



**CITY OF WAVERLY
PIKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Mayor and Members of Council:

We have audited the accompanying general purpose financial statements of the City of Waverly, Pike County, Ohio (the City), as of and for the years ended December 31, 1998 and December 31, 1997. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Waverly, Pike County, as of December 31, 1998 and December 31, 1997, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

As described in Note 2 to the accompanying general purpose financial statements, during the year ended December 31, 1998, the City changed its method of accounting and financial reporting for its Internal Revenue Code Section 457 Deferred Compensation Plans.

As more fully described in Note 3 to the general purpose financial statements, certain changes in accounting policies and financial reporting practices were made in order to present the aforementioned general purpose financial statements in conformity with generally accepted accounting principles. Such changes were adopted January 1, 1997, and to implement those changes, adjustments were made to restate fund balances and retained earnings as of that date.

City of Waverly
Pike County
Report of Independent Accountants
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In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

March 9, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$709,390	\$1,019,461	\$0	\$222,450
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	353,931	576,522	0	0
Accounts	0	4,725	0	0
Interfund	111,924	0	0	0
Accrued Interest	2,484	0	0	0
Loans	0	66,764	0	0
Due from Other Funds	8,192	0	0	0
Due from Other Governments	865	13,605	0	0
Prepaid Items	3,731	3,789	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$1,190,517</u>	<u>\$1,684,866</u>	<u>\$0</u>	<u>\$222,450</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$1,051,447	\$0	\$0	\$0	\$3,002,748
0	11,378	0	0	11,378
0	0	0	0	930,453
246,119	0	0	0	250,844
0	0	0	0	111,924
0	0	0	0	2,484
0	0	0	0	66,764
0	0	0	0	8,192
0	0	0	0	14,470
2,218	0	0	0	9,738
1,243,590	0	1,993,287	0	3,236,877
0	0	0	611,103	611,103
\$2,543,374	\$11,378	\$1,993,287	\$611,103	\$8,256,975

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COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$20,766	\$10,201	\$0	\$0
Contracts Payable	115	0	0	22,976
Contracts Payable-Retainage	100	0	0	0
Compensated Absences Payable	0	568	0	0
Interfund Payable	0	111,906	18	0
Due to Other Funds	0	0	0	0
Due to Other Governments	2,184	13,163	0	0
Deferred Revenue	312,196	576,522	0	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	5,000
Notes Payable	0	0	0	300,000
Capital Leases Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	<u>335,361</u>	<u>712,360</u>	<u>18</u>	<u>327,976</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	13,178	9,901	0	2,440
Reserved for Loans Receivable	0	66,764	0	0
Unreserved:				
Undesignated	841,978	895,841	(18)	(107,966)
Total Fund Equity (Deficit) and Other Credits	<u>855,156</u>	<u>972,506</u>	<u>(18)</u>	<u>(105,526)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,190,517</u>	<u>\$1,684,866</u>	<u>\$0</u>	<u>\$222,450</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$33,948	\$0	\$0	\$0	\$64,915
37,306	0	0	0	60,397
0	0	0	0	100
63,855	0	0	158,680	223,103
0	0	0	0	111,924
0	8,192	0	0	8,192
24,608	2,412	0	62,740	105,107
0	0	0	0	888,718
0	774	0	0	774
761	0	0	0	5,761
0	0	0	372,216	672,216
0	0	0	17,467	17,467
63,351	0	0	0	63,351
<u>223,829</u>	<u>11,378</u>	<u>0</u>	<u>611,103</u>	<u>2,222,025</u>
0	0	1,993,287	0	1,993,287
2,319,545	0	0	0	2,319,545
0	0	0	0	25,519
0	0	0	0	66,764
0	0	0	0	1,629,835
<u>2,319,545</u>	<u>0</u>	<u>1,993,287</u>	<u>0</u>	<u>6,034,950</u>
<u>\$2,543,374</u>	<u>\$11,378</u>	<u>\$1,993,287</u>	<u>\$611,103</u>	<u>\$8,256,975</u>

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
Revenues:					
Taxes	\$1,099,854	\$728,296	\$0	\$60,000	\$1,888,150
Charges for Services	3,850	22,460	0	0	26,310
Fines, Licenses, and Permits	184,625	33,745	0	0	218,370
Intergovernmental	251,970	317,175	0	6,656	575,801
Interest	96,977	3,898	0	0	100,875
Other	63,391	14,077	0	0	77,468
Total Revenues	1,700,667	1,119,651	0	66,656	2,886,974
Expenditures:					
Current:					
Security of Persons and Property	0	976,533	0	0	976,533
Public Health Services	0	108	0	0	108
Leisure Time Activities	18,869	0	0	0	18,869
Community Environment	0	21,674	0	0	21,674
Transportation	0	378,834	0	0	378,834
General Government	580,018	0	0	0	580,018
Capital Outlay	481,336	0	0	481,750	963,086
Debt Service:					
Principal Retirement	0	8,028	56,000	0	64,028
Interest and Fiscal Charges	0	1,466	5,138	5,000	11,604
Total Expenditures	1,080,223	1,386,643	61,138	486,750	3,014,754
Excess of Revenues Over (Under) Expenditures	620,444	(266,992)	(61,138)	(420,094)	(127,780)
Other Financing Sources (Uses):					
Sale of Fixed Assets	13,473	0	0	0	13,473
Proceeds of Notes	372,216	0	0	0	372,216
Operating Transfers - In	0	630,000	60,165	185,000	875,165
Operating Transfers - Out	(795,165)	(80,000)	0	0	(875,165)
Total Other Financing Sources (Uses)	(409,476)	550,000	60,165	185,000	385,689
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	210,968	283,008	(973)	(235,094)	257,909
Fund Balances at Beginning of Year	644,188	689,498	955	129,568	1,464,209
Fund Balances (Deficit) at End of Year	\$855,156	\$972,506	(\$18)	(\$105,526)	\$1,722,118

See Accompanying Notes to the General Purpose Financial Statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$220,300	\$1,162,994	\$942,694	\$603,300	\$728,296	\$124,996
Charges for Services	0	4,400	4,400	0	22,460	22,460
Fines, Licenses and Permits	0	187,183	187,183	27,000	29,020	2,020
Intergovernmental	0	270,273	270,273	20,000	316,505	296,505
Interest	0	97,005	97,005	0	3,898	3,898
Other	1,087,718	65,083	(1,022,635)	604,300	39,963	(564,337)
Total Revenues	1,308,018	1,786,938	478,920	1,254,600	1,140,142	(114,458)
Expenditures:						
Current						
Security of Persons and Property	0	0	0	1,036,749	978,872	57,877
Public Health Services	0	0	0	110	108	2
Leisure Time Activities	19,022	18,869	153	0	0	0
Community Environment	0	0	0	124,000	20,218	103,782
Transportation	0	0	0	476,638	391,428	85,210
General Government	618,785	587,493	31,292	0	0	0
Capital Outlay	40,099	40,099	0	0	0	0
Debt Service:						
Principal Retirement	56,000	0	56,000	0	0	0
Interest and Fiscal Charges	2,240	0	2,240	0	0	0
Total Expenditures	736,146	646,461	89,685	1,637,497	1,390,626	246,871
Excess of Revenues Over (Under) Expenditures	571,872	1,140,477	568,605	(382,897)	(250,484)	132,413
Other Financing Sources (Uses):						
Sale of Fixed Assets	0	13,473	13,473	0	0	0
Proceeds of Notes	0	0	0	0	0	0
Advances-In	0	135,358	135,358	0	0	0
Advances-Out	0	0	0	0	(135,358)	(135,358)
Operating Transfers - In	0	0	0	630,000	630,000	0
Operating Transfers - Out	(978,592)	(893,785)	84,807	(80,000)	(80,000)	0
Total Other Financing Sources (Uses)	(978,592)	(744,954)	233,638	550,000	414,642	(135,358)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(406,720)	395,523	802,243	167,103	164,158	(2,945)
Fund Balances at Beginning of Year	277,568	277,568	0	816,506	816,506	0
Prior Year Encumbrances Appropriated	33,919	33,919	0	7,320	7,320	0
Fund Balances (Deficit) at End of Year	(\$95,233)	\$707,010	\$802,243	\$990,929	\$987,984	(\$2,945)

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$60,000	\$60,000	823,600	1,951,290	1,127,690
0	0	0	0	0	0	0	26,860	26,860
0	0	0	0	0	0	27,000	216,203	189,203
0	0	0	0	6,656	6,656	20,000	593,434	573,434
0	0	0	0	0	0	0	100,903	100,903
0	0	0	0	0	0	1,692,018	105,046	(1,586,972)
0	0	0	0	66,656	66,656	2,562,618	2,993,736	431,118
0	0	0	0	0	0	1,036,749	978,872	57,877
0	0	0	0	0	0	110	108	2
0	0	0	0	0	0	19,022	18,869	153
0	0	0	0	0	0	124,000	20,218	103,782
0	0	0	0	0	0	476,638	391,428	85,210
0	0	0	0	0	0	618,785	587,493	31,292
0	98,620	(98,620)	537,254	461,460	75,794	577,353	600,179	(22,826)
217,046	154,620	62,426	0	0	0	273,046	154,620	118,426
3,236	5,138	(1,902)	0	0	0	5,476	5,138	338
220,282	258,378	(38,096)	537,254	461,460	75,794	3,131,179	2,756,925	374,254
(220,282)	(258,378)	(38,096)	(537,254)	(394,804)	142,450	(568,561)	236,811	805,372
0	0	0	0	0	0	0	13,473	13,473
0	98,620	98,620	0	300,000	300,000	0	398,620	398,620
0	0	0	0	0	0	0	135,358	135,358
0	0	0	0	0	0	0	(135,358)	(135,358)
0	158,785	158,785	185,000	185,000	0	815,000	973,785	158,785
0	0	0	0	0	0	(1,058,592)	(973,785)	84,807
0	257,405	257,405	185,000	485,000	300,000	(243,592)	412,093	655,685
(220,282)	(973)	219,309	(352,254)	90,196	442,450	(812,153)	648,904	1,461,057
955	955	0	132,254	132,254	0	1,227,283	1,227,283	0
0	0	0	0	0	0	41,239	41,239	0
(\$219,327)	(\$18)	\$219,309	(\$220,000)	\$222,450	\$442,450	\$456,369	\$1,917,426	\$1,461,057

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise
Operating Revenues:	
Charges for Services	\$1,233,748
Other Operating Revenues	121,407
Total Operating Revenues	1,355,155
Operating Expenses:	
Personal Services	451,090
Contractual Services	29,030
Materials and Supplies	495,086
Depreciation	95,965
Total Operating Expenses	1,071,171
Operating Income	283,984
Non-Operating Revenues (Expenses):	
Interest Income	1,960
Interest and Fiscal Charges	(1,864)
Other Non-Operating Expenses	(6,189)
Total Non-Operating Revenues (Expenses)	(6,093)
Net Income	277,891
Retained Earnings At Beginning of Year	2,041,654
Retained Earnings At End of Year	\$2,319,545

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Enterprise</u>		Variance Favorable (Unfavorable)
	<u>Revised Budget</u>	<u>Actual</u>	
Revenues:			
Charges for Services	\$1,050,853	\$1,274,565	\$223,712
Interest	1,000	1,960	960
Intergovernmental	0	0	0
Other Operating Revenues	<u>19,847</u>	<u>121,407</u>	<u>101,560</u>
Total Revenues	<u>1,071,700</u>	<u>1,397,932</u>	<u>326,232</u>
Expenses:			
Personal Services	516,420	425,799	90,621
Contractual Services	28,402	29,030	(628)
Materials and Supplies	499,951	448,643	51,308
Capital Outlay	402,652	292,806	109,846
Other Non-Operating Expenses	102,322	6,189	96,133
Debt Service:			
Principal Retirement	63,645	60,857	2,788
Interest and Fiscal Charges	<u>3,779</u>	<u>3,779</u>	<u>0</u>
Total Expenses	<u>1,617,171</u>	<u>1,267,103</u>	<u>350,068</u>
Excess of Revenues Over (Under)			
Expenses	(545,471)	130,829	676,300
Fund Equity Beginning of Year	794,855	794,855	0
Prior Year Encumbrances Appropriated	<u>58,552</u>	<u>58,552</u>	<u>0</u>
Fund Equity at End of Year	<u>\$307,936</u>	<u>\$984,236</u>	<u>\$676,300</u>

See Accompanying Notes to the General Purpose Financial Statements

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**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$1,274,565
Cash Received from Other Operating Sources	121,407
Cash Payments to Suppliers for Goods and Services	(586,163)
Cash Payments to Employees for Services	(425,799)
Cash Payments for Other Non-Operating Expenses	(6,189)
Net Cash Provided by Operating Activities	377,821
 Cash Flows from Capital and Related Financing Activities:	
Aquisition of Capital Assets	(117,105)
Principal paid on Bonds and Notes	(60,857)
Interest paid on Bonds and Notes	(3,779)
Net Cash Used for Capital and Related Financing Activities	(181,741)
 Cash Flows from Investing Activities:	
Interest Income	1,960
Net Increase in Cash and Cash Equivalents	198,040
Cash and Cash Equivalents at Beginning of Year	853,407
 Cash and Cash Equivalents at End of Year	\$1,051,447
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$283,984
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	95,965
Other Non-Operating Expenses	(6,189)
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	40,817
Decrease in Prepaid Items	80
Decrease in Accounts Payable	(5,061)
Decrease in Compensated Absences Payable	(3,736)
Increase in Intergovernmental Payable	10,006
Decrease in Contracts Payable	(37,888)
Decrease in Due to Other Funds	(157)
Total Adjustments	93,837
 Net Cash Provided by Operating Activities	\$377,821

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1997**

	Governmental			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$311,575	\$823,826	\$955	\$132,254
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	364,943	588,743	0	0
Accounts	0	0	0	0
Interfund	228,304	0	0	0
Accrued Interest	2,448	0	0	0
Loans	0	92,650	0	0
Due from Other Funds	12,968	0	0	0
Due from Other Governments	19,168	12,935	0	0
Prepaid Items	3,081	3,787	0	0
Funds on Deposit with Deferred Compensation Boards	0	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$942,487	\$1,521,941	\$955	\$132,254

See Accompanying Notes to the General Purpose Financial Statements

Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$853,407	\$0	\$0	\$0	\$2,122,017
0	14,039	0	0	14,039
0	0	0	0	953,686
286,936	0	0	0	286,936
0	0	0	0	228,304
0	0	0	0	2,448
0	0	0	0	92,650
0	0	0	0	12,968
0	0	0	0	32,103
2,298	0	0	0	9,166
0	23,357	0	0	23,357
1,222,452	0	841,487	0	2,063,939
0	0	0	955	955
0	0	0	275,872	275,872
\$2,365,093	\$37,396	\$841,487	\$276,827	\$6,118,440

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COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1997
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities				
Accounts Payable	\$6,517	\$13,078	\$0	\$0
Contracts Payable	29,599	0	0	2,686
Compensated Absences Payable	518	408	0	0
Interfund Payable	0	228,304	0	0
Due to Other Funds	0	1,535	0	0
Due to Other Governments	1,597	375	0	0
Deferred Revenue	325,595	588,743	0	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Deferred Compensation Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	<u>363,826</u>	<u>832,443</u>	<u>0</u>	<u>2,686</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	33,898	1,320	0	0
Reserved for Loans Receivable	0	92,650	0	0
Unreserved:				
Undesignated	544,763	595,528	955	129,568
Total Fund Equity and Other Credits	<u>578,661</u>	<u>689,498</u>	<u>955</u>	<u>129,568</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$942,487</u>	<u>\$1,521,941</u>	<u>\$955</u>	<u>\$132,254</u>

Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$39,011	\$0	\$0	\$0	\$58,606
75,194	0	0	0	107,479
67,591	0	0	146,334	214,851
0	0	0	0	228,304
157	11,276	0	0	12,968
14,602	1,715	0	48,998	67,287
0	0	0	0	914,338
0	1,048	0	0	1,048
2,676	0	0	0	2,676
49,500	0	0	56,000	105,500
0	0	0	25,495	25,495
0	23,357	0	0	23,357
74,708	0	0	0	74,708
<u>323,439</u>	<u>37,396</u>	<u>0</u>	<u>276,827</u>	<u>1,836,617</u>
0	0	841,487	0	841,487
2,041,654	0	0	0	2,041,654
0	0	0	0	35,218
0	0	0	0	92,650
0	0	0	0	1,270,814
<u>2,041,654</u>	<u>0</u>	<u>841,487</u>	<u>0</u>	<u>4,281,823</u>
<u>\$2,365,093</u>	<u>\$37,396</u>	<u>\$841,487</u>	<u>\$276,827</u>	<u>\$6,118,440</u>

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
Revenues:					
Taxes	\$701,963	\$716,068	\$0	\$0	\$1,418,031
Charges for Services	23,287	20,845	0	0	44,132
Fines, Licenses, and Permits	132,400	2,954	0	0	135,354
Intergovernmental	203,281	199,910	0	28,052	431,243
Interest	2,536	2,755	0	0	5,291
Other	63,597	59,608	0	85,530	208,735
Total Revenues	1,127,064	1,002,140	0	113,582	2,242,786
Expenditures:					
Current:					
Security of Persons and Property	62,163	1,161,480	0	0	1,223,643
Public Health Services	0	142	0	0	142
Leisure Time Activities	14,659	0	0	0	14,659
Community Environment	0	12,773	0	0	12,773
Transportation	0	304,226	0	0	304,226
General Government	308,649	530	0	0	309,179
Capital Outlay	36,499	0	0	120,091	156,590
Debt Service:					
Principal Retirement	50,000	7,591	0	0	57,591
Interest and Fiscal Charges	4,240	3,835	0	0	8,075
Total Expenditures	476,210	1,490,577	0	120,091	2,086,878
Excess of Revenues Over (Under) Expenditures	650,854	(488,437)	0	(6,509)	155,908
Other Financing Sources (Uses):					
Operating Transfers - In	0	536,727	955	2,425	540,107
Operating Transfers - Out	(571,107)	0	0	0	(571,107)
Total Other Financing Sources (Uses)	(571,107)	536,727	955	2,425	(31,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	79,747	48,290	955	(4,084)	124,908
Fund Balances at Beginning of Year - Restated (Note 2)	498,914	641,208	0	133,652	1,273,774
Fund Balances at End of Year	\$578,661	\$689,498	\$955	\$129,568	\$1,398,682

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$236,260	\$697,318	\$461,058	\$588,200	\$716,068	\$127,868
Charges for Services	0	22,690	22,690	0	20,845	20,845
Fines, Licenses and Permits	0	144,555	144,555	1,000	3,054	2,054
Intergovernmental	0	187,094	187,094	20,000	198,381	178,381
Interest	0	0	0	0	2,755	2,755
Other	0	66,099	66,099	317,000	96,530	(220,470)
Total Revenues	<u>236,260</u>	<u>1,117,756</u>	<u>881,496</u>	<u>926,200</u>	<u>1,037,633</u>	<u>111,433</u>
Expenditures:						
Current						
Security of Persons and Property	62,900	59,058	3,842	1,038,539	1,188,681	(150,142)
Public Health Services	0	0	0	251	142	109
Leisure Time Activities	25,000	14,659	10,341	0	0	0
Community Environment	0	0	0	134,568	30,170	104,398
Transportation	0	0	0	428,164	320,715	107,449
General Government	397,544	330,557	66,987	0	0	0
Capital Outlay	36,499	36,499	0	0	0	0
Debt Service:						
Principal Retirement	0	50,000	(50,000)	0	0	0
Interest and Fiscal Charges	0	4,240	(4,240)	0	0	0
Total Expenditures	<u>521,943</u>	<u>495,013</u>	<u>26,930</u>	<u>1,601,522</u>	<u>1,539,708</u>	<u>61,814</u>
Excess of Revenues Over (Under) Expenditures	<u>(285,683)</u>	<u>622,743</u>	<u>908,426</u>	<u>(675,322)</u>	<u>(502,075)</u>	<u>173,247</u>
Other Financing Sources (Uses):						
Advances-In	0	51,696	51,696	0	240,000	240,000
Advances-Out	0	(280,000)	(280,000)	0	(11,696)	(11,696)
Operating Transfers - In	0	0	0	437,322	437,322	0
Operating Transfers - Out	(602,425)	(571,107)	31,318	0	0	0
Total Other Financing Sources (Uses)	<u>(602,425)</u>	<u>(799,411)</u>	<u>(196,986)</u>	<u>437,322</u>	<u>665,626</u>	<u>228,304</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(888,108)</u>	<u>(176,668)</u>	<u>711,440</u>	<u>(238,000)</u>	<u>163,551</u>	<u>401,551</u>
Fund Balances at Beginning of Year	443,240	443,240	0	625,082	625,082	0
Prior Year Encumbrances Appropriated	11,084	11,084	0	27,873	27,873	0
Fund Balances at End of Year	<u><u>(\$433,784)</u></u>	<u><u>\$277,656</u></u>	<u><u>\$711,440</u></u>	<u><u>\$414,955</u></u>	<u><u>\$816,506</u></u>	<u><u>\$401,551</u></u>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	824,460	1,413,386	588,926
0	0	0	0	0	0	0	43,535	43,535
0	0	0	0	0	0	1,000	147,609	146,609
0	0	0	0	44,199	44,199	20,000	429,674	409,674
0	0	0	0	0	0	0	2,755	2,755
0	0	0	25,000	85,530	60,530	342,000	248,159	(93,841)
0	0	0	25,000	129,729	104,729	1,187,460	2,285,118	1,097,658
0	0	0	0	0	0	1,101,439	1,247,739	(146,300)
0	0	0	0	0	0	251	142	109
0	0	0	0	0	0	25,000	14,659	10,341
0	0	0	0	0	0	134,568	30,170	104,398
9,494	0	9,494	0	0	0	437,658	320,715	116,943
54,240	0	54,240	0	0	0	451,784	330,557	121,227
0	0	0	202,850	117,568	85,282	239,349	154,067	85,282
95,213	96,500	(1,287)	0	0	0	95,213	146,500	(51,287)
3,860	2,905	955	0	0	0	3,860	7,145	(3,285)
162,807	99,405	63,402	202,850	117,568	85,282	2,489,122	2,251,694	237,428
(162,807)	(99,405)	63,402	(177,850)	12,161	190,011	(1,301,662)	33,424	1,335,086
0	0	0	0	40,000	40,000	0	331,696	331,696
0	0	0	0	(40,000)	(40,000)	0	(331,696)	(331,696)
100,360	100,360	0	2,425	2,425	0	540,107	540,107	0
0	0	0	0	0	0	(602,425)	(571,107)	31,318
100,360	100,360	0	2,425	2,425	0	(62,318)	(31,000)	31,318
(62,447)	955	63,402	(175,425)	14,586	190,011	(1,363,980)	2,424	1,366,404
0	0	0	117,668	117,668	0	1,185,990	1,185,990	0
0	0	0	0	0	0	38,957	38,957	0
(\$62,447)	\$955	\$63,402	(\$57,757)	\$132,254	\$190,011	(\$139,033)	\$1,227,371	\$1,366,404

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31,1997**

	Enterprise
Operating Revenues:	
Charges for Services	\$1,197,794
Other Operating Revenues	12,725
Total Operating Revenues	1,210,519
Operating Expenses:	
Personal Services	406,369
Contractual Services	112,456
Materials and Supplies	646,962
Depreciation	90,642
Total Operating Expenses	1,256,429
Operating Loss	(45,910)
Non-Operating Revenues (Expenses):	
Interest Income	1,602
Interest and Fiscal Charges	(4,339)
Other Operating Grants	62,308
Other Non-Operating Expenses	(17,706)
Total Non-Operating Revenues (Expenses)	41,865
Income Before Operating Transfers	(4,045)
Operating Transfers-In	31,000
Net Income	26,955
Retained Earnings At Beginning of Year - Restated (Note 2)	2,014,699
Retained Earnings At End of Year	\$2,041,654

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Enterprise		
	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Charges for Services	\$1,024,390	\$1,131,597	\$107,207
Interest	1,000	1,602	602
Other Operating Grants	0	74,461	74,461
Other Operating Revenues	31,000	572	(30,428)
Total Revenues	<u>1,056,390</u>	<u>1,208,232</u>	<u>151,842</u>
Expenses:			
Personal Services	460,866	384,259	76,607
Contractual Services	30,000	21,145	8,855
Materials and Supplies	675,125	571,303	103,822
Capital Outlay	252,150	157,204	94,946
Other Non-Operating Expenses	45,844	22,125	23,719
Debt Service:			
Principal Retirement	62,739	59,951	2,788
Interest and Fiscal Charges	4,240	7,445	(3,205)
Total Expenses	<u>1,530,964</u>	<u>1,223,432</u>	<u>307,532</u>
Excess of Revenues			
Under Expenses Before Operating Transfers	(474,574)	(15,200)	459,374
Other Financing Sources (Uses):			
Proceeds of Loans	0	11,740	(11,740)
Operating Transfers - In	0	31,000	(31,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>42,740</u>	<u>(42,740)</u>
Excess of Revenues Over (Under)			
Expenses and Transfers	(474,574)	27,540	502,114
Fund Equity Beginning of Year	752,921	752,921	0
Prior Year Encumbrances Appropriated	<u>14,392</u>	<u>14,392</u>	<u>0</u>
Fund Equity at End of Year	<u>\$292,739</u>	<u>\$794,853</u>	<u>\$502,114</u>

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1997**

Increase (Decrease) in Cash and Cash Equivalents:	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	\$1,131,597
Cash Received from Other Operating Sources	572
Cash Payments to Suppliers for Goods and Services	(662,136)
Cash Payments to Employees for Services	(384,259)
Cash Payments for Other Non-Operating Expenses	(17,549)
Net Cash Provided by Operating Activities	<u>68,225</u>
 Cash Flows from Noncapital Financing Activities:	
Proceeds of Loans	11,740
Operating Transfers - In	31,000
Operating Transfers Grant Received	74,461
Net Cash Provided by Noncapital Financing Activities	<u>117,201</u>
 Cash Flows from Capital and Related Financing Activities:	
Aquisition of Capital Assets	(33,538)
Principal paid on Bonds and Notes	(59,951)
Interest paid on Bonds and Notes	(7,445)
Net Cash Used for Capital and Related Financing Activities	<u>(100,934)</u>
 Cash Flows from Investing Activities:	
Interest Income	<u>1,602</u>
Net Increase in Cash and Cash Equivalents	86,094
Cash and Cash Equivalents at Beginning of Year	<u>767,313</u>
Cash and Cash Equivalents at End of Year	<u><u>\$853,407</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	(\$45,910)
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	90,642
Other Non-Operating Expenses	(2,942)
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(66,197)
Decrease in Prepaid Items	133
Increase in Accounts Payable	13,166
Increase in Compensated Absences Payable	9,884
Decrease in Intergovernmental Payable	(5,461)
Increase in Contracts Payable	75,194
Decrease in Due to Other Funds	(284)
Total Adjustments	<u>114,135</u>
Net Cash Provided by Operating Activities	<u><u>\$68,225</u></u>

See accompanying notes to the general purpose financial statements

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waverly have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standard Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities unless they conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. The Reporting Entity

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes.

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are the entities fiscally dependent on the City:

- < Pike Metropolitan Housing Authority
- < Waverly City School District
- < Garnet A. Wilson Pike County Public Library

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

The Evergreen Union Cemetery board of trustees consists of two members appointed by the City and Pee Pee Township, respectively, and one member appointed jointly. The board possesses its own contracting and budgetary authority and hires and fires personnel. The cemetery will be included as an agency fund within the financial statements of the City.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The following categories and fund types are used by the City:

Governmental Funds

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

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Waverly and/or the general laws of Ohio.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general-long term obligations principal and interest.

Capital Projects Funds

The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

The proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the City's proprietary fund type:

Enterprise Funds

The enterprise funds are used to account for the City's water and sewer operations. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-term Obligations Account Group

The General Long-Term Obligations Account Group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types and agency funds. Under this basis of accounting, the City recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 31 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Unmatured principal and interest on general long-term obligations is recognized when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues accrued at the end of 1998 included income taxes withheld by employers, interest on investments, and intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance). Revenues accrued at the end of 1997 included income taxes withheld by employers, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), grants, and fines and forfeitures.

Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1998 and December 31, 1997, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue as further described in Note 6.

The proprietary funds use the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

Tax Budget

A tax budget of estimated revenue and expenditures for each fund is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund cash balances at December 31. Further amendments may be made during the year if the city auditor determines that revenue to be collected will be greater than or less than the prior estimates, and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued during 1998 and 1997.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds, except agency funds, must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the amended certificate of estimated resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. Several supplemental appropriation measures were legally enacted during 1998 and 1997 by Council.

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriations set by Council remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within Council's appropriated amount.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds and as a note disclosure for proprietary funds.

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 appropriations. Encumbrances outstanding at year end are carried forward to the subsequent year and are not reappropriated.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each funds' interest in the pool is presented as "Equity In Pooled Cash And Cash Equivalents" on the balance sheet.

During the year, investments were limited to certificates of deposit which are reported at cost.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less, and investments from the City's cash management pool are considered to be cash equivalents. The Waverly Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the combined balance sheet as "Cash And Cash Equivalents In Segregated Accounts".

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during fiscal year 1998 amounted to \$96,977, which includes \$17,230 assigned from other funds. The special revenue and enterprise funds also received interest of \$3,898 and \$1,960, respectively. Interest revenue credited to the general fund during fiscal year 1997 amounted to \$2,536. The special revenue and enterprise funds also received interest of \$2,755 and \$1,602, respectively.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998 or December 31, 1997, accordingly, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets

All purchased fixed assets are valued at cost when historical records are available and estimated historical cost where no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Assets in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets (Continued)

Proprietary Fund Fixed Assets

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the estimated useful life of each asset. The assets of the enterprise funds are depreciated on the following basis:

	<u>YEARS</u>
Buildings	50
Improvements Other Than Buildings	20
Machinery And Equipment	6-15
Furniture And Fixtures	15
Vehicles	5
Sewer And Water Lines	20

H. Compensated Absences

The City accrues a liability for compensated absences in accordance with the provisions of *GASB Statement No. 16, "Accounting for 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 City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

I. Accrued Liabilities And Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than 31 days after year end are generally considered not to have been paid with current available financial resources. Capital leases and long-term notes are recognized as a liability of the General Long-Term Obligations Account Group until due. Long-term obligations and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Reserves And Designations of Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances and loans receivable.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

During the course of normal operations, the City has transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the enterprise funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the general fund, general capital improvement capital projects fund, or debt service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

L. Interfund Assets/liabilities

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From Other Funds" or "Due To Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables" or "Interfund Payables."

M. Intergovernmental Revenues

In governmental funds, federal and state grants awarded on a non-reimbursement basis, state shared revenues, and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

N. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

O. Memorandum Only - Total Columns on Combined Financial Statements

Total columns on the Combined Statements Overview are captioned Totals "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1998, the City has implemented *GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools."* The statement established accounting and reporting guidelines for government investments and investment pools. The implementation of *GASB Statement No. 31* had no effect on fund balance as it was previously reported as of December 31, 1997.

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting for deferred compensation plans. The City participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

NOTE 3 - PRIOR YEAR RESTATEMENTS

For the year ended December 31, 1997, the City has presented for the first time financial statements by fund type and account group in accordance with generally accepted accounting principles. In conjunction with this presentation, the City has changed its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental and agency fund types and to the accrual basis for its proprietary funds. This change required that certain adjustments be recorded to the January 1, 1997 fund balances/retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatements to the opening fund balances/retained earnings are as follows:

Fund Type/Fund	Previously Stated Balance at 12/31/96	Adjustments	Restated Balance at 1/1/97
General	\$454,271	\$44,643	\$498,914
Special Revenue	652,955	(11,747)	641,208
Debt Service	0	0	0
Capital Projects	117,668	15,984	133,652
Enterprise	767,313	1,247,386	2,014,699
Agency	25,414	(25,414)	0

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability - Fund Equity Deficits

The COPS Fast and FEMA Special Revenue Funds and the Debt Service Fund have deficit fund balances of \$20,137, \$77,108, and \$18, respectively, at December 31, 1998. The Law Drug and FEMA Special Revenue Funds have deficit fund balances of \$4,421 and \$212,466, respectively, at December 31, 1997. These deficit fund balances were caused by the application of generally accepted accounting principles to the financial reporting of these funds. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

AT DECEMBER 31, 1998

EXCESS OF APPROPRIATIONS OVER ESTIMATED RESOURCES PLUS UNENCUMBERED CASH

<i>Fund Name / Type</i>	<i>Estimated Resources and Unencumbered Cash</i>	<i>Appropriations</i>	<i>Excess</i>
General Fund	\$1,619,358	\$1,714,738	\$95,380
Special Revenue Funds:			
COPS Fast	10,000	41,056	31,056
Waverly South Central	165,231	204,000	38,769
Capital Projects Funds:			
Second Street	104,526	404,526	300,000

EXCESS OF EXPENDITURES PLUS ENCUMBRANCES OVER APPROPRIATIONS

<i>Fund Type / Name</i>	<i>Appropriations</i>	<i>Expenditures Plus Encumbrances</i>	<i>Excess</i>
General Fund:			
General Fund			
Office Equipment	\$32,300	\$32,788	\$488
Office Mayor	2,750	2,771	21
Utilities	11,920	12,006	86
Miscellaneous	131,517	134,657	3,140
	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds:			
Bridge and Street Fund			
New Equipment	50,000	51,315	1,315
Permissive Tax			
Miscellaneous	0	553	553
Fire			
Building Maintenance	2,000	11,259	9,259
Traffic/Law Enforcement Fund			
Employees	445,000	445,074	74
Law Drug Enforcement Fund			
Miscellaneous	143	3,863	3,720
COPS Fast Fund			
Employees	29,549	29,925	376
Fringe	10,922	11,380	458
Hazard Duty	585	780	195
FEMA Fund			

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

Miscellaneous	0	2,440	2,440
Debt Service Fund:			
Traffic-Principal	62,426	98,620	36,194
Traffic-Interest	973	2,875	1,902
Capital Projects Fund:			
Walnut Street			
Capital Outlay	37,728	40,748	3,020
Enterprise Funds:			
Water Fund			
Building Maintenance	63,338	64,838	1,500

AT DECEMBER 31, 1997

EXCESS OF APPROPRIATIONS OVER ESTIMATED RESOURCES PLUS UNENCUMBERED CASH

<i>Fund Name / Type</i>	<i>Estimated Resources and Unencumbered Cash</i>	<i>Appropriations</i>	<i>Excess</i>
General Fund	789,752	1,094,769	305,017
Special Revenue Funds:			
Traffic/Law Enforcement	371,611	758,497	386,886
COPS Fast	13,413	38,393	24,980
Capital Projects Funds:			
Walnut Street	1,632	82,850	81,218

EXCESS OF EXPENDITURES PLUS ENCUMBRANCES OVER APPROPRIATIONS

<i>Fund Type / Name</i>	<i>Appropriations</i>	<i>Expenditures Plus Encumbrances</i>	<i>Excess</i>
General Fund:			
General Fund			
Debt Service: Principal	0	50,000	50,000
Debt Service: Interest and Fiscal Charges	0	4,240	4,240
Street Lighting Fund			
Employees	1,800	2,342	542
Traffic Control Lights	3,900	3,973	73
Special Revenue Funds:			
Bridge and Street Fund			
Tractor Payment	0	9,494	9,494
Small Tools	3,000	3,007	7
Traffic/Law Enforcement Fund			
Office Supplies	3,000	3,042	42
Law Drug Enforcement Fund			
Drug Cases K-9 Unit	3,930	25,728	21,798

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

<i>Fund Type / Name</i>	<i>Appropriations</i>	<i>Expenditures Plus <u>Encumbrances</u></i>	<i><u>Excess</u></i>
COPS Fast Fund			
Employees	<u>23,051</u>	<u>29,308</u>	<u>6,257</u>
FEMA Fund			
Flood	<u>0</u>	<u>231,184</u>	<u>231,184</u>
Traffic-Principal	<u>95,213</u>	<u>96,500</u>	<u>1,287</u>
Enterprise Funds:			
Water Fund			
Building Maintenance	2,785	21,740	18,955
Lab	6,000	6,863	863
Chemicals	35,140	37,110	1,970
Office Supply	12,427	14,651	2,224
Sewer Fund			
Debt Service	0	3,205	3,205

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; or
3. Obligations of the City.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

At December 31, 1998, the carrying amount of the City's deposits was \$3,014,126, and the bank balance was \$3,065,156. At December 31, 1997, the carrying amount of the City's deposits was \$2,136,056, and the bank balance was \$2,165,814. Of these bank balances, \$200,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City had no investments at December 31, 1998 and December 31, 1997.

NOTE 6 - MUNICIPAL INCOME TAX

The City levies and collects an income tax of one-half percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 1998 and 1997, proceeds of the income tax amounted to \$853,188 and \$631,679, respectively. All proceeds go to the general fund.

NOTE 7 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during the current year for real and public utility property taxes represents collections of the previous year's taxes. Property tax payments received during the current year for tangible personal property (other than public utility property) is for the current year taxes.

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

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. Public utility property taxes became a lien on the previous December 31, are levied after October 1, in the current year, and are collected in the subsequent year with real property taxes.

Tangible personal property taxes are levied after October 1, in the previous year, on the value as of December 31, of the previous year. Collections are made in the current year. Tangible personal property assessments are 25 percent of true value.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 7 - PROPERTY TAX (Continued)

The full tax rate for all City operations for the years ended December 31, 1998 and December 31, 1997, was \$15.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 and 1997 property tax receipts were based are as follows:

<i>Category</i>	<i>1998 Assessed Value</i>	<i>1997 Assessed Value</i>
Real Estate	\$40,875,280	\$39,486,210
Public Utility Property	5,936,560	5,809,020
Tangible Personal	<u>21,481,770</u>	<u>20,824,755</u>
Total Assessed Value	<u>\$68,293,610</u>	<u>\$66,119,985</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Waverly. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31. 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 current year operations. The receivable is offset by deferred revenue.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1998 and December 31, 1997, consisted of taxes, accounts, interfund, accrued interest, loans, and due from other governments arising from, entitlements or shared revenues. All receivables are considered fully collectible.

A summary of the principal items of due from other governments follows:

<i>Fund Type / Fund</i>	<i>1998 Amount</i>	<i>1997 Amount</i>
General Fund		
Local Government	\$865	\$776
Estate Taxes	<u>0</u>	<u>18,392</u>
Total General Fund	865	19,168
Special Revenue Funds		
Bridge and Street Fund		
Gasoline Excise Tax	2,658	2,561
Cents Per Gallon Tax	5,252	4,945
Motor Vehicle License Tax	<u>2,572</u>	<u>2,184</u>
Total Bridge and Street Fund	<u>10,482</u>	<u>9,690</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997
(Continued)**

NOTE 8 - RECEIVABLES (Continued)

Inter-City Highway Fund		
Gasoline Tax	216	208
Cents Per Gallon Tax	426	401
Motor Vehicle License Tax	<u>209</u>	<u>177</u>
Total Inter-City Highway Fund	<u>851</u>	<u>786</u>
City Permissive MVL Fund		
Permissive Motor Vehicle License Taxes	<u>1,872</u>	<u>1,792</u>
Traffic Fund		
Reimbursement	0	667
Immobilization Fees	<u>400</u>	<u>0</u>
Total Special Revenue Funds	<u>13,605</u>	<u>12,935</u>
Total Intergovernmental Receivables	<u>\$14,470</u>	<u>\$32,103</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Changes in general fixed assets during 1998 were as follows:

	<i>Balance For The Year Ended <u>12/31/97</u></i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance For The Year Ended <u>12/31/98</u></i>
Land and Improvements	\$171,786	\$371,487	\$0	\$543,273
Buildings and Building Improvements	396,179	39,404	0	435,583
Machinery, Equipment, and Fixtures	228,479	165,913	0	394,392
Vehicles	<u>45,043</u>	<u>574,996</u>	<u>0</u>	<u>620,039</u>
Total General Fixed Assets	<u>\$841,487</u>	<u>\$1,151,800</u>	<u>\$0</u>	<u>\$1,993,287</u>

Changes in general fixed assets during 1997 were as follows:

	<i>Balance For The Year Ended <u>12/31/96</u></i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance For The Year Ended <u>12/31/97</u></i>
Land and Improvements	\$171,786	\$0	\$0	\$171,786
Buildings and Building Improvements	361,076	35,103	0	396,179
Machinery, Equipment, and Fixtures	189,344	39,135	0	228,479
Vehicles	<u>15,367</u>	<u>29,676</u>	<u>0</u>	<u>45,043</u>
Total General Fixed Assets	<u>\$737,573</u>	<u>\$103,914</u>	<u>\$0</u>	<u>\$841,487</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 9 - FIXED ASSETS (Continued)

B. Fund Fixed Assets

All fund fixed assets relate to the water and sewer enterprise funds. The balances as of December 31, 1998, were as follows:

	<u>Water</u>	<u>Sewer</u>	<i>Balance For The Year Ended 12/31/98</i>
Lands and Improvements	\$18,893	\$4,778	\$23,671
Buildings and Building Improvements	255,264	145,081	400,345
Machinery, Equipment, and Fixtures	52,600	57,876	110,476
Vehicles	0	71,274	71,274
Sewer and Water Lines	<u>1,109,430</u>	<u>2,906,077</u>	<u>4,015,507</u>
 Total Fund Fixed Assets	 1,441,187	 3,185,086	 4,621,273
 Less: Accumulated Depreciation	 <u>(689,149)</u>	 <u>(2,688,534)</u>	 <u>(3,377,683)</u>
Total Fund Fixed Assets (net of accumulated depreciation)	<u>\$747,038</u>	<u>\$496,552</u>	<u>\$1,243,590</u>

All fund fixed assets relate to the water and sewer enterprise funds. The balances as of December 31, 1997, were as follows:

	<u>Water</u>	<u>Sewer</u>	<i>Balance For The Year Ended 12/31/97</i>
Lands and Improvements	\$15,643	\$4,778	\$20,421
Buildings and Building Improvements	235,264	123,681	358,945
Machinery, Equipment, and Fixtures	42,163	50,654	92,817
Vehicles	0	26,157	26,157
Infrastructure	<u>1,109,431</u>	<u>2,906,078</u>	<u>4,015,509</u>
Total Fund Fixed Assets	1,402,501	3,111,348	4,513,849
 Less: Accumulated Depreciation	 <u>(662,790)</u>	 <u>(2,628,607)</u>	 <u>(3,291,397)</u>
Total Fund Fixed Assets (net of accumulated depreciation)	<u>\$739,711</u>	<u>\$482,741</u>	<u>\$1,222,452</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City of Waverly contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (Continued)

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to PERS for the years ended December 31, 1998, 1997, 1996, and 1995 were \$76,042, \$59,078, \$56,019, and \$48,400, respectively. The full amount has been contributed for 1997, 1996, and 1995. 61.12 percent has been contributed for 1998 with the remainder being reported as a fund liability and within the general long-term obligations account group.

B. Police and Firemen's Disability and Pension Fund

The City of Waverly contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple-employer defined benefit pension plan. The Fund provides retirement and disability 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. The Fund issues a publicly available financial report that includes financial information and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 1998, 1997, and 1996 were \$48,478, \$44,442, and \$41,135, respectively, equal to the required contributions for each year. The full amount has been contributed for 1997 and 1996. 59.36 percent has been contributed for 1998 with the remainder being reported within the general long-term obligations account group.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (Pers)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 and 1997 employer contribution rate was 13.55 percent of covered payroll; 5.11 percent was the portion that was used to fund health care for 1997.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage. Prior to 1997, benefits were advance-funded using the entry age normal cost method.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

A. Public Employees Retirement System (Pers) (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998 and 1997, OPEB expenditures made by PERS were \$440,596,663 and \$393,559,827, respectively. As of December 31, 1998 and December 31, 1997, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318 and \$8,292,570,002, respectively. At December 31, 1998 and December 31, 1997, the total number of benefit recipients eligible for OPEB through PERS was 115,579 and 113,906, respectively. The City's actual contributions for 1998 and 1997 which were used to fund OPEB were \$34,158 and \$35,769, respectively.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not he is attending school or under twenty-two if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals, and that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firemen's employer contribution rate is 24 percent of covered payroll, of which 6.5 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1997 and December 31, 1996, (the latest information available) was 11,239 and 17,493 for police and 9,025 and 14,120 for firefighters. The City's actual contributions for 1998 and 1997 that were used to fund postemployment benefits were \$24,239 and \$22,221, respectively. The Fund's total health care expenses for the year ending December 31, 1997 and December 31, 1996, were \$76,459,832 and \$71,674,335, respectively.

NOTE 12 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 12 - EMPLOYEE BENEFITS (Continued)

A. Deferred Compensation Plan (Continued)

For 1998, the City has implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the City report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the City in a fiduciary capacity. The Ohio Public Employees Deferred Compensation

Plan has established a trust fund and the amounts are no longer reported on the City's balance sheet as of December 31, 1998.

For 1997, an agency fund was established to account for these monies as prescribed by GASB Statement No. 2 "Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of Internal Revenue Code Section 457." As of December 31, 1997, the amount on deposit with the Ohio Public Employees Deferred Compensation Board was \$23,357, valued at market.

B. Compensated Absences

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

Sick leave is earned at the rate of one and one-fourth days for every completed month worked and can be accumulated up to one hundred fifty days or twelve hundred hours. Each employee with the City is paid at one-fourth of the portion that does not exceed one hundred fifty days of the employee's earned unused sick leave upon termination from the City, or the full balance may be transferred to another governmental agency. In the event that an employee dies as the result of injuries sustained on the job, his or her estate will be paid the total allowable amount of all earned unused sick leave.

Unpaid compensated absences of \$568 and \$926 at December 31, 1998 and December 31, 1997, respectively, were reported as an accrued liability in the governmental fund types. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$158,680 and \$146,334 at December 31, 1998 and December 31, 1997, respectively. The liability for compensated absences in the proprietary funds at December 31, 1998, was \$63,855, with \$4,267 representing the current liability and \$59,588 the noncurrent portion of accrued benefits. The liability for compensated absences in the proprietary funds at December 31, 1997, was \$67,591, with \$3,896 representing the current liability and \$63,696 the noncurrent portion of accrued benefits.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous years the City has entered into capital leases for lawn care equipment. By the terms of the agreement, ownership of the equipment is transferred to the City by the end of the 5 year lease term. The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13 "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. The equipment acquired by lease has been capitalized in the General Fixed Assets Account Group in the amount of \$44,211. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in 1998 and 1997 totaled \$8,028 and \$7,591, respectively.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required for capital leases reported in the General Long-Term Obligations Account Group and the present value of the minimum lease payments as of December 31, 1998.

Year Ending <u>December 31,</u>	General Long-Term Obligation
1999	\$9,494
2000	<u>9,493</u>
	18,987
Less: Amount Representing Interest	<u>(1,520)</u>
<u>Present Value of Minimum Lease Payments</u>	<u>\$17,467</u>

NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 1998, was as follows:

<u>Types / Issues</u>	<u>Balance 12/31/97</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/98</u>
Enterprise Fund Obligations				
1978 - 6.25% OWDA Sewer Improvement Bonds	\$21,576	\$0	\$4,304	\$17,272
1997 - 0% OPWC Wastewater Treatment Plant Bonds	37,537	0	963	36,574
1995 - 3.20% OPWC Sewer Pollution Control Bonds	<u>15,595</u>	<u>0</u>	<u>6,090</u>	<u>9,505</u>
Total Enterprise Obligations	<u>\$74,708</u>	<u>\$0</u>	<u>\$11,357</u>	<u>\$63,351</u>
General Long-Term Obligations				
1996 - 4.00% Various Purpose Note	\$56,000	\$0	\$56,000	\$0
1998 - 4.00% Fire Truck Note	0	372,216	0	372,216
Compensated Absences	146,334	12,346	0	158,680
Pension Liability	48,998	62,740	48,998	62,740
Capital Leases	<u>25,495</u>	<u>0</u>	<u>8,028</u>	<u>17,467</u>
Total General Long-term Obligations	<u>\$276,827</u>	<u>\$447,302</u>	<u>\$113,026</u>	<u>\$611,103</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Bonded debt and other long-term obligations payable activity for the year ended December 31, 1997, was as follows:

<u>Types / Issues</u>	<u>Balance 12/31/96</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/97</u>
Enterprise Fund Obligations				
1978 - 6.25% OWDA Sewer Improvement Bonds	\$25,627	\$0	\$4,051	\$21,576
1997 - 0% OPWC Wastewater Treatment Plant Bonds	0	38,500	963	37,537
1995 - 3.20% OPWC Sewer Pollution Control Bonds	<u>21,495</u>	<u>0</u>	<u>5,900</u>	<u>15,595</u>
Total Enterprise Obligations	<u>\$47,122</u>	<u>\$38,500</u>	<u>\$10,914</u>	<u>\$74,708</u>
General Long-term Obligations				
1996 - 4.00% Various Purpose Note	\$106,000	\$0	\$50,000	\$56,000
Compensated Absences	134,098	12,236	0	146,334
Pension Liability	22,175	48,998	22,175	48,998
Capital Leases	<u>33,086</u>	<u>0</u>	<u>7,591</u>	<u>25,495</u>
Total General Long-term Obligations	<u>\$295,359</u>	<u>\$61,234</u>	<u>\$79,766</u>	<u>\$276,827</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,107,478. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 1998 are:

Year	OWDA Sewer Improvement Bonds	OPWC Sewer Pollution Bonds	OPWC Wastewater Treatment Plant Bonds	Fire Truck Note	Total
1999	\$5,653	\$6,541	\$1,925	\$46,693	\$60,812
2000	5,653	3,270	1,925	46,693	57,541
2001	5,653	0	1,925	46,693	54,271
2002	2,826	0	1,925	46,693	51,444
2003	0	0	1,925	46,694	48,619
2004-2008	0	0	9,625	233,473	243,098
2009-2013	0	0	9,625	0	9,625
2014-2017	0	0	7,699	0	7,699
Total	<u>\$19,785</u>	<u>\$9,811</u>	<u>\$36,574</u>	<u>\$466,939</u>	<u>\$533,109</u>

The OWDA Sewer Improvement Bonds were issued in 1978 in the amount of \$69,338 for the purpose of modernizing and improving the facilities at the City's sewage facility. These bonds will be repaid from the Sewer Fund and will be fully repaid by January 1, 2002.

The OPWC Sewer Pollution Control Bonds were issued in 1995 in the amount of \$30,000 for the purpose of modernizing and improving the facilities at the City's sewage facility. These bonds will be repaid from the Sewer Fund and will be fully repaid by January 1, 2000.

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

The Fire Truck Note was issued in 1998 in the amount of \$372,216 for the purpose of purchasing a new fire truck. This note will be repaid from the Debt Service Fund and will be fully repaid by November 20, 2008.

The 1996 Various Purpose Note was used for no specific purpose defined by the City. The money was used to support many different undertakings that arises in the City's day to day operations. The balance outstanding was paid off December 17, 1998.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997
(Continued)**

NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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

NOTE 15 - NOTE OBLIGATIONS

A. Notes Paid from Governmental Funds

A summary of the note transactions for the year ended December 31, 1998 follows:

Fund	Balance at December 31, 1997	Increase	Decrease	Balance at December 31, 1998
1998 - 4.00% Police Cruisers	\$0	\$98,620	\$98,620	\$0
1998 - 4.00% Second Street Improvement	0	300,000	0	300,000
Total	\$0	\$398,620	\$98,620	\$300,000

The Police Cruisers Note was used to purchase police cruisers for the Waverly Police Department. The balance was paid off during the year from the Debt Service Fund.

The Second Street Improvement Note was issued on July 30, 1998 and was used to construct a turn lane on a portion of second street. The note will mature on July 30, 1999 and will be paid from the Second Street Improvement Capital Project Fund.

A summary of the note transactions for the year ended December 31, 1997 follows:

Fund	Balance at December 31, 1996	Increase	Decrease	Balance at December 31, 1997
1996 - 4.00% Police Cruisers	96,500	0	96,500	0

The Police Cruisers Note was used to purchase police cruisers for the Waverly Police Department. The balance was paid off during the year, therefore no balance exists at December 31, 1997.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 15 - NOTE OBLIGATIONS (Continued)

B. Notes Paid from Proprietary Funds

A summary of the note transactions for proprietary funds for the year ended December 31, 1998 follows:

Fund	Balance at December 31, 1997	Incras e	Decreas e	Balance at December 31, 1998
1996 - 4.25% Water Works Improvements	\$49,500	\$0	\$49,500	\$0

A summary of the note transactions for the year ended December 31, 1997 follows:

Fund	Balance at December 31, 1996	Incras e	Decreas e	Balance at December 31, 1997
1996 - 4.25% Water Works Improvements	\$99,500	\$0	\$50,000	\$49,500

The Water Works Improvement Note was used for improvements to the City's water system. The balance was paid off during 1998 from the Sewer Fund.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the City contracted with The Cincinnati Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage; National Casualty Company for Law Enforcement Liability; and Auto-Owners Insurance for commercial crime. Coverages are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$11,210,990
Inland Marine Coverage (\$500 deductible)	252,600
Boiler and Machinery (\$250 deductible)	300,000
Automobile Liability (\$250 deductible)	
Bodily Injury-Per occurrence	250,000
Total per year	500,000
Property Damage	100,000
General Liability-Per occurrence	500,000
Total per year	1,000,000
Law Enforcement Liability (\$2,500 deductible)	
Per occurrence	1,000,000
Total by year	1,000,000
Commercial Crime	10,000

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 16 - RISK MANAGEMENT (Continued)

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. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

NOTE 17 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supporting through user fees charged for services to the public. The water and sewer funds account for the City's water and sewer services provided to its residents. Financial segment information as of and for the year ended December 31, 1998, is presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$716,217	\$638,938	\$1,355,155
Operating Expenses Before			
Depreciation	539,570	435,636	975,206
Depreciation Expense	26,360	69,605	95,965
Operating Income (Loss)	150,287	133,697	283,984
Net Non-Operating Revenues			
(Expenses)	(2,267)	(3,826)	(6,093)
Net Income	148,020	129,871	277,891
Net Working Capital	586,003	617,158	1,203,161
Property, Plant And			
Equipment	747,038	496,552	1,243,590
Total Assets	1,384,775	1,158,599	2,543,374
Bonds And Other Long-Term			
Liabilities Payable From Revenues	39,316	87,890	127,206
Total Fund Equity	1,293,725	1,025,820	2,319,545
Encumbrances Outstanding			
At December 31, 1998	\$14,440	\$52,771	\$67,211

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 17 - SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

Financial segment information as of and for the year ended December 31, 1997, is presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$595,765	\$614,754	\$1,210,519
Operating Expenses Before			
Depreciation	668,938	496,849	1,165,787
Depreciation Expense	25,373	65,269	90,642
Operating Income (Loss)	(98,546)	52,636	(45,910)
Net Non-Operating Revenues			
(Expenses)	61,054	(19,189)	41,865
Operating Transfers	0	31,000	31,000
Net Income (Loss)	(37,492)	64,447	26,955
Net Working Capital	486,770	524,231	1,011,001
Property, Plant And			
Equipment	\$739,711	\$482,741	\$1,222,452
 Total Assets	 1,274,124	 1,090,969	 2,365,093
Bonds And Other Long-Term			
Liabilities Payable From Revenues	80,776	111,023	191,799
Total Fund Equity	1,145,705	895,949	2,041,654
Encumbrances Outstanding			
At December 31, 1997	\$24,210	\$34,344	\$58,554

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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, appropriations and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds and note disclosure for proprietary funds (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING (Continued)

- (d) Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- (e) Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (f) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

As of December 31, 1998

*Excess Of Revenues And Other Financing Sources Over
(under) Expenditures And Other Financing Uses
All Governmental Fund Types*

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$210,968	\$283,008	(\$973)	(\$235,094)
<u>Increases (decreases) Due To:</u>				
Revenue Accruals	86,271	20,491	0	0
Expenditure Accruals	455,120	(960)	(98,620)	20,290
Encumbrances Outstanding At Year End (Budget Basis)	(21,358)	(12,517)	0	0
Note Proceeds	(372,216)	0	98,620	300,000
Debt Service Retirement	0	9,494	(98,620)	5,000
Operating Transfers	(98,620)	0	98,620	0
Advances	<u>135,358</u>	<u>(135,358)</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$395,523</u>	<u>\$164,158</u>	<u>(\$973)</u>	<u>\$90,196</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income/Excess Of Revenues Over Expenses
Proprietary Fund Type

	<u>Enterprise</u>
Net Income	\$277,891
<u>Increases (decreases) Due To:</u>	
Revenue Accruals	40,817
Expense Accruals	(38,671)
Depreciation Expense	95,965
Acquisition of Fixed Assets	(117,105)
Encumbrances Outstanding	
At Year End (Budget Basis)	(67,211)
Debt Service Payments	<u>(60,857)</u>
 Budget Basis Excess	 <u><u>\$130,829</u></u>

As of December 31, 1997

*Excess Of Revenues And Other Financing Sources Over
(under) Expenditures And Other Financing Uses
All Governmental Fund Types*

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$79,747	\$48,290	955	(\$4,084)
<u>Increases (decreases) Due To:</u>				
Revenue Accruals	(9,308)	35,493	0	16,147
Expenditure Accruals	15,116	(53,237)	0	2,523
Encumbrances Outstanding				
At Year End (Budget Basis)	(33,919)	(7,320)	0	0
Debt Principal Retirement	0	11,426	(99,405)	0
Operating Transfers	0	(99,405)	99,405	0
Advances	<u>(228,304)</u>	<u>228,304</u>	<u>0</u>	<u>0</u>
 Budget Basis	 <u><u>(\$176,668)</u></u>	 <u><u>\$163,551</u></u>	 <u><u>\$955</u></u>	 <u><u>\$14,586</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING (Continued)

*Net Loss/Excess Of Revenues Under Expenses
Proprietary Fund Type*

	<i>Enterprise</i>
Net Loss	\$26,955
<u>Increases (decreases) Due To:</u>	
Revenue Accruals	(54,457)
Tap-In Fees	0
Expense Accruals	38,743
Depreciation Expense	90,642
Encumbrances Outstanding	
At Year End (Budget Basis)	(14,392)
Debt Principal Payments	(59,951)
Budget Basis Excess	\$27,540

NOTE 19 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 1998, consist of the following individual fund receivables and payables:

Fund Type/Fund	Interfund Receivable	Due From Other Funds	Interfund Payable	Due To Other Funds
<i>General Fund</i>	\$111,924	\$8,192	\$0	\$0
<i>Special Revenue Fund:</i>				
FEMA	0	0	111,906	0
<i>Debt Service Fund</i>	0	0	18	0
<i>Agency Fund:</i>				
Mayor's Court	0	0	0	8,192
<i>Total All Funds</i>	\$111,924	\$8,192	\$111,924	\$8,192

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997
(Continued)**

NOTE 19 - INTERFUND TRANSACTIONS (Continued)

Interfund balances at December 31, 1997, consist of the following individual fund receivables and payables:

Fund Type/Fund	Receivables		Payables	
	Due From		Due To	
	Interfund	Other Funds	Interfund	Other Funds
General Fund	\$228,304	\$12,968	\$0	\$0
Special Revenue Funds:				
Bridge and Street	0	0	0	446
Law Enforcement	0	0	0	1,089
FEMA	0	0	228,304	0
Total Special Revenue Funds:	0	0	228,304	1,535
Enterprise Fund:				
Water	0	0	0	157
Total Enterprise Fund	0	0	0	157
Agency Fund:				
Mayor's Court	0	0	0	11,276
Total Agency Fund	0	0	0	11,276
Total All Funds	\$228,304	\$12,968	\$228,304	\$12,968

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

(Continued)

NOTE 20 - CONTINGENT LIABILITIES

A. Litigation

Currently, the City of Waverly is not party to any legal proceedings.

B. Federal and State Grants

For the period January 1, 1998, to December 31, 1998, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-
2110

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

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

To the Mayor and Members of Council:

We have audited the general purpose financial statements of the City of Waverly, Pike County, as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated December 9, 1999, in which we indicated that the City had changed its method of accounting for deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Waverly's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-20766-001 and 1998-20766-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City of Waverly in a separate letter dated December 9, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Waverly's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Waverly in a separate letter dated December 9, 1999.

City of Waverly
Pike County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 9, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997

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

Finding Number	1998-20766-001
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Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making a disbursement unless it has been properly appropriated.

For the year ended December 31, 1998, actual disbursements exceeded appropriations, as follows:

1998 Budgeted vs. Actual Budgetary Basis Expenditures.

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>	<u>Percentage Difference</u>
FEMA Fund	\$0	\$135,358	(\$135,358)	100%
Drug Enforcement Fund	143	3,863	(3,720)	2,601%
Law Enforcement Trust Fund	220,282	258,378	(38,096)	17%
Nature Works Park Fund	37,728	40,753	(3,025)	8%

For the year ended December 31, 1997, actual disbursements exceeded appropriations, as follows:

1997 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>	<u>Percentage Difference</u>
General Fund	\$1,094,769	\$1,346,119	(\$251,350)	23%
FEMA Fund	0	242,880	(242,880)	100%
Drug Enforcement Fund	7,379	25,727	(18,348)	249%
COPS Fast Fund	38,393	40,903	(2,510)	7%

We recommend the City Council not approve the disbursement of any City funds that are not supported by appropriations.

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997
(Continued)

Finding Number	1998-20766-002
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Ohio Rev. Code Section 5705.39 provides that total appropriations from each fund should not exceed the total estimated resources.

For the year ended December 31, 1998, appropriations exceeded estimated resources, as follows:

1998 Appropriations vs. Estimated Resources.

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Estimated Resources</u>	<u>Variance</u>	<u>Percentage Difference</u>
COPS Fast Fund	\$41,056	\$10,000	\$31,056	311%
Second Street Improvement Fund	404,526	104,526	300,000	287%

For the year ended December 31, 1997, appropriations exceeded estimated resources, as follows:

1997 Appropriations vs. Estimated Resources

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Estimated Resources</u>	<u>Variance</u>	<u>Percentage Difference</u>
General Fund	\$1,094,769	\$789,752	\$305,017	39%
COPS Fast Fund	38,393	13,413	24,980	186%
Law Enforcement Trust Fund	758,497	371,611	386,886	104%
Nature Works Park Fund	82,850	1,632	81,218	4,977%

We recommend that City Council not make appropriations to any fund in excess of the amounts certified as available to that fund by the County Budget Commission.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF WAVERLY

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2000**