</u>	<u>312,819</u>	<u>865,572</u>	<u>(52,753)</u>
Excess of Revenues Over(Under) Expenditures	<u>(126,365)</u>	<u>(97,666)</u>	<u>(596,975)</u>	<u>(499,309)</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Loans	0	0	558,122	558,122
Transfers In	67,723	76,097	95,000	18,903
Total Other Financing Sources and Uses	<u>67,723</u>	<u>76,097</u>	<u>653,122</u>	<u>577,025</u>
Net Change in Fund Balance	(58,642)	(21,569)	56,147	77,716
Fund Balance at Beginning of Year	50,635	50,635	50,635	0
Prior Year Encumbrances Appropriated	992	992	992	0
Fund Balance (Deficit) at End of Year	<u>(\$7,015)</u>	<u>\$30,058</u>	<u>\$107,774</u>	<u>\$77,716</u>

See accompanying notes to the basic financial statements.

**City of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*

*Police Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$457,257	\$447,710	\$548,759	\$101,049
Fines and Forfeitures	345	339	400	61
Intergovernmental	136,318	135,953	139,815	3,862
Other	15,860	15,595	18,398	2,803
<b>Total Revenues</b>	<b>609,780</b>	<b>599,597</b>	<b>707,372</b>	<b>107,775</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Security of Persons and Property	946,411	1,025,802	1,007,432	18,370
Capital Outlay	116,000	105,931	102,796	3,135
<b>Debt Service:</b>				
Principal	25,025	25,000	68,919	(43,919)
Interest and Fiscal Charges	0	0	2,717	(2,717)
<b>Total Expenditures</b>	<b>1,087,436</b>	<b>1,156,733</b>	<b>1,181,864</b>	<b>(25,131)</b>
<b>Excess of Revenues Over(Under) Expenditures</b>	<b>(477,656)</b>	<b>(557,136)</b>	<b>(474,492)</b>	<b>82,644</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Proceeds from Loans	0	0	46,636	46,636
Transfers In	474,120	466,203	550,000	83,797
<b>Total Other Financing Sources and Uses</b>	<b>474,120</b>	<b>466,203</b>	<b>596,636</b>	<b>130,433</b>
<b>Net Change in Fund Balance</b>	<b>(3,536)</b>	<b>(90,933)</b>	<b>122,144</b>	<b>213,077</b>
<b>Fund Balance at Beginning of Year</b>	<b>113,628</b>	<b>113,628</b>	<b>113,628</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>4,801</b>	<b>4,801</b>	<b>4,801</b>	<b>0</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$114,893</b>	<b>\$27,496</b>	<b>\$240,573</b>	<b>\$213,077</b>

See accompanying notes to the basic financial statements.



**City of Waverly**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2007*

	<b><u>Enterprise Funds</u></b>		
	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Totals</u></b>
<b>ASSETS:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$80,616	\$142,498	\$223,114
Accounts Receivable	169,550	177,551	347,101
<i>Total Current Assets</i>	<u>250,166</u>	<u>320,049</u>	<u>570,215</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	0	18,910	18,910
Non-Depreciable Capital Assets	70,000	0	70,000
Depreciable Capital Assets	4,630,641	4,631,121	9,261,762
<i>Total Noncurrent Assets</i>	<u>4,700,641</u>	<u>4,650,031</u>	<u>9,350,672</u>
<i>Total Assets</i>	<u>4,950,807</u>	<u>4,970,080</u>	<u>9,920,887</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	8,380	15,649	24,029
Accrued Wages and Benefits	3,989	4,239	8,228
Due to Other Governments	14,552	10,458	25,010
Retainage Payable	0	18,910	18,910
Compensated Absences Payable	1,948	0	1,948
Loans Payable	0	63,910	63,910
OPWC Loans Payable	5,477	1,925	7,402
OWDA Loans Payable	13,063	87,847	100,910
<i>Total Current Liabilities</i>	<u>47,409</u>	<u>202,938</u>	<u>250,347</u>
Noncurrent Liabilities:			
Compensated Absences Payable	6,186	10,647	16,833
Loans Payable	0	207,127	207,127
OPWC Loans Payable	73,942	16,362	90,304
OWDA Loans Payable	372,640	3,259,741	3,632,381
<i>Total Noncurrent Liabilities</i>	<u>452,768</u>	<u>3,493,877</u>	<u>3,946,645</u>
<i>Total Liabilities</i>	<u>500,177</u>	<u>3,696,815</u>	<u>4,196,992</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	4,235,519	989,993	5,225,512
Unrestricted	215,111	283,272	498,383
<i>Total Net Assets</i>	<u>\$4,450,630</u>	<u>\$1,273,265</u>	<u>\$5,723,895</u>

See accompanying notes to the basic financial statements.

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

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>OPERATING REVENUES:</b>			
Charges for Services	\$670,209	\$790,557	\$1,460,766
Other	18,789	0	18,789
<i>Total Operating Revenues</i>	<u>688,998</u>	<u>790,557</u>	<u>1,479,555</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Wages	258,103	199,850	457,953
Fringe Benefits	87,462	77,371	164,833
Contractual Services	148,152	84,452	232,604
Materials and Supplies	151,474	124,951	276,425
Other	7,447	11,402	18,849
Depreciation	143,640	110,455	254,095
<i>Total Operating Expenses</i>	<u>796,278</u>	<u>608,481</u>	<u>1,404,759</u>
<i>Operating Income (Loss)</i>	<u>(107,280)</u>	<u>182,076</u>	<u>74,796</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest Income	156	0	156
Intergovernmental Grants	23,209	0	23,209
Other Revenues	23,835	7,210	31,045
Interest and Fiscal Charges	(8,479)	(103,908)	(112,387)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>38,721</u>	<u>(96,698)</u>	<u>(57,977)</u>
<i>Income (Loss) Before Transfers</i>	(68,559)	85,378	16,819
Transfers In	0	160,000	160,000
<i>Change in Net Assets</i>	(68,559)	245,378	176,819
<i>Net Assets at Beginning of Year</i>	<u>4,519,189</u>	<u>1,027,887</u>	<u>5,547,076</u>
<i>Net Assets at End of Year</i>	<u>\$4,450,630</u>	<u>\$1,273,265</u>	<u>\$5,723,895</u>

See accompanying notes to the financial statements.

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

	Water	Sewer	Total
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><i>Cash Flows from Operating Activities:</i></b>			
Cash Received from Customers	\$654,276	\$745,903	\$1,400,179
Cash Payments to Suppliers for Goods and Services	(322,374)	(216,604)	(538,978)
Cash Payments to Employees for Services and Benefits	(349,874)	(288,962)	(638,836)
Cash Payments for Other Operating Expenses	0	(11,402)	(11,402)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(17,972)</u>	<u>228,935</u>	<u>210,963</u>
<b><i>Cash Flows from Noncapital</i></b>			
<b><i>Financing Activities:</i></b>			
Operating Transfers-In	0	160,000	160,000
Intergovernmental Revenue	23,209	0	23,209
Other Non-Operating Revenue	23,835	7,210	31,045
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>47,044</u>	<u>167,210</u>	<u>214,254</u>
<b><i>Cash Flows from Capital and Related</i></b>			
<b><i>Financing Activities:</i></b>			
Proceeds from Debt Issuance	0	126,928	126,928
Principal Payments	(44,913)	(361,816)	(406,729)
Interest Payments	(8,478)	(102,641)	(111,119)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(53,391)</u>	<u>(337,529)</u>	<u>(390,920)</u>
<b><i>Cash Flows from Investing Activities:</i></b>			
Interest on Investments	156	0	156
<i>Net Cash Provided by Investing Activities</i>	<u>156</u>	<u>0</u>	<u>156</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(24,163)	58,616	34,453
Cash and Cash Equivalents at Beginning of Year	104,779	102,792	207,571
Cash and Cash Equivalents at End of Year	<u>\$80,616</u>	<u>\$161,408</u>	<u>\$242,024</u>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>			
Operating Income (Loss)	(\$107,280)	\$182,076	\$74,796
<b><i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>			
Depreciation	143,640	110,455	254,095
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(34,722)	(44,654)	(79,376)
Increase/(Decrease) in Accounts Payable	(15,301)	(7,201)	(22,502)
Increase/(Decrease) in Accrued Wages and Benefits	(1,564)	441	(1,123)
Increase/(Decrease) in Compensated Absences Payable	748	(1,195)	(447)
Increase/(Decrease) in Due to Other Governments	(3,493)	(10,987)	(14,480)
Total Adjustments	<u>89,308</u>	<u>46,859</u>	<u>136,167</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$17,972)</u>	<u>\$228,935</u>	<u>\$210,963</u>

See accompanying notes to the basic financial statements.

**City of Waverly**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Fund*  
*December 31, 2007*

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	<u><b>Agency Fund</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$296
Cash and Cash Equivalents in Segregated Accounts	<u>14,301</u>
<i>Total Current Assets</i>	<u>14,597</u>
<i>Total Assets</i>	<u>14,597</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Due to Other Governments	3,207
Due to Other Funds	11,094
Undistributed Monies	296
<i>Total Current Liabilities</i>	<u>14,597</u>
<i>Total Liabilities</i>	<u><u>\$14,597</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Waverly (“the City”) is a charter municipal corporation operating under the laws of the State of Ohio. The current charter, which provides for a Mayor-Council form of government, was adopted on May 5, 1970. Legislative power is vested in a seven-member council and a council president, each elected to four year terms. The Mayor is elected to a four year term and is the chief executive officer for the City. The City Auditor is elected to a four year term and is the chief fiscal officer for the City. All department heads are appointed by the Mayor and Council.

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They comprise the City’s legal entity which provides various services such as police and fire protection, emergency medical, street maintenance and repairs, parks and recreation, and water and sewer. A staff provides support to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes. The City has no component units.

The Waverly Mayor’s Court has been included in the City’s financial statements as an agency fund. The Mayor is an elected City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

The Waverly Evergreen Union Cemetery board of trustees consists of two members appointed by the City and Pee Pee Township, respectively, and one member appointed jointly. The board possesses its own contracting and budgetary authority and hires and fires personnel. The Waverly Evergreen Union Cemetery is a jointly governed organization of the City (See Note 15).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. Under the guidelines of GASB 20, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

**BASIS OF PRESENTATION**

The City’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-wide Financial Statements.** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the primary government that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City. Interfund receivables and payables within governmental activities have been eliminated to minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total columns.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and business-type activities of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City. 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.** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements present financial information at a more detailed level. The governmental and enterprise fund financial statements focus on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Agency funds, which are a type of fiduciary fund, are used to account for assets held by the government as an agent for individuals, private organizations and other governments.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's major governmental funds:

**GENERAL FUND**

The General Fund is the operating fund of the City and is used to account for all financial resources except those required to be 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 charter of the City of Waverly and/or the general laws of Ohio.

**BRIDGE AND STREET FUND**

The Bridge and Street Fund is used to account for excise gas tax, cents per gallon tax, and local share 34% distribution tax to construct, maintain, and repair City streets and bridges.

**FIRE FUND**

The Fire Fund is used to account for property taxes levied for the payment of salaries and expenses of the fire department.

**POLICE FUND**

The Police Fund is used to account for voted tax millage to finance the police department operation.

The other governmental funds of the City account for grants and other resources that are generally restricted to use for a particular purpose.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PROPRIETARY FUNDS**

Proprietary funds focus on the changes in net assets, financial position, and cash flows. The City's proprietary funds are enterprise funds.

**ENTERPRISE FUNDS**

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer Fund – The Sewer Fund accounts for the provision of wastewater collection and treatment service to residents and commercial users within the City.

Water Fund – The Water Fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

**FIDUCIARY FUNDS**

Fiduciary funds focus on net assets and changes in net assets. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's only fiduciary funds are agency funds. The City's fiduciary fund consists only of an agency fund which is used to account for the activities of the Mayor's Court and restitution.

**Basis of Accounting and Measurement Focus:** Basis of accounting determines when transactions are captured in the financial records and reported on the financial statements. Measurement focus refers to what is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured.

Differences in the accrual and the modified accrual basis of accounting arise in the timing of recognition of revenue and the recording of deferred revenue, and in the presentation of expenses versus expenditures. Under the non-GAAP budgetary basis, transactions are recorded when cash is received or disbursed.

***Government Wide Financial Statements.*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

***Fund Financial Statements*** All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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.

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

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting*** Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues-Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under this basis, the following revenue sources are considered to be both measurable and available at fiscal year end: grants.

***Deferred/Unearned Revenue*** Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. On the modified accrual basis, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, provided current financial resources are to be used. As a result, compensated absences are not recorded as expenditures or liabilities until current financial resources are required. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Budgetary Process:*** An annual appropriated budget is legally required to be prepared for all funds of the City, other than agency funds. City Council passes appropriations at the fund level for each fund. City Council must approve any budget revisions that alter the appropriations at the legal level of budgetary control. The following procedures are used by the City in establishing the budgetary data reported in the basic financial statements.

***Tax Budget:*** Unless specifically waived by the County Budget Commission, a budget of estimated revenues and expenditures for all funds, other than agency funds, 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. If the requirement to file this tax budget is waived by the County Budget Commission, other financial documentation may be requested for review of the City's financial status.



**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimated Resources:** The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will 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 balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Auditor's Office Manager determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

**Appropriations:** A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriations ordinance may be supplemented during the year, by City Council action, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year, numerous supplemental appropriations ordinances were passed by City Council. The amounts reported as the original budgeted amounts in the statement of budgetary comparisons reflect the first appropriated budget that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparisons represent the final appropriation amounts passed during the year, including all amendments and modifications.

**Lapsing of Appropriations:** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding year and are not re-appropriated.

**Encumbrances:** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures of governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

**Cash and Cash Equivalents:** Cash balances of the City's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled in order to provide improved cash management. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

Cash and cash equivalents that are held separately within departments of the City and not included with the City Treasury are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

For reporting purposes, "Equity in Pooled Cash and Cash Equivalents" is defined as cash on hand, and demand deposits held in the City treasury.

For cash flow reporting purposes, the City's proprietary funds consider cash and cash equivalents to be cash on hand and demand deposits. "Equity in Pooled Cash and Cash Equivalents" is considered to be cash and equivalents since these assets are available on demand.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted Assets:** Restricted assets should be reported when restrictions on asset use change the nature or normal understanding of the availability of the asset. The City has recorded restricted assets for cash held for retainage.

**Capital Assets:** General capital assets are those assets not specifically related to activities reported in the enterprise funds. These assets generally result from expenditures in the government funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 dollars for all assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of fund capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful life of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Improvements	40 years
Machinery, Equipment, Furniture and Fixtures	5-7 years
Sewer and Water Lines	20 years
Vehicles	5 years
Infrastructure	10-40 years

**Compensated Absences:** Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end taking into consideration any limits specified in the City's termination policy. The liability is an estimate based on the City's past experience of making termination payments.

Compensated absences are accrued when incurred in the government-wide financial statements and in proprietary funds. A liability for these amounts is recorded in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued Liabilities and Long-Term Obligations:** All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Notes and loans are recognized as liabilities on the fund financial statements when due.

**Fund Balance Reserves:** The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation of expenditure. Encumbrances and loans receivable are recorded as a reservation of fund balance.

**Net Assets:** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted for other purposes represents balances of state and federal grants in Special Revenue funds.

Of the City's \$720,560 restricted net assets, \$0 were restricted for enabling legislation.

**Operating Revenues and Expenses:** Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for sewer and water services. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the fund. Revenues and expenses not matching this definition are reported as non-operating revenues and expenses.

**Interfund Activity:** Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. All transfers between Governmental Activities have been eliminated in the government-wide financial statements.

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

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund, Bridge and Street, Fire and Police Major Special Revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to convert the results of operations for 2007 on the GAAP basis to the budget basis for the General, Bridge and Street, Fire, and Police major funds are as follows:

	Net Change in Fund Balances			
	General	Bridge and Street	Fire	Police
GAAP Basis	\$160,829	\$59,352	\$55,683	\$123,562
Increases (Decreases) Due To:				
Revenue Accruals	(101,971)	(12,393)	1,082	5,308
Expenditure Accruals	(191)	4,843	3,994	(1,572)
Encumbrances	(52,707)	(4,815)	(4,612)	(5,154)
Budget Basis	<u>\$5,960</u>	<u>\$46,987</u>	<u>\$56,147</u>	<u>\$122,144</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or 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;
3. 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;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the City's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the City's total average portfolio.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the City had \$247 in undeposited cash on hand which is included on the basic financial statements as part of "Equity in Pooled Cash and Cash Equivalents".

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,641,071 of the City's bank balance of \$1,741,071 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**NOTE 5 – MUNICIPAL INCOME TAX**

The City levies and collects an income tax of one percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2007, proceeds of the income tax per the statement of activities amounted to \$1,552,749. All proceeds go to the General Fund.

**NOTE 6 – PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of 2006. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes were collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007 and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2007, was \$15.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 6 – PROPERTY TAX (Continued)**

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$74,077,700
Public Utility Property	3,076,690
Tangible Personal	<u>5,754,210</u>
Total Property Taxes	<u><u>\$82,908,600</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Waverly. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2007 operations. The receivable is offset by deferred revenue.

**NOTE 7 – RECEIVABLES**

Receivables at December 31, 2007, consisted of taxes, accounts, special assessments, loans, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible.

The loans receivable on the balance sheet represent loans given to eligible residents of Pike County from the Department of Community Development to rehabilitate their residences.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 7 – RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

<u>Fund/Description of Receivable</u>	<u>Amount</u>
General Fund	
Local Government	\$ 75,293
Homestead, Rollback, and Exemption	<u>6,230</u>
Total General Fund	<u>81,523</u>
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	<u>6,127</u>
Total Fire Major Special Revenue Fund	<u>6,127</u>
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	<u>19,355</u>
Total Police Major Special Revenue Fund	<u>19,355</u>
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax	50,234
Cents Per Gallon Tax	26,825
Motor Vehicle License Tax	17,726
Homestead, Rollback, and Exemption	<u>4,163</u>
Total Bridge and Street Fund	<u>98,948</u>
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax	4,073
Cents Per Gallon Tax	2,175
Motor Vehicle License Tax	<u>1,234</u>
Total Inter-City Highway Fund	<u>7,482</u>
City Permissive Non-major Special Revenue Fund	
Permissive Motor vehicle License Taxes	<u>1,575</u>
Total Permissive Fund	<u>1,575</u>
Total Nonmajor Special Revenue Funds	<u>9,057</u>
Total Governmental Activities	<u>\$ 215,010</u>



**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007:

	Beginning Balance 12/31/2006*	Additions	Deletions	Ending Balance 12/31/2007
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 239,268	\$ -	\$ -	\$ 239,268
Construction in Progress	832,960	-	(832,960)	-
Total Capital Assets, Not Being Depreciated	<u>1,072,228</u>	<u>-</u>	<u>(832,960)</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	540,085	-	-	540,085
Buildings and Improvements	1,183,552	-	-	1,183,552
Furniture and Equipment	2,270,747	151,427	(164,545)	2,257,629
Infrastructure	527,424	1,161,796	-	1,689,220
Total Capital Assets Being Depreciated	<u>4,521,808</u>	<u>1,313,223</u>	<u>(164,545)</u>	<u>5,670,486</u>
Less Accumulated Depreciation				
Land Improvements	(235,566)	(44,446)	-	(280,012)
Buildings and Improvements	(373,850)	(31,540)	-	(405,390)
Furniture and Equipment	(1,457,664)	(135,169)	72,782	(1,520,051)
Infrastructure	(131,856)	(72,517)	-	(204,373)
Total Accumulated Depreciation	<u>(2,198,936)</u>	<u>(283,672)</u>	<u>72,782</u>	<u>(2,409,826)</u>
Total Capital Assets Being Depreciated, Net	<u>2,322,872</u>	<u>1,029,551</u>	<u>(91,763)</u>	<u>3,260,660</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,395,100</u>	<u>\$1,029,551</u>	<u>\$ (924,723)</u>	<u>\$ 3,499,928</u>

\* As restated – See Note 17

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$70,116
Security of Persons & Property	90,293
Transportation	<u>123,263</u>
Total Depreciation Expense	<u>\$283,672</u>

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 8 – CAPITAL ASSETS (Continued)**

	Ending Balance 12/31/2006	Additions	Deletions	Ending Balance 12/31/2007
<b><u>Business Type Activities</u></b>				
Capital Assets, Not Being Depreciated				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Construction in Progress	98,691	-	(98,691)	-
Total Capital Assets, Not Being Depreciated	<u>168,691</u>	<u>-</u>	<u>(98,691)</u>	<u>70,000</u>
Capital Assets Being Depreciated				
Land Improvements	196,783	-	-	196,783
Buildings and Improvements	11,596,347	-	-	11,596,347
Mechanical Equipment	351,050	-	(80,000)	271,050
Infrastructure	4,372,628	98,691	-	4,471,319
Total Capital Assets Being Depreciated	<u>16,516,808</u>	<u>98,691</u>	<u>(80,000)</u>	<u>16,535,499</u>
Less Accumulated Depreciation				
Land Improvements	(128,695)	(9,678)	-	(138,373)
Buildings and Improvements	(2,620,641)	(213,728)	-	(2,834,369)
Mechanical Equipment	(187,118)	(24,705)	80,000	(131,823)
Infrastructure	(4,163,188)	(5,984)	-	(4,169,172)
Total Accumulated Depreciation	<u>(7,099,642)</u>	<u>(254,095)</u>	<u>80,000</u>	<u>(7,273,737)</u>
Total Capital Assets Being Depreciated, Net	<u>9,417,166</u>	<u>(155,404)</u>	<u>-</u>	<u>9,261,762</u>
Business Type Activities Capital Assets, Net	<u>\$ 9,585,857</u>	<u>\$ (155,404)</u>	<u>\$ (98,691)</u>	<u>\$ 9,331,762</u>

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All employees (other than those covered by other defined benefit pension plans) of the City participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan (MD) – 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 Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

- 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverages.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2007 member contribution rates for City employees were 9.5% and the employer contribution rate was 13.85% of covered payroll.

The City's contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$168,231, \$158,663, and \$167,765, respectively. 91% has been contributed for 2007 and 100% for years 2006 and 2005; \$14,870 representing the unpaid contribution for 2007 is recorded as a liability within the respective funds.

**B. OHIO POLICE AND FIRE PENSION FUND**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5% and 24%, respectively for police officers and firefighters. The City's contributions to the OP&F for the years ended December 31, 2007, 2006, and 2005 were \$106,495, \$103,320, and \$92,284, respectively. 74% has been contributed for 2007 and 100% for years 2006 and 2005; \$27,452 representing the unpaid contribution for 2007 is recorded as a liability within the respective funds.

**C. SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System of Ohio (OPERS) or the Ohio Police and Fire Pension Fund (OP&F) have an option to choose Social Security. As of December 31, 2007, seventeen members of the fire department, three members of the City Council, and the City Auditor have elected Social Security. The City's liability is 6.2 percent of wages paid.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.85% of covered payroll; 5% was used to fund health care from January 1 through June 30, 2007 and 6% from July 1 through December 31, 2007.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2006.

Funding Method – An entry age normal 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.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2006 was 6.5%.

Active Employee Total Payroll – An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)**

OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 374,979 for 2007. The number of active contributing participants for both plans used in the December 31, 2006 (the latest information available) actuarial valuation was 362,130.
2. The employer contributions that were used to fund postemployment benefits were \$66,805 for 2007.
3. \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2006 (the latest information available).
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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

**B. OHIO POLICE AND FIRE PENSION FUND**

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. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two thirds basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2006 and 6.75% of covered payroll in 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors had monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2006, (the latest information available) was 14,120 for Police and 10,563 for Firefighters. The City's actual contributions for 2007 that were used to fund postemployment benefits were \$29,535 for Police and \$5,938 for Firefighters. The Fund's total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions \$58,532,848.

**NOTE 11 – EMPLOYEE BENEFITS**

**A. DEFERRED COMPENSATION PLAN**

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 11 – EMPLOYEE BENEFITS (Continued)**

**B. COMPENSATED ABSENCES**

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the employee’s anniversary date and allows the unused balance to be accrued at levels which depend upon years of service. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at the rate of one and one-fourth days for every completed month worked and can be accumulated up to 150 days or 1,200 hours. Each employee with the City is paid at one-fourth of the portion that does not exceed 150 days of the employee’s earned unused sick leave upon retirement from the City, or the full balance may be transferred to another governmental agency. In the event that an employee dies, his or her estate will be paid the total allowable amount of all earned unused sick leave.

**C. INSURANCE BENEFITS**

The City provides life insurance through Fort Dearborn Life and health insurance through Medical Mutual of Ohio. Dental insurance is provided through Guardian and vision insurance through Vision Service Plan of Ohio.

**NOTE 12 – INTERFUND TRANSACTIONS**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payment become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers made during the year ended December 31, 2007, were as follows:

<u>Fund Type / Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Funds:		
General	\$ 1,174,144	\$ -
Bridge and Street	-	220,000
Fire	-	95,000
Police	-	550,000
Sewer	-	160,000
Nonmajor Special Revenue Funds:		
Federal Equity Sharing Program	-	2,735
Law and Drug	2,735	-
Emergency Siren	-	3,000
Total Nonmajor Special Revenue Funds	<u>2,735</u>	<u>5,735</u>
Nonmajor Capital Projects Funds:		
Second Street	-	60,000
Natureworks Park	-	40,000
Depot Str. Improvement	-	2,644
Recreational Complex	-	34,500
West North Street	-	-
Green Acres	-	9,000
Total Nonmajor Capital Projects	<u>-</u>	<u>146,144</u>
Total All Funds	<u><u>\$ 1,176,879</u></u>	<u><u>\$ 1,176,879</u></u>

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2007, was as follows:

Issue	Balance 12/31/06	Issued	Retired	Balance 12/31/07	Due in One Year
Compensated Absences	\$ 19,228	\$ 18,781	\$ 19,228	\$ 18,781	\$ 1,948
2001 - 2% OWDA Wastewater Treatment Plant Bonds	3,520,425	-	172,837	3,347,588	87,847
1999 - 12% Synagro Loan Dewatering Facility	182,240	-	38,131	144,109	42,707
2005/2006 - 3%/3% Sewer Flush Truck	147,656	126,928	147,656	126,928	21,203
1997 - 0% OPWC Wastewater Treatment Plant Bonds	20,212	-	1,925	18,287	1,925
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Bonds	411,442	-	25,739	385,703	13,063
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Bonds	84,896	-	5,477	79,419	5,477
2005/2006 - 2.75%/2.75% Water Sludge Lagoon Cleaning	13,696	-	13,696	-	-
<b>Total Enterprise</b>	<b>\$ 4,399,795</b>	<b>\$ 145,709</b>	<b>\$ 424,689</b>	<b>\$ 4,120,815</b>	<b>\$ 174,170</b>
Compensated Absences	\$ 37,823	\$ 50,172	\$ 37,823	\$ 50,172	-
2006 - 3.75% Dump Truck	32,061	26,076	32,061	26,076	6,522
2002 - 0% OPWC Green Acres Paving & Drainage Project	58,497	-	9,000	49,497	9,000
2003 - 0% OPWC Depot Street Reconstruction	44,950	-	2,644	42,306	2,644
2005/2006 - 4.004%/4.0% - Pride Road (2002)	252,837	202,948	252,837	202,948	52,085
2006 -4.05% Fire Truck (1998)	307,905	558,122	596,675	269,352	40,531
2005/2006 - 3.912%/3.9% Police Dept. Renovations (2002)	68,919	46,636	68,919	46,636	23,174
2005/2006 - 3.5%/2.75% Completion of Bristol Park	258,160	230,759	258,160	230,759	28,204
<b>Total Governmental Activities Long Term</b>	<b>\$ 1,061,152</b>	<b>\$ 1,114,713</b>	<b>\$ 1,258,119</b>	<b>\$ 917,746</b>	<b>\$ 162,160</b>

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

The City’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$6,594,200 with an unvoted debt margin of \$82,909 at December 31, 2007.

Annual debt service requirements to maturity for Business-type obligations are:

	OPWC	OWDA Loans		1999 Synagro		2007 Loans	
	Loans	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$7,402	\$100,910	\$40,680	\$42,707	\$17,293	\$21,203	\$3,797
2009	7,402	205,124	78,058	47,832	12,168	105,725	3,172
2010	7,402	209,608	73,574	53,570	6,429	-	-
2011	7,402	214,190	68,992	-	-	-	-
2012	7,402	218,872	64,310	-	-	-	-
2013-2017	36,048	1,168,260	247,649	-	-	-	-
2018-2022	24,648	1,250,395	114,752	-	-	-	-
2023-2027	0	365,932	8,080	-	-	-	-
Total	<u>\$97,706</u>	<u>\$3,733,291</u>	<u>\$696,095</u>	<u>\$144,109</u>	<u>\$35,890</u>	<u>\$126,928</u>	<u>\$6,969</u>

Annual debt service requirements to maturity for Governmental Activities are:

	OPWC		2007	
	Loans		Loans	
	Principal	Interest	Principal	Interest
2008	\$ 11,644	\$ 27,067	\$ 150,516	\$ 22,526
2009	11,644	-	625,255	-
2010	11,644	-	-	-
2011	11,644	-	-	-
2012	11,644	-	-	-
2013-2017	17,720	-	-	-
2018-2022	13,220	-	-	-
2023-2024	2,643	-	-	-
	<u>\$ 91,803</u>	<u>\$ 49,593</u>	<u>\$ 775,771</u>	<u>\$ 22,526</u>

The OWDA Elevated Water Storage Tank Loan was issued in 2001 in the amount of \$555,576 for the purpose of constructing a new water tower. This loan will be repaid from the Water fund by January 1, 2021.

The OWDA Wastewater Treatment Plant Loan was issued in 2001 for the purpose of constructing a new sewage treatment facility. The loan will be repaid from the Sewer Fund.

The OPWC Wastewater Treatment Plant Loans were issued in 1997 in the amount of \$38,500 for the purpose of improving the wastewater treatment plant digester. These loans will be repaid from the Sewer Fund by July 1, 2017.



**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS** (Continued)

The OPWC Elevated Water Storage Tank Loan was issued in 2001 in the amount of \$109,543 for the purpose of constructing a new water tower. This loan will be repaid from the Water fund by July 1, 2022.

The OPWC Green Acres Paving and Drainage Loan was issued in the amount of \$89,997 for the improvement of storm drains and to repair curbs and gutters. The loan will be repaid from the Green Acres Capital Projects Fund.

The Synagro Dewatering Facility Loan was issued in the amount of \$339,013 for the construction of a Dewatering Facility. The loan will be paid from the Sewer Fund.

The OPWC Depot Street Reconstruction Loan was issued in 2003 in the amount of \$52,882 for the purpose of reconstruction and improvements to Depot Street. The loan will be repaid from the Depot Street Reconstruction Capital Projects Fund.

The Flush Truck note was issued on July 5, 2007 in the amount of \$126,928 and was for the purpose of purchasing a Pump Truck. This note matured on July 4, 2008, and the City paid \$21,203 from the Sewer Fund against the note and refinanced the remaining \$105,725 into a new note.

The Water Sludge Lagoon Cleaning note was paid in full on April 28, 2007 from the Water Fund.

The Bristol Park note was issued on April 20, 2007 in the amount of \$230,759 and was to complete the Bristol Park project. This note matured on April 20, 2008, and the City paid \$28,204 from the Bristol Park Capital Project Fund against the note and refinanced the remaining \$202,555 into a new note.

The Fire Truck note was issued for the purpose of purchasing a new fire truck and refinancing the note from a previously purchased fire truck. On March 27, 2007 the note was issued in the amount of \$288,770 and matured on September 26, 2007. On September 24, 2007, the note was issued in the amount of \$269,352. This note matured on March 22, 2008, and the City paid \$19,930 from the Fire Special Revenue Fund against the note and refinanced the remaining \$249,422 into a new note. This note matured on September 16, 2008 and the City paid \$20,601 from the Fire Special Revenue Fund against the note and refinanced the remaining \$228,821.

The Pride Road note was issued on November 7, 2007 in the amount of \$202,948 and was used to construct Pride Road. The note was renewed on October 29, 2008. The City paid \$52,085 from the Second Street Fund against the note and refinanced the remaining \$150,863 into a new note. This new note will be paid from the Second Street Improvements Fund.

The Police Department renovations note was issued on January 8, 2007 in the amount of \$46,636 and is being used to renovate the police department building. This note matured on January 8, 2008, and the City paid \$23,174 from the Police Special Revenue Fund against the note and refinanced the remaining \$23,462 into a new note.

The Dump Truck note was issued on February 6, 2007 in the amount of \$26,076 and was issued for the purchase of a dump truck. This note matured on February 6, 2008, and the City paid \$6,522 from the Bridge and Street Special Revenue Fund against the note and refinanced the remaining \$19,553 into a new note.

The compensated absences additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**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. During fiscal year 2007, the City contracted with The Public Entities Pool of Ohio for all property and fleet insurance, liability insurance, and inland marine coverage as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$21,763,200
Miscellaneous Property and Inland Marine Coverage (\$1,000 deductible)	810,365
Electronic Data Processing Equip Coverage (\$1,000 deductible)	48,171
Automobile Vehicle Liability (\$0 deductible)	2,000,000
Uninsured/Under Insured Motorists Per Occurrence	100,000
Medical Expenses	1,000
Wrongful Acts Coverage (\$2,500 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Employee Benefits (\$1,000 deductible)	100,000
Medical Expense (other than auto)	5,000
Law Enforcement Liability (\$2,000 deductible)	
Per occurrence	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

There have been no significant reductions in insurance coverage from the previous year.

Workers' Compensation coverage is provided by the State of Ohio and is based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**NOTE 15 – JOINTLY GOVERNED ORGANIZATION**

**WAVERLY EVERGREEN UNION CEMETERY**

The Waverly Evergreen Union Cemetery, a jointly governed organization, provides services within the City. The Board of Trustees oversees the operation of the Cemetery. The City does not have any financial interest in or responsibility for the Cemetery.

**NOTE 16 – CONTINGENT LIABILITIES**

**A. LITIGATION**

The City of Waverly is not a party to any legal proceedings.

**B. FEDERAL AND STATE GRANTS**

For the period January 1, 2007 to December 31, 2007, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF WAVERLY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

**NOTE 17 – RESTATEMENT OF NET ASSETS**

**Restatement of Net Assets:** The City had certain OPWC disbursements from prior years which related to an OPWC grant which had inadvertently been recorded as part of capital assets (construction in progress) as of December 31, 2006. This adjustment to correct this error had the following affect on beginning net asset balances:

	Governmental Activities
Net Assets as of December 31, 2006	\$ 4,164,286
Capital Assets	(81,026)
Net Assets as of January 1, 2007	\$ 4,083,260

**NOTE 18 – COMPLIANCE**

Ohio Revised Code Section 5705.41(B)

At December 31, 2007, total disbursements plus encumbrances exceeded total appropriations in the following funds:

Special Revenue Funds:	
Bridge and Street Fund	
Principal	\$ (32,061)
Interest and Fiscal Charges	(1,195)
Fire Fund	
Security of Persons and Property	(10,473)
Principal	(546,125)
Interest and Fiscal Charges	(11,997)
Police Fund	
Security of Persons and Property	(56,525)
Principal	(43,894)
Interest and Fiscal Charges	(2,717)

Ohio Rev. Code Section 5705.39

At December 31, 2007, original appropriations exceeded total original estimated resources in the following funds:

Special Revenue Funds:	
Fire Fund	\$ 6,023

The City intends to monitor budgetary activity more closely to prevent the above type of situations from occurring again.

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# Mary Taylor, CPA

Auditor of State

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

City of Waverly  
Pike County  
201 West North Street  
Waverly, Ohio 45690

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Pike County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2008, wherein we noted there was a lack of sufficient competent evidential matter to gain the necessary assurances regarding the accuracy, completeness, existence and valuation of the capital assets reported in the governmental activities, business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2007. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-003 through 2007-004.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-004 is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated November 4, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 4, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

November 4, 2008

**CITY OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2007, total expenditures plus encumbrances exceeded total appropriations in the following funds:

	Total Appropriations	Total Expenditures	Variance
Bridge and Street Fund:			
Debt Service: Principal	\$0	\$32,061	(\$32,061)
Debt Service: Interest and Fiscal Charges	0	1,195	(1,195)
Fire Fund			
Security of Persons and Property	246,427	256,900	(10,473)
Debt Service: Principal	50,550	596,675	(546,125)
Debt Service: Interest and Fiscal Charges	0	11,997	(11,997)
Police Fund:			
Debt Service: Principal	25,000	68,919	(43,919)
Debt Service: Interest and Fiscal Charges	0	2,717	(2,717)

Some of the variances were caused by the City failing to budget for the annual renewal of debt obligations. Others were caused by the City not budgeting sufficient appropriations to cover actual expenditures. Overspending appropriations could cause negative fund cash balances.

The City Auditor should not certify the availability of funds and should deny payment requests exceeding appropriations. The City Auditor may request City Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

CITY OF WAVERLY  
PIKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

**1. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation account.

The City Auditor did not certify the availability of funds prior to making commitments for 62% of the disbursements tested for 2007. This resulted from inconsistent application of the City's certification process. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the City uses exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the City Auditor certify that funds are or will be available prior to obligations by the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City officials and employees obtain the Auditor's certification of the availability of funds prior to the commitment being incurred. We also recommend the City Council establish an amount by resolution limiting the dollar value at which "blanket certificates" can be certified if they decide to use "blanket certificates". In addition to blanket certificates, the most convenient certification method is to use purchase orders that include the certification language Section 5704.41(D) requires to authorize disbursements. The City Auditor should sign the certification at the time the City incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The City Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.



**CITY OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003**

**Significant Deficiency**

Sound financial reporting is the responsibility of the City Auditor and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Intergovernmental revenues were incorrectly recorded as tax revenues as follows: General Fund \$292,037, Bridge and Street Fund \$18,268, Fire Fund \$38,967, and Police Fund \$114,468.
- Intergovernmental revenues were incorrectly recorded as other revenues as follows: General Fund \$35,598, Fire Fund \$4,150, Other Governmental Funds \$81,520, and Water Fund \$23,209.
- OPWC payment on behalf of the City for \$27,563 was incorrectly recorded as other revenue in Other Governmental Funds rather than intergovernmental revenue.
- Taxes receivable and deferred revenue were overstated by \$190,583 in the General Fund due to local government revenues being included in the calculation.
- Due within one year was overstated as follows: Bridge and Street Fund \$19,554, Fire Fund \$228,821, Police Fund \$23,462, Other Governmental Funds \$202,555.
- Tax revenue was understated and deferred revenue was overstated by \$49,539 in the General Fund due to the City changing its available period from 31 to 60 days.
- Equity in pooled cash and cash equivalents in segregated accounts was overstated by \$19,767 in the Agency Funds due to the prior year ending balance being included and not properly deducted.
- Due in more than one year was overstated by \$285,000 in the Sewer Fund due to an OPWC grant being incorrectly reported as a loan.
- Accounts receivable were overstated and taxes receivable were understated by \$48,503 in the General Fund due to franchise tax not being recorded as tax revenue. Also, tax revenue was understated and deferred revenue was overstated by the same amount due to the City changing the available period from 31 to 60 days.
- Capital assets were understated by \$192,803 in Governmental Activities due to capital assets meeting the \$5,000 threshold were not capitalized.
- Capital assets were understated by \$32,430 in Governmental Activities due to the purchase of two new trucks being recorded as deletions instead of additions.

These errors resulted from the City not having adequately designed policies and procedures to monitor the posting of revenues and the monitoring of the financial statement preparation.

To ensure the City's financial statements and notes to the statements are complete and accurate, the City should adopt policies and procedures, including a final review of the statements and notes by the City Auditor and City Council, to identify and correct errors and omissions.

**CITY OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-004**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring adequate security of assets and records as well as verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Prior to 2004, the City did not have a comprehensive listing of all of its capital assets detailing individual assets purchased, the cost of the assets, location, date of acquisition, etc. During the preparation of the 2004 financial statements, the City obtained a Capital Assets Inventory System and developed a listing of the City's Capital Assets.

Audit testing revealed that the department head developed this listing, with each listing the assets their department had, along with estimates of the values and acquisition dates. There was no supporting documentation for the estimated values and acquisition dates. Also, there were significant variances between the audited December 31, 2003 amounts and the restated beginning January 1, 2004 amounts due to the City using estimates in preparing its Capital Assets Inventory System listing in 2004. Testing further revealed that the amounts reported for 2004 and 2005 capital assets additions were also estimates of values.

During 2006, the City contracted with an appraisal firm to perform an appraisal of the City's capital assets. The appraisal firm based values included in the appraisal report primarily on information provided by the City, which consisted mostly of estimates of values and acquisition dates. We tested these estimates in the audit of the City's 2004 and 2005 financial statements and determined them to be inaccurate, or at least unsupported. We also noted several of the City's capital assets, including Water Department items and fire trucks, that were excluded from the appraisal prepared during 2006, even though the governmental activities capital assets were restated by an increase of \$37,954 and the business-type activities capital assets were restated by an increase of \$2,286,176. In addition, the appraisal incorrectly noted \$0 for vehicles in governmental activities at January 1, 2006. The appraisal also incorrectly removed the vehicles category in the business-type activities.

GASB 34 requires asset additions be recorded by the fund and function from which they were purchased. Such information must be available to properly record information such as the loss on the disposal of assets, depreciation, etc. Using estimated information, rather than vouchers listing account codes assets were purchased from, does not enable the City to identify and record this information.

We were unable to find documents to support the amounts included in the appraisal as noted above and based on the issues described above, we could not effectively gain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the City's Capital Assets.

During 2007, Capital Asset Change Transmittal Forms were maintained for capital assets that were additions or deletions during the audit period. However, they were not accurate as compared to the resulting additions and deletions on the appraisal company's reports. Two additions were actually purchased prior to the audit period and the capitalized cost on one of them did not agree to the actual cost of the asset. Also, there were two pickup trucks listed on the appraisal company's deletion report that were actually additions. These items resulted in errors to the capital assets. These errors resulted from the City not performing a review of the appraisal report.

**CITY OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

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

**FINDING NUMBER 2007-004 (Continued)**

**Material Weakness (Continued)**

The City should have records to support the valuation of material capital assets. The City should record additions and deletions when the transactions occur. When an asset is purchased and has been received, the City Auditor or his designee should complete a fixed asset addition form and attach a copy of the invoice for payment to it. The Auditor's Office should assign a tag and affix it to the appropriate asset. The City Auditor or his designee should record the tag number on the asset addition form. The City Auditor should then file the form in a separate file for asset additions. If this process is used throughout the year, the City Auditor can then use the file with the addition forms to prepare the annual update to be sent to the appraisal firm. When an asset is disposed of, the City Auditor or his designee should complete an asset disposal form. The City Auditor or his designee should remove the asset inventory tag from the asset and attach it to the disposal form to ensure that the appropriate asset is removed from the inventory listing. The City Auditor should maintain the disposal forms in a separate file.

The City Auditor can then use this file at the end of the year to send the necessary information for the annual inventory update to the appraisal firm. Such processes would enable the City to ensure that the amounts reported for capital assets are appropriately recorded and that the asset inventory is accurate for both reporting and insurance purposes. The City Auditor and the appraisal firm should adjust the values on the capital assets reports to agree to the actual amounts expended for the assets and maintain the documentation to support these values.

**Official's Response:**

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

**CITY OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

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>
2006-001	Ohio Rev. Code Section 5705.36(A)(2) - Actual revenue exceeded estimated revenue and unanticipated revenue was expended.	Yes	
2006-002	Ohio Rev. Code Section 5705.39 - Appropriations exceeded estimated resources.	Yes	
2006-003	Ohio Rev. Code Section 5705.41(B) - Expenditures exceeded appropriations.	No	Not Corrected - Reissued as current audit Finding Number 2007-001.
2006-004	Ohio Rev. Code Section 5705.41(D)(1) - Not certifying the availability of funds prior to obligation.	No	Not Corrected - Reissued as current audit Finding Number 2007-002.
2006-005	Ohio Admin. Code Section 117-2-02(C)(1) - Approved budgetary amounts not correctly recorded in the accounting system.	No	Partially Corrected - Reissued in current audit Management Letter.
2006-006	Errors in the financial statements required audit adjustment or reclassification.	No	Not Corrected - Reissued as current audit Finding Number 2007-003.
2006-007	Capital Assets listing not correct.	No	Not Corrected - Reissued as current audit Finding Number 2007-004.



**Mary Taylor, CPA**  
Auditor of State

**CITY OF WAVERLY**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 20, 2008**