



Dave Yost • Auditor of State

VILLAGE OF WAVERLY
PIKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village 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 Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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, the major Water Fund and the major Sewer Fund for the year ended December 31, 2011. Amounts reported for Capital Assets represented the following percentages of Total Assets for each opinion unit:

Opinion Units	Capital Asset Amount	Percentage of Total Assets
Governmental Activities	\$3,693,526	59%
Business-Type Activities	\$8,294,000	93%
Major Water Fund	\$4,101,557	94%
Major Sewer Fund	\$4,192,443	93%

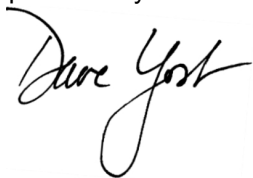
We were unable to determine the accuracy, completeness, existence, and valuation of Capital Assets through alternative procedures.

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 Village'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 Village of Waverly, Pike County, Ohio, as of December 31, 2011, 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.

As described in Note 18, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

December 7, 2012

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The discussion and analysis of the Village of Waverly's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Village'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 Village's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets decreased \$58,889. Net assets of governmental activities decreased \$198,252. Net assets of business-type activities increased \$139,363
- Governmental activities general revenues accounted for \$2,635,702 in revenue or 87.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$363,773 or 12.1 percent of total revenues of \$2,999,475. Business-type activities general revenues accounted for \$38,547 in revenue or 2.2 percent of all revenues. Program specific revenues accounted for \$1,677,572 or 97.8 percent of total revenues of \$1,716,119.
- The Village had \$3,197,727 in expenses related to governmental activities; \$363,773 of these expenses was offset by program specific charges for services and sales, grants and contributions; the remainder of these expenses was partially offset by general revenues. The Village had \$1,576,756 in expenses related to business-type activities; the entire amount was offset by program specific charges for services and sales, grants and contributions.

Using the Annual Financial Report

This annual report consists of a series of basic financial statements and notes to the basic financial statements. These statements are organized so the reader can understand the Village 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 Village, presenting both an aggregate view of the Village'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 Village's most significant funds with all other non-major funds presented in total in a single column.

Reporting the Village as a Whole

Statement of Net Assets and Statement of Activities

While this report contains information about the funds used by the Village to provide services to our citizens, the view of the Village as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" 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 Village'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 Village has improved or diminished for the Village as a whole. However, in evaluating the overall position of the Village, non-financial information such as changes in the Village's tax base and the condition of the Village's capital assets will also need to be evaluated.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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

- **Governmental Activities** - Most of the Village'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 Village 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 Village's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the Village'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 Village'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 relationship 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 Village 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Village's programs. These funds also use the accrual basis of accounting.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to the prior year:

Table 1 Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010*	2011	2010*	2011	2010*
Assets						
Current and Other Assets	\$2,588,781	\$2,744,479	\$542,629	\$469,215	\$3,131,410	\$3,213,694
Capital Assets, Net	<u>3,693,526</u>	<u>4,002,851</u>	<u>8,294,000</u>	<u>8,491,615</u>	<u>11,987,526</u>	<u>12,494,466</u>
Total Assets	<u>6,282,307</u>	<u>6,747,330</u>	<u>8,836,629</u>	<u>8,960,830</u>	<u>15,118,936</u>	<u>15,708,160</u>
Liabilities						
Current and Other Liabilities	799,789	876,884	36,531	49,917	836,320	926,801
Long-Term Liabilities	<u>812,429</u>	<u>1,002,105</u>	<u>3,024,527</u>	<u>3,274,705</u>	<u>3,836,956</u>	<u>4,276,810</u>
Total Liabilities	<u>1,612,218</u>	<u>1,878,989</u>	<u>3,061,058</u>	<u>3,324,622</u>	<u>4,673,276</u>	<u>5,203,611</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	2,936,623	3,055,846	5,293,002	5,242,538	8,229,625	8,298,384
Restricted	838,916	911,414	0	0	838,916	911,414
Unrestricted	<u>894,550</u>	<u>901,081</u>	<u>482,569</u>	<u>393,670</u>	<u>1,377,119</u>	<u>1,294,751</u>
Total Net Assets	<u>\$4,670,089</u>	<u>\$4,868,341</u>	<u>\$5,775,571</u>	<u>\$5,636,208</u>	<u>\$10,445,660</u>	<u>\$10,504,549</u>

* As restated, see Note 18 for additional information.

Total assets decreased \$589,224. This decrease was due primarily to a decrease in capital assets of \$506,940, resulting from depreciation of the assets for governmental and business-type activities. There was also a decrease in cash of \$136,343 and increase in accounts receivable of \$66,529.

Total liabilities decreased \$530,335. This decrease was due primarily to debt decreases in governmental activities in as a result of current year principal payments.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Table 2 shows the changes in net assets for the year ended December 31, 2011 as compared to the prior year.

Table 2
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2011	2010*	2011	2010*	2011	2010*
Revenues						
Program Revenues:						
Charges for Services and Sales	\$146,263	\$179,195	\$1,677,572	\$1,419,822	\$1,823,835	\$1,599,017
Operating Grants and Contributions	217,510	224,040	0	0	217,510	224,040
Total Program Revenues	<u>363,773</u>	<u>403,235</u>	<u>1,677,572</u>	<u>1,419,822</u>	<u>2,041,345</u>	<u>1,823,057</u>
General Revenues:						
Property & Income Taxes	1,922,114	2,067,457	0	0	1,922,114	2,067,457
Unrestricted Grants and Entitlements:	599,439	576,504	0	0	599,439	576,504
Unrestricted Investment Earnings	1,336	2,113	32	37	1,368	2,150
Gain on Sale of Capital Assets	0	18,216	0	0	0	18,216
Other	112,813	99,040	38,515	49,315	151,328	148,355
Total General Revenues	<u>2,635,702</u>	<u>2,763,330</u>	<u>38,547</u>	<u>49,352</u>	<u>2,674,249</u>	<u>2,812,682</u>
Total Revenues	<u>2,999,475</u>	<u>3,166,565</u>	<u>1,716,119</u>	<u>1,469,174</u>	<u>4,715,594</u>	<u>4,635,739</u>
Program Expenses						
General Government -						
Legislative and Executive	809,901	998,147	0	0	809,901	998,147
Security of Persons & Property	1,553,455	1,473,146	0	0	1,553,455	1,473,146
Public Health	1,470	1,470	0	0	1,470	1,470
Leisure Time Services	184,619	105,018	0	0	184,619	105,018
Transportation	615,484	938,682	0	0	615,484	938,682
Interest and Fiscal Charges	32,798	19,525	0	0	32,798	19,525
Water	0	0	835,648	838,531	835,648	838,531
Sewer	0	0	741,108	815,111	741,108	815,111
Total Expenses	<u>3,197,727</u>	<u>3,535,988</u>	<u>1,576,756</u>	<u>1,653,642</u>	<u>4,774,483</u>	<u>5,189,630</u>
Increase (Decrease) in Net Assets Before Transfers	(198,252)	(369,423)	139,363	(184,468)	(58,889)	(553,891)
Transfers	<u>0</u>	<u>(220,000)</u>	<u>0</u>	<u>220,000</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	(198,252)	(589,423)	139,363	35,532	(58,889)	(553,891)
Beginning Net Assets	4,868,341	5,457,764	5,636,208	5,600,676	10,504,549	11,058,440
Ending Net Assets	<u>\$4,670,089</u>	<u>\$4,868,341</u>	<u>\$5,775,571</u>	<u>\$5,636,208</u>	<u>\$10,445,660</u>	<u>\$10,504,549</u>

Property and income tax revenue decreased due to a decrease in income tax collections during 2011. Transportation decreased due to expenses in 2010 for the Levee project that did not occur in 2011.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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 Village monitors each of these revenue sources very closely for fluctuations.

General government, security of persons and property, transportation, and leisure time activities are the major activities of the Village, generating nearly 99% of the total expenses.

Business-Type Activities

The Village's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the Village's residents. The sewer operations generated program revenues of \$936,931 and had expenses of \$741,108. The water operations generated program revenues of \$740,641 and had expenses of \$835,648. The Village's goal is to cover the costs of operations as well as build cash balance in these funds. The Village is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

The Village's Funds

The Village'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 and other financial sources of \$4,666,061 and expenditures and other financing uses of \$4,829,959. The net change in fund balance for the year in the General Fund decreased \$193,122 due primarily to a decrease in tax revenue. The Police Fund had a fund balance decrease of \$71,219. The Bridge and Street Fund had a fund balance increase of \$13,269. The Fire Fund had a fund balance increase of \$49,753, while the Levee Fund had a fund balance decrease of \$27,185.

General Fund Budgeting Highlights

The Village'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, final budgeted revenues were \$2,121,700. Actual revenues were lower than final budgeted revenues in the amount of \$273,555 due to lower than expected income tax revenue. Original and final budgeted expenditures and other financing uses were \$2,692,329 and \$2,587,192, respectively. Actual budgetary basis expenditures and other financing uses were \$2,105,259, which is lower than the final budgeted expenditures and other financing uses due primarily to less expenditures for legislative and executive and transfers out.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2011, the Village had \$11,987,526 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, water and sewer lines, and infrastructure, net of accumulated depreciation. Table 3 shows 2011 balances as compared to the prior year.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Table 3
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$239,268	\$239,268	\$70,000	\$70,000	\$309,268	\$309,268
Construction in Progress	0	0	89,187	0	89,187	0
Land Improvements	114,921	152,676	20,448	29,376	135,369	182,052
Furniture and Equipment	531,185	659,144	7,772	40,499	538,957	699,643
Buildings and Improvements	876,641	896,553	7,856,109	8,082,642	8,732,750	8,979,195
Infrastructure	1,931,511	2,055,210	250,484	269,098	2,181,995	2,324,308
Totals	\$3,693,526	\$4,002,851	\$8,294,000	\$8,491,615	\$11,987,526	\$12,494,466

The decrease noted in total capital assets is due to current year depreciation expense which was partially offset by additions. See Note 8 for additional information on the Village's capital assets.

Debt

At December 31, 2011, the Village of Waverly had \$3,836,956 in notes, loans, and compensated absences outstanding with \$800,746 due within one year.

Table 4
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	Total
	2011	2010	2011	2010	2011	2010
Compensated Absences	\$55,526	\$55,100	\$23,529	\$25,628	\$79,055	\$80,728
Long Term Notes	620,008	795,133	38,284	61,480	658,292	856,613
O.W.D.A. Loans	0	0	2,894,617	3,111,135	2,894,617	3,111,135
O.P.W.C. Loans	136,895	151,872	68,097	76,462	204,992	228,334
Total	\$812,429	\$1,002,105	\$3,024,527	\$3,274,705	\$3,836,956	\$4,276,810

The Village's overall legal debt margin was \$7,664,889 at December 31, 2011.

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

The Future

The Village continues to work diligently to increase revenues and decrease costs to put the Village on more stable footing.

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

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Contacting the Village's Finance Department

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

Village of Waverly
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$1,025,739	\$278,978	\$1,304,717
Receivables:			
Taxes	1,277,778	0	1,277,778
Accounts	0	324,462	324,462
Materials and Supplies Inventory	0	9,189	9,189
Due from Other Governments	208,664	0	208,664
Due from Other Funds	6,600	0	6,600
Internal Balances	70,000	(70,000)	0
Non-Depreciable Capital Assets	239,268	159,187	398,455
Depreciable Capital Assets, Net	3,454,258	8,134,813	11,589,071
<i>Total Assets</i>	<u>6,282,307</u>	<u>8,836,629</u>	<u>15,118,936</u>
LIABILITIES:			
Accounts Payable	15,005	12,369	27,374
Accrued Wages and Benefits	38,754	12,679	51,433
Due to Other Governments	47,014	11,483	58,497
Unearned Revenue	699,016	0	699,016
Long-Term Liabilities:			
Due Within One Year	644,471	156,275	800,746
Due in More Than One Year	167,958	2,868,252	3,036,210
<i>Total Liabilities</i>	<u>1,612,218</u>	<u>3,061,058</u>	<u>4,673,276</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,936,623	5,293,002	8,229,625
Restricted for:			
Capital Projects	246,078	0	246,078
Police	164,190	0	164,190
Bridge and Street	164,182	0	164,182
Other Purposes	264,466	0	264,466
Unrestricted	894,550	482,569	1,377,119
<i>Total Net Assets</i>	<u><u>\$4,670,089</u></u>	<u><u>\$5,775,571</u></u>	<u><u>\$10,445,660</u></u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government:						
Legislative and Executive	\$809,901	\$9,078	\$0	(\$800,823)		(\$800,823)
Security of Persons and Property	1,553,455	127,283	154,812	(1,271,360)		(1,271,360)
Public Health	1,470	16	0	(1,454)		(1,454)
Leisure Time Services	184,619	890	0	(183,729)		(183,729)
Transportation	615,484	8,777	61,170	(545,537)		(545,537)
Interest and Fiscal Charges	32,798	219	1,528	(31,051)		(31,051)
<i>Total Governmental Activities</i>	<u>3,197,727</u>	<u>146,263</u>	<u>217,510</u>	<u>(2,833,954)</u>	<u>0</u>	<u>(2,833,954)</u>
Business-Type Activities:						
Sewer	741,108	936,931	0		\$195,823	195,823
Water	835,648	740,641	0		(95,007)	(95,007)
<i>Total Business-Type Activities</i>	<u>1,576,756</u>	<u>1,677,572</u>	<u>0</u>	<u>0</u>	<u>100,816</u>	<u>100,816</u>
<i>Totals</i>	<u>\$4,774,483</u>	<u>\$1,823,835</u>	<u>\$217,510</u>	<u>(2,833,954)</u>	<u>100,816</u>	<u>(2,733,138)</u>
General Revenues:						
Taxes:						
Property Taxes - General Purposes				122,350	0	122,350
Property Taxes - Other Purposes				515,287	0	515,287
Income Taxes				1,284,477	0	1,284,477
Grants and Entitlements not Restricted to Specific Programs				599,439	0	599,439
Investment Earnings				1,336	32	1,368
Miscellaneous				112,813	38,515	151,328
<i>Total General Revenues</i>				<u>2,635,702</u>	<u>38,547</u>	<u>2,674,249</u>
<i>Change in Net Assets</i>				(198,252)	139,363	(58,889)
<i>Net Assets Beginning of Year - As Restated, See Note 18</i>				4,868,341	5,636,208	10,504,549
<i>Net Assets End of Year</i>				<u>\$4,670,089</u>	<u>\$5,775,571</u>	<u>\$10,445,660</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Balance Sheet
Governmental Funds
December 31, 2011

	General	Bridge & Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
ASSETS:							
Equity in Pooled Cash and Cash Equivalents	\$230,042	\$98,419	\$61,943	\$186,364	\$12,008	\$436,963	\$1,025,739
Receivables:							
Taxes	581,264	89,010	149,666	457,838	0	0	1,277,778
Due from Other Governments	74,004	91,677	6,091	19,887	0	17,005	208,664
Interfund Receivable	70,000	0	0	0	0	0	70,000
Due from Other Funds	6,600	0	0	0	0	0	6,600
<i>Total Assets</i>	<u>\$961,910</u>	<u>\$279,106</u>	<u>\$217,700</u>	<u>\$664,089</u>	<u>\$12,008</u>	<u>\$453,968</u>	<u>\$2,588,781</u>
LIABILITIES:							
Accounts Payable	\$2,149	\$4,238	\$5,690	\$2,928	\$0	\$0	\$15,005
Accrued Wages and Benefits	10,464	6,825	3,161	18,304	0	0	38,754
Due to Other Governments	8,713	4,538	10,249	23,514	0	0	47,014
Deferred Revenue	371,331	151,681	154,070	472,372	0	15,430	1,164,884
<i>Total Liabilities</i>	<u>392,657</u>	<u>167,282</u>	<u>173,170</u>	<u>517,118</u>	<u>0</u>	<u>15,430</u>	<u>1,265,657</u>
FUND BALANCES:							
Nonspendable	7,139	0	0	0	0	0	7,139
Restricted	0	111,824	44,530	146,971	12,008	204,725	520,058
Committed	0	0	0	0	0	233,813	233,813
Assigned	11,363	0	0	0	0	0	11,363
Unassigned	550,751	0	0	0	0	0	550,751
<i>Total Fund Balances</i>	<u>569,253</u>	<u>111,824</u>	<u>44,530</u>	<u>146,971</u>	<u>12,008</u>	<u>438,538</u>	<u>1,323,124</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$961,910</u>	<u>\$279,106</u>	<u>\$217,700</u>	<u>\$664,089</u>	<u>\$12,008</u>	<u>\$453,968</u>	<u>\$2,588,781</u>

See accompanying notes to the basic financial statements.

Village of Waverly
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2011*

Total Governmental Fund Balances		\$1,323,124
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.		3,693,526
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	309,354	
Intergovernmental	156,514	
Total		465,868
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	(55,526)	
General Obligation Notes and Loans Payable	(756,903)	
Total		(812,429)
Net Assets of Governmental Activities		\$4,670,089

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Bridge & Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	\$1,446,136	\$70,360	\$103,944	\$328,946	\$0	\$0	\$1,949,386
Intergovernmental	210,549	208,796	66,123	187,015	0	31,899	704,382
Interest	1,149	39	0	0	0	148	1,336
Charges for Services	0	0	30,610	0	0	0	30,610
Fees, Licenses and Permits	10,791	0	0	150	0	0	10,941
Fines and Forfeitures	104,261	0	0	0	0	451	104,712
Other	46,294	1,104	6,315	17,095	0	42,005	112,813
<i>Total Revenues</i>	<u>1,819,180</u>	<u>280,299</u>	<u>206,992</u>	<u>533,206</u>	<u>0</u>	<u>74,503</u>	<u>2,914,180</u>
EXPENDITURES:							
Current:							
General Government:							
Legislative and Executive	741,585	0	0	0	0	0	741,585
Security of Persons and Property	75,072	0	252,455	1,031,150	0	17,897	1,376,574
Public Health	1,470	0	0	0	0	0	1,470
Leisure Time Services	184,619	0	0	0	0	0	184,619
Transportation	0	514,214	0	0	29,235	15	543,464
Capital Outlay	0	0	9,191	0	0	0	9,191
Debt Service:							
Principal	0	67,473	263,749	0	400,000	199,480	930,702
Interest and Fiscal Charges	0	2,160	10,682	0	16,001	3,955	32,798
<i>Total Expenditures</i>	<u>1,002,746</u>	<u>583,847</u>	<u>536,077</u>	<u>1,031,150</u>	<u>445,236</u>	<u>221,347</u>	<u>3,820,403</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>816,434</u>	<u>(303,548)</u>	<u>(329,085)</u>	<u>(497,944)</u>	<u>(445,236)</u>	<u>(146,844)</u>	<u>(906,223)</u>
OTHER FINANCING SOURCES AND USES:							
Issuance of Notes and Loans	0	41,817	218,838	0	366,685	113,260	740,600
Proceeds from Sale of Capital Assets	0	0	0	1,725	0	0	1,725
Transfers In	0	275,000	160,000	425,000	51,366	98,190	1,009,556
Transfers Out	(1,009,556)	0	0	0	0	0	(1,009,556)
<i>Total Other Financing Sources and Uses</i>	<u>(1,009,556)</u>	<u>316,817</u>	<u>378,838</u>	<u>426,725</u>	<u>418,051</u>	<u>211,450</u>	<u>742,325</u>
<i>Net Change in Fund Balances</i>	(193,122)	13,269	49,753	(71,219)	(27,185)	64,606	(163,898)
<i>Fund Balances at Beginning of Year - As Restated, See Note 18</i>	<u>762,375</u>	<u>98,555</u>	<u>(5,223)</u>	<u>218,190</u>	<u>39,193</u>	<u>373,932</u>	<u>1,487,022</u>
<i>Fund Balances at End of Year</i>	<u>\$569,253</u>	<u>\$111,824</u>	<u>\$44,530</u>	<u>\$146,971</u>	<u>\$12,008</u>	<u>\$438,538</u>	<u>\$1,323,124</u>

See accompanying notes to the basic financial statements.

Village 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, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$163,898)

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	21,689	
Current Year Depreciation	(318,764)	
Total	(297,075)	(297,075)

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.

Proceeds from Disposal of Capital Assets	(1,725)	
Loss on Disposal of Capital Assets	(10,525)	
Total	(12,250)	(12,250)

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

Intergovernmental	112,567	
Taxes	(27,272)	
Total	85,295	85,295

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.

930,702

Issuance of notes and loans 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.

(740,600)

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		(426)
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Net Change in Net Assets of Governmental Activities

(\$198,252)

See accompanying notes to the basic financial statements.

Village 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, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$244,300	\$244,300	\$142,014	(\$102,286)
Income Taxes	1,462,804	1,462,804	1,329,357	(133,447)
Intergovernmental	234,803	234,803	213,383	(21,420)
Interest	1,265	1,265	1,150	(115)
Fees, Licenses and Permits	11,874	11,874	10,791	(1,083)
Fines and Forfeitures	115,902	115,902	105,329	(10,573)
Other	50,752	50,752	46,121	(4,631)
Total Revenues	<u>2,121,700</u>	<u>2,121,700</u>	<u>1,848,145</u>	<u>(273,555)</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	916,359	921,384	745,146	176,238
Security of Persons and Property	98,500	98,500	81,520	16,980
Public Health	1,470	1,470	1,470	0
Leisure Time Activities	221,000	221,000	197,567	23,433
Transportation	75,000	75,000	0	75,000
Capital Outlay	20,000	20,000	0	20,000
Total Expenditures	<u>1,332,329</u>	<u>1,337,354</u>	<u>1,025,703</u>	<u>311,651</u>
Excess of Revenues Over Expenditures	<u>789,371</u>	<u>784,346</u>	<u>822,442</u>	<u>38,096</u>
OTHER FINANCING USES:				
Advances Out	0	0	(70,000)	70,000
Transfers Out	(1,360,000)	(1,249,838)	(1,009,556)	240,282
Total Other Financing Uses	<u>(1,360,000)</u>	<u>(1,249,838)</u>	<u>(1,079,556)</u>	<u>310,282</u>
Net Change in Fund Balance	(570,629)	(465,492)	(257,114)	348,378
Fund Balance at Beginning of Year - As Restated	384,783	384,783	384,783	0
Prior Year Encumbrances Appropriated	<u>37,739</u>	<u>37,739</u>	<u>37,739</u>	<u>0</u>
Fund Balance at End of Year	<u>(\$148,107)</u>	<u>(\$42,970)</u>	<u>\$165,408</u>	<u>\$348,378</u>

See accompanying notes to the basic financial statements.

Village 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, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$96,390	\$96,390	\$71,208	(\$25,182)
Intergovernmental	222,367	222,367	208,357	(14,010)
Interest	42	42	39	(3)
Other	1,178	1,178	1,104	(74)
Total Revenues	319,977	319,977	280,708	(39,269)
EXPENDITURES:				
Current:				
Transportation	608,325	608,753	519,074	89,679
Capital Outlay	25,000	25,000	0	25,000
Debt Service:				
Principal	92,356	92,356	67,473	24,883
Interest and Fiscal Charges	2,957	2,957	2,160	797
Total Expenditures	728,638	729,066	588,707	140,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	(408,661)	(409,089)	(307,999)	101,090
OTHER FINANCING SOURCES:				
Proceeds from Loans	44,629	44,629	41,817	(2,812)
Transfers In	293,491	293,491	275,000	(18,491)
Total Other Financing Sources	338,120	338,120	316,817	(21,303)
Net Change in Fund Balance	(70,541)	(70,969)	8,818	79,787
Fund Balance at Beginning of Year	89,601	89,601	89,601	0
Fund Balance at End of Year	\$19,060	\$18,632	\$98,419	\$79,787

See accompanying notes to the basic financial statements.

Village 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, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$158,513	\$158,513	\$105,120	(\$53,393)
Intergovernmental	27,420	43,200	66,123	22,923
Charges for Services	12,693	19,998	30,610	10,612
Other	2,619	4,126	6,315	2,189
Total Revenues	<u>201,245</u>	<u>225,837</u>	<u>208,168</u>	<u>(17,669)</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	270,936	270,936	246,652	24,284
Capital Outlay	25,000	25,000	9,191	15,809
Debt Service:				
Principal	193,707	193,707	263,749	(70,042)
Interest and Fiscal Charges	0	0	10,682	(10,682)
Total Expenditures	<u>489,643</u>	<u>489,643</u>	<u>530,274</u>	<u>(40,631)</u>
Deficiency of Revenues Under Expenditures	<u>(288,398)</u>	<u>(263,806)</u>	<u>(322,106)</u>	<u>(58,300)</u>
OTHER FINANCING SOURCES:				
Proceeds from Loans	90,747	142,972	218,838	75,866
Transfers In	66,349	104,532	160,000	55,468
Total Other Financing Sources	<u>157,096</u>	<u>247,504</u>	<u>378,838</u>	<u>131,334</u>
Net Change in Fund Balance	(131,302)	(16,302)	56,732	73,034
Fund Balance at Beginning of Year	1,840	1,840	1,840	0
Prior Year Encumbrances Appropriated	<u>2,186</u>	<u>2,186</u>	<u>2,186</u>	<u>0</u>
Fund Balance at End of Year	<u>(\$127,276)</u>	<u>(\$12,276)</u>	<u>\$60,758</u>	<u>\$73,034</u>

See accompanying notes to the basic financial statements.

Village 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, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$490,950	\$490,950	\$332,744	(\$158,206)
Intergovernmental	180,102	180,102	187,015	6,913
Other	16,608	16,608	17,245	637
Total Revenues	<u>687,660</u>	<u>687,660</u>	<u>537,004</u>	<u>(150,656)</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	1,152,644	1,152,644	1,032,971	119,673
Capital Outlay	121,000	121,000	0	121,000
Total Expenditures	<u>1,273,644</u>	<u>1,273,644</u>	<u>1,032,971</u>	<u>240,673</u>
Excess (Deficiency)of Revenues Over (Under) Expenditures	<u>(585,984)</u>	<u>(585,984)</u>	<u>(495,967)</u>	<u>90,017</u>
OTHER FINANCING SOURCES:				
Transfers In	409,290	409,290	425,000	15,710
Total Other Financing Sources	<u>409,290</u>	<u>409,290</u>	<u>425,000</u>	<u>15,710</u>
Net Change in Fund Balance	(176,694)	(176,694)	(70,967)	105,727
Fund Balance at Beginning of Year	244,019	244,019	244,019	0
Prior Year Encumbrances Appropriated	8,994	8,994	8,994	0
Fund Balance at End of Year	<u><u>\$76,319</u></u>	<u><u>\$76,319</u></u>	<u><u>\$182,046</u></u>	<u><u>\$105,727</u></u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Enterprise Funds		
	Water	Sewer	Totals
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$116,350	\$162,628	\$278,978
Materials and Supplies Inventory	5,367	3,822	9,189
Accounts Receivable	152,526	171,936	324,462
<i>Total Current Assets</i>	<u>274,243</u>	<u>338,386</u>	<u>612,629</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	70,000	89,187	159,187
Depreciable Capital Assets, Net	4,031,557	4,103,256	8,134,813
<i>Total Noncurrent Assets</i>	<u>4,101,557</u>	<u>4,192,443</u>	<u>8,294,000</u>
<i>Total Assets</i>	<u>4,375,800</u>	<u>4,530,829</u>	<u>8,906,629</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	5,367	7,002	12,369
Accrued Wages and Benefits	6,745	5,934	12,679
Due to Other Governments	5,061	6,422	11,483
Interfund Payable	20,000	50,000	70,000
Loans Payable	0	38,284	38,284
Compensated Absences Payable	0	4,262	4,262
OPWC Loans Payable	2,739	962	3,701
OWDA Loans Payable	14,146	95,882	110,028
<i>Total Current Liabilities</i>	<u>54,058</u>	<u>208,748</u>	<u>262,806</u>
Noncurrent Liabilities:			
Compensated Absences Payable	13,889	5,378	19,267
OPWC Loans Payable	54,771	9,625	64,396
OWDA Loans Payable	263,318	2,521,271	2,784,589
<i>Total Noncurrent Liabilities</i>	<u>331,978</u>	<u>2,536,274</u>	<u>2,868,252</u>
<i>Total Liabilities</i>	<u>386,036</u>	<u>2,745,022</u>	<u>3,131,058</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	3,766,583	1,526,419	5,293,002
Unrestricted	223,181	259,388	482,569
<i>Total Net Assets</i>	<u>\$3,989,764</u>	<u>\$1,785,807</u>	<u>\$5,775,571</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise Funds		Totals
	Water	Sewer	
OPERATING REVENUES:			
Charges for Services	\$730,416	\$913,241	\$1,643,657
Tap-In Fees	10,225	23,690	33,915
Other	34,850	0	34,850
<i>Total Operating Revenues</i>	<u>775,491</u>	<u>936,931</u>	<u>1,712,422</u>
OPERATING EXPENSES:			
Salaries and Wages	279,561	203,922	483,483
Fringe Benefits	132,118	123,386	255,504
Contractual Services	189,664	229,058	418,722
Materials and Supplies	55,968	33,279	89,247
Other	20,138	10,930	31,068
Depreciation	148,085	138,717	286,802
<i>Total Operating Expenses</i>	<u>825,534</u>	<u>739,292</u>	<u>1,564,826</u>
<i>Operating Income (Loss)</i>	<u>(50,043)</u>	<u>197,639</u>	<u>147,596</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	32	0	32
Other Revenues	0	3,665	3,665
Interest and Fiscal Charges	(10,114)	(1,816)	(11,930)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(10,082)</u>	<u>1,849</u>	<u>(8,233)</u>
<i>Change in Net Assets</i>	(60,125)	199,488	139,363
<i>Net Assets at Beginning of Year - As Restated, See Note 18</i>	<u>4,049,889</u>	<u>1,586,319</u>	<u>5,636,208</u>
<i>Net Assets at End of Year</i>	<u><u>\$3,989,764</u></u>	<u><u>\$1,785,807</u></u>	<u><u>\$5,775,571</u></u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise		Total
	Water	Sewer	
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$748,492	\$897,401	\$1,645,893
Cash Payments to Suppliers for Goods and Services	(267,709)	(270,165)	(537,874)
Cash Payments to Employees for Services and Benefits	(406,767)	(326,989)	(733,756)
Cash Payments for Other Operating Disbursements	(20,138)	(10,930)	(31,068)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>53,878</u>	<u>289,317</u>	<u>343,195</u>
<i>Cash Flows from Noncapital Financing Activities:</i>			
Advances-In	20,000	50,000	70,000
Other Non-Operating Receipts	0	3,665	3,665
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>20,000</u>	<u>53,665</u>	<u>73,665</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Proceeds from Debt Issuance	0	38,284	38,284
Payments for Capital Acquisitions	0	(89,187)	(89,187)
Principal Payments	(33,351)	(253,012)	(286,363)
Interest Payments	(10,114)	(1,816)	(11,930)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(43,465)</u>	<u>(305,731)</u>	<u>(349,196)</u>
<i>Cash Flows from Investing Activities:</i>			
Interest on Investments	32	0	32
<i>Net Cash Provided by Investing Activities</i>	<u>32</u>	<u>0</u>	<u>32</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	30,445	37,251	67,696
Cash and Cash Equivalents at Beginning of Year - As Restated, See Note 18	85,905	125,377	211,282
Cash and Cash Equivalents at End of Year	<u>\$116,350</u>	<u>\$162,628</u>	<u>\$278,978</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>			
Operating Income (Loss)	(\$50,043)	\$197,639	\$147,596
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>			
Depreciation	148,085	138,717	286,802
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	(26,999)	(39,530)	(66,529)
(Increase) in Supplies Inventory	(5,367)	(3,822)	(9,189)
(Decrease) in Accounts Payable	(16,710)	(4,006)	(20,716)
Increase in Accrued Wages and Benefits	2,183	3,394	5,577
Increase/(Decrease) in Compensated Absences Payable	1,874	(3,973)	(2,099)
Increase in Due to Other Governments	855	898	1,753
Total Adjustments	<u>103,921</u>	<u>91,678</u>	<u>195,599</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$53,878</u>	<u>\$289,317</u>	<u>\$343,195</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2011

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$103
Cash and Cash Equivalents in Segregated Accounts	<u>8,548</u>
<i>Total Assets</i>	<u><u>\$8,651</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Other Governments	\$1,948
Due to Other Funds	6,600
Undistributed Monies	<u>103</u>
<i>Total Liabilities</i>	<u><u>\$8,651</u></u>

See accompanying notes to the basic financial statements.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 1 – DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY

The Village of Waverly (“the Village”) 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 Village. The Village Auditor is elected to a four-year term and is the chief fiscal officer for the Village. 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 Village consists of all funds, departments and activities which are not legally separate from the Village. They comprise the Village’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 Village 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 Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization’s governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization’s resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Village in that the Village approves the organization’s budget, the issuance of its debt or the levying of its taxes. The Village has no component units.

The Waverly Mayor’s Court has been included in the Village’s financial statements as an agency fund. The Mayor is an elected Village 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 Village 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 Village (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 Village 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 Village 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 Village’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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 Village 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 Village. 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 Village's governmental activities and business-type activities of the Village. 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 Village. 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 Village.

Fund Financial Statements. During the year, the Village segregates transactions related to certain Village 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 Village are financed. The acquisition, use, and balances of the Village'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 Village's major governmental funds:

General Fund - The General Fund is the operating fund of the Village and is used to account for all financial resources except those accounted for or reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the charter of the Village of Waverly and/or the general laws of Ohio.

Bridge and Street Fund - The Bridge and Street Fund is used to construct, maintain, and repair Village streets and bridges. The primary sources of revenue are excise gas tax, cents per gallon tax, and local share 34% distribution tax.

Fire Fund - The Fire Fund is used for the payment of salaries and expenses of the fire department. The primary source of revenue is property taxes levied

Police Fund - The Police Fund is used to finance the police department operation. The primary source of revenue is voted property millage.

Levee Fund - The Levee System Fund is used to for expenditures incurred in the capital construction and maintenance of a levee. The primary source of revenue is debt issuances.

The other governmental funds of the Village account for grants and other resources, debt service, and capital projects that are generally restricted to use for a particular purpose.

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 Village'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 Village'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 Village.

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

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 Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village's only fiduciary fund is 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 bases 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 Village 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Village finances and meets the cash flow needs of its enterprise activities.

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 bases 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 Village, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Village receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which taxes are levied (see Note 6). Revenue from grants, entitlements and donations 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 Village must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Village 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 and income taxes.

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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned 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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process: An annual appropriated budget is legally required to be prepared for all funds of the Village, other than agency funds. Village Council passes appropriations at the fund, function, and object level for each fund. Village Council must approve any budget revisions that alter the appropriations at the legal level of budgetary control. The following procedures are used by the Village 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 Village's financial status.

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 Village by October 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the Village 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 2011.

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 Village Council action, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year, supplemental appropriations ordinances were passed by Village Council. The amounts reported as the original budgeted amounts in the statements 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 statements 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 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.

Cash and Cash Equivalents: Cash balances of the Village'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 Village's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and on the balance sheet.

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

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For cash flow reporting purposes, the Village’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.

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 Village maintains a capitalization threshold of \$5,000 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 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 lives of the related capital assets. Useful lives for infrastructure were estimated based on the Village’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 Village 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 employees’ wage rates at year end taking into consideration any limits specified in the Village’s termination policy. The liability is an estimate based on the Village’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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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: Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Village Council.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village’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 Village’s restricted net assets, none was restricted for enabling legislation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses: Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the Village, these revenues are primarily charges for sewer and water services. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the funds. Revenues and expenses not matching these definitions 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:

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 is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).
4. Certain funds are included as part of the General Fund (GAAP basis) but are excluded from the General Fund for the budget basis.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for 2011 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	(\$193,122)	\$13,269	\$49,753	(\$71,219)
Increases (Decreases) Due To:				
Revenue Accruals	29,138	409	1,176	2,073
Expenditure Accruals	(89,665)	(4,860)	6,988	2,497
Encumbrances	(3,354)	0	(1,185)	(4,318)
Funds Included for GAAP Purposes				
Purposes but Excluded for				
Budgetary Reporting	(111)	0	0	0
Budget Basis	<u>(\$257,114)</u>	<u>\$8,818</u>	<u>\$56,732</u>	<u>(\$70,967)</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village 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 Village 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 securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
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;

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
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. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
9. Linked deposits as authorized by ordinance adopted pursuant to Section 135.80 of the Revised Code.

Protection of the Village'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 Village Auditor 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 Village, 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 Village Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the Village 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".

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village's bank balance of \$1,382,860 was either covered by the FDIC or collateralized by its financial institution in the manner described below.

The Village 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 Village 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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 5 – MUNICIPAL INCOME TAX

The Village levies and collects an income tax of one percent on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village 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 2011, revenue from the income tax amounted to \$1,284,477. 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 Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011 and are collected in 2011 with real property taxes.

Due to the phase out which began in 2005, the tangible personal property tax percentage fell to zero in 2009 for businesses. Therefore, Ohio no longer has a general tax on tangible personal property used in business. The tax temporarily applies to telephone and inter-exchange telecommunications companies, which is being phased out to 10% for 2009, 5% for 2010, and zero for 2011. After 2011, tangible personal property, exclusive of public utility tangible personal property, will not be subject to tax.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$15.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$75,822,180
Public Utility Property	4,385,380
Total Property Taxes	<u><u>\$80,207,560</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 Village of Waverly. The County Auditor periodically remits to the Village 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, 2011, 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 2011 operations. The receivable is offset by deferred revenue.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 7 – RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, interfund, accounts, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

Fund/Description of Receivable	Amount
General Fund	
Local Government	\$68,292
Homestead, Rollback, and Exemption	5,712
Total General Fund	74,004
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	6,091
Total Fire Major Special Revenue Fund	6,091
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	19,887
Total Police Major Special Revenue Fund	19,887
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax	48,727
Cents Per Gallon Tax	24,506
Motor Vehicle License Tax	15,054
Homestead, Rollback, and Exemption	3,390
Total Bridge and Street Fund	91,677
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax	3,950
Cents Per Gallon Tax	1,987
Motor Vehicle License Tax	1,220
Total Inter-City Highway Fund	7,157
Village Permissive Non-major Special Revenue Fund	
Permissive Motor Vehicle License Taxes	9,848
Total Permissive Fund	9,848
Total Nonmajor Special Revenue Funds	17,005
Total Governmental Activities	\$208,664

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011:

	Beginning Balance <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/2011</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$239,268	\$0	\$0	\$239,268
Total Capital Assets, Not Being Depreciated	<u>239,268</u>	<u>0</u>	<u>0</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	545,673	0	0	545,673
Buildings and Improvements	1,360,706	0	0	1,360,706
Furniture and Equipment	2,550,532	21,689	(20,417)	2,551,804
Infrastructure	<u>2,556,837</u>	<u>0</u>	<u>0</u>	<u>2,556,837</u>
Total Capital Assets Being Depreciated	7,013,748	21,689	(20,417)	7,015,020
Less Accumulated Depreciation				
Land Improvements	(392,997)	(37,755)	0	(430,752)
Buildings and Improvements	(464,153)	(19,912)	0	(484,065)
Furniture and Equipment	(1,891,388)	(137,398)	8,167	(2,020,619)
Infrastructure	<u>(501,627)</u>	<u>(123,699)</u>	<u>0</u>	<u>(625,326)</u>
Total Accumulated Depreciation	<u>(3,250,165)</u>	<u>(318,764)</u>	<u>8,167</u>	<u>(3,560,762)</u>
Total Capital Assets Being Depreciated, Net	<u>3,763,583</u>	<u>(297,075)</u>	<u>(12,250)</u>	<u>3,454,258</u>
Governmental Activities Capital Assets, Net	<u>\$4,002,851</u>	<u>(\$297,075)</u>	<u>(\$12,250)</u>	<u>\$3,693,526</u>

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$66,804
Security of Persons & Property	179,662
Transportation	<u>72,298</u>
Total Depreciation Expense	<u>\$318,764</u>

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 8 – CAPITAL ASSETS (Continued)

	Ending Balance 12/31/2010	Additions	Deletions	Ending Balance 12/31/2011
<u>Business Type Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$70,000	\$0	\$0	\$70,000
Construction in Progress	0	89,187	0	89,187
Total Capital Assets, Not Being Depreciated	<u>70,000</u>	<u>89,187</u>	<u>0</u>	<u>159,187</u>
Capital Assets Being Depreciated				
Land Improvements	196,783	0	0	196,783
Buildings and Improvements	11,596,347	0	0	11,596,347
Mechanical Equipment	277,472	0	0	277,472
Infrastructure	4,471,319	0	0	4,471,319
Total Capital Assets Being Depreciated	<u>16,541,921</u>	<u>0</u>	<u>0</u>	<u>16,541,921</u>
Less Accumulated Depreciation				
Land Improvements	(167,407)	(8,928)	0	(176,335)
Buildings and Improvements	(3,513,705)	(226,533)	0	(3,740,238)
Mechanical Equipment	(236,973)	(32,727)	0	(269,700)
Infrastructure	(4,202,221)	(18,614)	0	(4,220,835)
Total Accumulated Depreciation	<u>(8,120,306)</u>	<u>(286,802)</u>	<u>0</u>	<u>(8,407,108)</u>
Total Capital Assets Being Depreciated, Net	<u>8,421,615</u>	<u>(286,802)</u>	<u>0</u>	<u>8,134,813</u>
Business Type Activities Capital Assets, Net	<u>\$8,491,615</u>	<u>(\$197,615)</u>	<u>\$0</u>	<u>\$8,294,000</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (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.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/carf.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2011, 2010, and 2009 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications. Public safety and law enforcement members contributed at a rate of 11.0%, 10.5%, and 10.1%, respectively.

The 2011, 2010, and 2009 employer contribution rates for members in state and local classifications were 14.0%, 14.0%, and 14.0%, respectively, of covered payroll. For both public safety and law enforcement divisions, the employer contribution rates were 18.10%, 17.87%, and 17.63%, respectively.

The Village's contributions to the PERS of Ohio for the years ending December 31, 2011, 2010, and 2009 were \$183,321, \$185,928, and \$174,138. 100% has been contributed for 2011, 2010 and 2009.

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters for 2011, 2010, and 2009. The Village's contributions to OP&F for the years ended December 31, 2011, 2010, and 2009 were \$87,080, \$90,033, and \$99,837. 78% has been contributed for 2011 and 100% for 2010 and 2009; \$19,600 represents the unpaid contribution for 2011 and is recorded as a liability within the respective funds.

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, 2011, twenty-two members of the fire department, two members of the Village Council, and the Village Auditor have elected Social Security. The Village's liability is 6.2 percent of wages paid.

NOTE 10 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

- A. 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.

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2011, the County contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during the calendar year 2011. The portion of employer contributions allocated to health care was 5.5% from January through February 28, 2010 and 5.0% from March 1 through December 31, 2010. For 2009, the employer contribution allocated to the health care plan from January 1 through March 31, 2009 and April 1 through December 31, 2009 were 7.0% and 5.5%, respectfully. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$73,328 for 2011, \$67,530 for 2010, and \$72,996 for 2009. 100% of the employer contributions have been made for 2011, 2010 and 2009.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2008. Member and employer contribution rates increased as of January 1, 2006, January 1, 2008, and January 1, 2009, which allowed additional funds to be allocated to the health care plan.

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00%, of covered payroll for police and fire employers, for 2011, 2010, and 2009, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F board of trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The number of participants eligible to receive health care benefits as of December 31, 2010, (the latest information available) was 15,013 for Police and 11,061 for Firefighters. The Village's actual contributions for 2011, 2010, and 2009 that were used to fund postemployment benefits were \$22,932, \$23,203, and \$26,853, respectively, for Police, and \$5,859, \$6,469, and \$6,261, respectively, for Firefighters. 100% of the Village's contributions have been made for 2011, 2010 and 2009. The Fund's total health care expenses for the year ended December 31, 2010 (the latest information available) were \$159,913,915, which was net of member contributions of \$58,923,329.

NOTE 11 – EMPLOYEE BENEFITS

A. DEFERRED COMPENSATION PLAN

Village 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.

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. Village 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 Village 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 Village, 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 Village 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 payments 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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 12 – INTERFUND TRANSACTIONS (Continued)

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt.

Transfers made during the year ended December 31, 2011, were as follows:

<u>Fund Type / Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Funds:		
General	\$1,009,556	\$0
Bridge and Street	0	275,000
Fire	0	160,000
Police	0	425,000
Levee	0	51,366
Total Major Funds	<u>1,009,556</u>	<u>911,366</u>
Nonmajor Capital Projects Funds:		
Bridge Street Sanitary	0	40,688
Emergency Siren	0	8,000
Depot Str. Improvement	0	2,644
Recreational Complex	0	34,525
Hillside Ave. Storm System	0	3,333
Green Acres	0	9,000
Total Nonmajor Capital Projects	<u>0</u>	<u>98,190</u>
Total All Funds	<u><u>\$1,009,556</u></u>	<u><u>\$1,009,556</u></u>

Interfund balances at December 31, 2011, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Major Fund:</i>				
General Fund	\$6,600	\$0	\$70,000	\$0
Water Fund	0	0	0	20,000
Sewer Fund	0	0	0	50,000
<i>Agency Fund:</i>				
Mayor's Court	0	6,600	0	0
Total All Funds	<u>\$6,600</u>	<u>\$6,600</u>	<u>\$70,000</u>	<u>\$70,000</u>

The above balance results from monies collected by the Mayor's Court in December of 2011 that were not paid into the General Fund until January of 2012. Advances were made from the General Fund to the Water and Sewer Funds in anticipation of monies to be received.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2011, was as follows:

Issue	Balance 12/31/10	Issued	Retired	Balance 12/31/11	Due in One Year
Business-Type Activities					
Compensated Absences	\$25,628	\$33,096	\$35,195	\$23,529	\$4,262
2001 - 2% OWDA Wastewater Treatment Plant Loan	2,805,798	0	188,645	2,617,153	95,882
2010/2011 - 3% Sewer Flush Truck Note	61,480	38,284	61,480	38,284	38,284
1997 - 0% OPWC Wastewater Treatment Plant Loan	13,474	0	2,887	10,587	962
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	305,337	0	27,873	277,464	14,146
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	62,988	0	5,478	57,510	2,739
Total Business-Type Activities	\$3,274,705	\$71,380	\$321,558	\$3,024,527	\$156,275
Governmental Activities					
Compensated Absences	\$55,100	\$85,481	\$85,055	\$55,526	\$9,486
2002 - 0% OPWC Green Acres Paving & Drainage Project Loan	22,498	0	9,000	13,498	9,000
2003 - 0% OPWC Depot Street Reconstruction Loan	34,374	0	2,644	31,730	2,644
2010/2011 - 4% Pride Road Note	40,688	0	40,688	0	0
2010/2011 -4.05% Fire Truck Note	143,157	218,838	263,749	98,246	98,246
2010/2011 - 3.75% Dump Truck Note	5,747	0	5,747	0	0
2010/2011 - 4% Green Acres Levee Improvements Note	400,000	366,685	400,000	366,685	366,685
2010/2011 - 2.75% Bristol Park Note	143,815	113,260	143,815	113,260	113,260
2008 0% OPWC Hillside Avenue Storm System Loan	95,000	0	3,333	91,667	3,333
2010/2011 - 3.5% Truck Note	61,726	41,817	61,726	41,817	41,817
Total Governmental Activities	\$1,002,105	\$826,081	\$1,015,757	\$812,429	\$644,471

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

The Village’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,664,889 with an unvoted debt margin of \$3,654,512 at December 31, 2011.

Annual debt service requirements to maturity for enterprise obligations are:

	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2012	\$3,701	\$110,028	\$31,563
2013	7,402	223,656	59,525
2014	7,402	228,546	54,636
2015	7,402	233,542	49,639
2016	7,402	238,648	44,533
2017-2021	29,311	1,256,901	142,083
2022-2025	5,477	603,296	20,054
Total	\$68,097	\$2,894,617	\$402,033

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans
	Principal
2012	\$14,977
2013	10,476
2014	5,977
2015	5,977
2,016	5,977
2017-2021	29,885
2022-2026	21,955
2027-2031	16,665
2032-2036	16,665
2037-2038	8,341
	\$136,895

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.

The OPWC Elevated Tank and Line Treatment Plant 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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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 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 7, 2011 in the amount of \$38,284 and was for the purpose of repaying a previously issued note used to purchase a pump truck.

The Bristol Park note was issued on April 7 2011 in the amount of \$113,260 and was for the purpose of repaying a previously issued note used to complete the Bristol Park project. This note matured on March 28, 2012 and the Village paid \$31,462 from the Recreational Complex Fund against the note and refinanced the remaining \$81,797 into a new note.

The Fire Truck note was issued on for the purpose of refinancing the note from a previously purchased fire truck. On January 1, 2011, the note was issued in the amount of \$120,592. This note was paid off during 2011. A Fire Truck note was issued on August 11, 2011 for the purpose of refinancing the note from a previously purchased fire truck in the amount of \$98,246. This note matured on February 10, 2012 and the Village paid \$23,419 from the Fire Fund against the note and refinanced the remaining \$74,827 into a new note. This note matured on August 8, 2012 and the Village paid \$23,922 from the Fire Fund against the note and refinanced the remaining \$50,905 into a new note.

The Pride Road note was issued on October 21, 2010 in the amount of \$40,688 and was used for the purpose of repaying a previously issued note used to construct Pride Road. This note was paid off during 2011.

The Truck note was issued on August 5, 2011 in the amount of \$41,817 and was issued for the purpose of repaying a previously issued note used for the purchase of a street sweeper. This note matured on August 4, 2012 and the Village paid \$20,697 from the Bridge and Street Fund against the note and refinanced the remaining \$21,120 into a new note.

The Dump Truck note was issued on January 21, 2010 for the purpose of repaying a previously issued not used for the purchase of a dump truck. This notes was paid off during 2011.

The Green Acres Levee Improvement note was issued on August 30, 2011 in the amount of \$366,685 and was for the purpose of repaying a previously issued note used for repairs to the levee. This note matured on August 23, 2012 and the Village paid \$34,958 from the Levee Improvement Fund against the note and refinanced the remaining \$331,727 into a new note.

The 2008 OPWC loan was issued in the amount of \$100,000 for the purpose of improving the Hillside Avenue storm system.

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid with the General Fund being the most significant fund.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 14 – RISK MANAGEMENT

The Village 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 2011, the Village 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 (\$5,000 deductible)	\$31,520,900
Miscellaneous Property and Inland Marine Coverage (\$1,000 deductible)	1,007,047
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)	1,000,000
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 Village. The Board of Trustees oversees the operation of the Cemetery. The Village does not have any financial interest in or responsibility for the Cemetery.

NOTE 16 – CONTINGENT LIABILITIES

Litigation: The Village is not a party to any legal proceedings.

Federal and State Grants: In 2011, the Village 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 Village believes such disallowances, if any, would be immaterial.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 17 – COMPLIANCE

Ohio Revised Code Section 5705.41(B):

Budgetary expenditures exceeded appropriations at the fund level at December 31, 2011 in the following fund:

Fund	Appropriations	Budgetary Expenditures	Variance
Fire	\$489,643	\$530,274	(\$40,631)

This variance was caused by the Village failing to budget for the annual renewal of debt obligations.

Ohio Revised Code Section 5705.39:

At December 31, 2011, the Village had appropriations in excess of estimated resources in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
Fire	\$477,367	\$487,457	\$(10,090)
Levee Improvement	90,559	548,344	(457,785)
Sewer	855,484	901,669	(46,185)

Ohio Revised Code Section 5704.41(D)(1):

The Village Auditor did not certify the availability of funds prior to making commitments for 59% of the disbursements tested for 2011.

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the Village has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in any restatement of the Village’s financial statements.

During the 2011 a re-evaluation was performed of the Village’s funds and the Bridge Street Sanitary Capital Project Fund was reclassified from a capital project fund to an enterprise fund. The reclassification of this fund reclassification resulted in a beginning balance restatement as follows:

	Other Governmental Funds	Governmental Activities	Sewer Fund	Business-Type Activities
Balance January 1, 2011	\$493,932	\$4,988,341	\$1,466,319	\$5,516,208
Reclassification of Fund	(120,000)	(120,000)	120,000	120,000
Restated Balance January 1, 2011	\$373,932	\$4,868,341	\$1,586,319	\$5,636,208

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 19 – FUND BALANCES

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

Fund Balances	General	Bridge & Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
Nonspendable							
Unclaimed Monies	\$7,139	\$0	\$0	\$0	\$0	\$0	\$7,139
Restricted for							
Bridge & Street	0	111,824	0	0	0	0	111,824
Other Purposes	0	0	0	0	0	22,505	22,505
Fire	0	0	44,530	0	0	0	44,530
Police	0	0	0	146,971	0	0	146,971
Levee	0	0	0	0	12,008	0	12,008
Inner-City Highway	0	0	0	0	0	41,788	41,788
Capital Improvements	0	0	0	0	0	87,705	87,705
Permissive Tax	0	0	0	0	0	52,727	52,727
Total Restricted	<u>0</u>	<u>111,824</u>	<u>44,530</u>	<u>146,971</u>	<u>12,008</u>	<u>204,725</u>	<u>520,058</u>
Committed to							
Other Purposes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>233,813</u>	<u>233,813</u>
Assigned to							
Other Purposes	<u>11,363</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,363</u>
Unassigned (Deficit)	<u>550,751</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>550,751</u>
Total Fund Balances	<u>\$569,253</u>	<u>\$111,824</u>	<u>\$44,530</u>	<u>\$146,971</u>	<u>\$12,008</u>	<u>\$438,538</u>	<u>\$1,323,124</u>

NOTE 20 – SUBSEQUENT EVENTS

In July 2012, the Village began the Bridge Street Sanitary project. The projected is estimated at \$903,051. The project financing includes a \$300,000 OPWC grant, a \$250,000 OPWC Loan, \$200,000 ARC grant, and a \$153,051 WPCLF loan.

During the 2000 census, the population of the City of Waverly was determined to be below 5,000 residents resulting in the status of the City to become a Village. The Village has obtained adequate information that confirms the population to be over 5,000 and is currently appealing the census count.



Dave Yost • Auditor of State

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

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

To the Village 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 Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 7, 2012, 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, major Water Fund, and major Sewer Fund for the year ended December 31, 2011. We also noted the Village adopted Governmental Accounting Standards Board Statement No. 54. Except as discussed in the second 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 Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2011-04 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 7, 2012.

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

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

Dave Yost
Auditor of State

December 7, 2012

VILLAGE OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2011, in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
Fire	\$477,367	\$487,457	(\$10,090)
Levee Improvement	90,559	548,344	(457,785)
Sewer	855,484	901,669	(46,185)

This could cause the Village to spend in excess of their estimated resources.

We recommend the Auditor's Office monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

FINDING NUMBER 2011-02

Noncompliance Citation

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

Budgetary expenditures exceeded appropriations at the fund level at December 31, 2011 in the following fund:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Fire	\$489,643	\$530,274	(\$40,631)

This variance was caused by the Village failing to budget for the annual renewal of debt obligations.

Overspending appropriations could cause negative fund cash balances.

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

VILLAGE OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-03 (Continued)

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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Village.

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 Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer 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.

The Village Auditor did not certify the availability of funds prior to making commitments for 59% of the disbursements tested for 2011. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Additionally, 30% of purchase orders listed on the Outstanding Encumbrance Report at year-end were super blankets that should have been closed at year-end.

VILLAGE OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-03 (Continued)

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

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 Village's funds exceeding budgetary spending limitations, we recommend that the Village Auditor certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village Auditor certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village Auditor should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Village Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. We recommend that the Village Auditor close all super blankets at year end.

FINDING NUMBER 2011-04

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 Village 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 Village obtained a Capital Assets Inventory System and developed a listing of the Village's Capital Assets.

Audit testing revealed that the department heads 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 Village 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 Village contracted with an appraisal firm to perform an appraisal of the Village's capital assets. The appraisal firm based values included in the appraisal report primarily on information provided by the Village, which consisted mostly of estimates of values and acquisition dates. We tested these estimates in the audit of the Village's 2004 and 2005 financial statements and determined them to be inaccurate, or at least unsupported.

VILLAGE OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-04

Material Weakness (Continued)

We also noted several of the Village'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 Village 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 Village's Capital Assets.

In the years following the 2006 appraisal, there have been various other inaccuracies such as Capital Asset Change Transmittal Forms not being accurate as compared to the resulting additions and deletions on the appraisal company's reports, additions were purchased prior to the audit period and the capitalized cost on one of them did not agree to the actual cost of the asset and unrecorded additions on the appraisal report. 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 Village not performing a review of the appraisal report.

The Village should have records to support the valuation of material capital assets. The Village should record additions and deletions when the transactions occur. When an asset is purchased and has been received, the Village 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 Village Auditor or his designee should record the tag number on the asset addition form. The Village Auditor should then file the form in a separate file for asset additions

If this process is used throughout the year, the Village 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 Village Auditor or his designee should complete an asset disposal form. The Village 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 Village Auditor should maintain the disposal forms in a separate file.

The Village 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.

VILLAGE OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2011-04 (Continued)

Material Weakness (Continued)

Such processes would enable the Village 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 Village 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.

**VILLAGE OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 5705.36(A)(4) – Appropriations exceeded actual resources.	Yes	
2010-002	Ohio Rev. Code Sections 5705.38 and 5705.40 - Not properly posting appropriations approved by Council.	No	Not Corrected- Reissued as Management Letter comment.
2010-003	Ohio Rev. Code Section 5705.41(B)(1) – Expenditures exceeded appropriations.	No	Not Corrected – Reissued as Finding Number 2011-002.
2010-004	Ohio Rev. Code Section 5705.41(D)(1) - Not certifying the availability of funds prior to obligation.	No	Not Corrected - Reissued as Finding Number 2011-003.
2010-005	Capital Assets listing not correct.	No	Not Corrected – Reissued as Finding Number 2011-004.



Dave Yost • Auditor of State

VILLAGE 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
DECEMBER 20, 2012