



Dave Yost • Auditor of State

VILLAGE OF WAVERLY
PIKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Capital Assets and related accumulated depreciation and depreciation expense reported in the governmental activities, business-type activities, the major Water Fund and the major Sewer Fund for the year ended December 31, 2013. Amounts reported for Capital Assets represented the following percentages of Total Assets for each opinion unit:

Opinion Unit	Capital Asset Amount (including accumulated depreciation)	Percentage of Total Assets
Governmental Activities	\$3,229,716	56%
Business-Type Activities	\$8,564,434	90%
Major Water Fund	\$3,833,578	89%
Major Sewer Fund	\$4,730,856	91%
Opinion Unit	Depreciation Expense	Percentage of Total Expense
Governmental Activities	\$287,305	10%
Business-Type Activities	\$274,571	17%
Major Water Fund	\$133,552	17%
Major Sewer Fund	\$141,019	19%

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

Qualified Opinions

In our opinion, except for the matter described in the "Basis for Qualified Opinion" paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Water major fund and the Sewer major fund of the Village of Waverly, Pike County, Ohio, as of and for the year ended December 31, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Bridge and Street, Fire, Police and Levee major funds and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended as of December 31, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Bridge and Street, Fire, and Police funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2015

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Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The discussion and analysis of the Village of Waverly's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position increased \$214,291. Net position of governmental activities decreased \$245,317. Net position of business-type activities increased \$459,608.
- Governmental activities general revenues accounted for \$2,272,073 in revenue or 86.8 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$346,124 or 13.2 percent of total revenues of \$2,618,197. Business-type activities general revenues accounted for \$38,306 in revenue or 1.9 percent of all revenues. Program specific revenues accounted for \$2,009,274 or 98.1 percent of total revenues of \$2,047,580.
- The Village had \$2,863,514 in expenses related to governmental activities; \$346,124 of these expenses was offset by program specific charges for services and sales, grants and contributions; the remainder of these expenses was partially offset by general revenues. The Village had \$1,587,972 in expenses related to business-type activities; the entire amount was offset by program specific charges for services and sales, grants and contributions.

Using the Annual Financial Report

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

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

Reporting the Village as a Whole

Statement of Net Position and Statement of Activities

While this report contains information about the funds used by the Village to provide services to our citizens, the view of the Village as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

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

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

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the Village's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the year-end balances available for spending in the future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general governmental operations and the basic services provided. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future on services provided to residents. The relationship between governmental activities reported in the statement of net position and the statement of activities and the governmental fund statements are reconciled in the financial statements.

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

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

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2013 compared to the prior year:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012	2013	2012*
Assets						
Current and Other Assets	\$ 2,570,336	\$ 2,699,263	\$ 991,602	\$ 771,132	\$ 3,561,938	\$ 3,470,395
Capital Assets, Net	3,229,716	3,454,650	8,564,434	8,265,458	11,794,150	11,720,108
Total Assets	5,800,052	6,153,913	9,556,036	9,036,590	15,356,088	15,190,503
Liabilities						
Current and Other Liabilities	111,902	72,753	50,466	60,637	162,368	133,390
Long-Term Liabilities	454,700	658,462	2,826,648	2,756,639	3,281,348	3,415,101
Total Liabilities	566,602	731,215	2,877,114	2,817,276	3,443,716	3,548,491
Deferred Inflows of Resources						
Taxes	532,412	476,343	-	-	532,412	476,343
Net Position						
Net Investment in Capital Assets	2,813,606	2,847,183	5,756,607	5,527,696	8,570,213	8,374,879
Restricted	603,990	952,837	-	-	603,990	952,837
Unrestricted	1,283,442	1,146,335	922,315	691,618	2,205,757	1,837,953
Total Net Position	\$ 4,701,038	\$ 4,946,355	\$ 6,678,922	\$ 6,219,314	\$ 11,379,960	\$ 11,165,669

* Certain restatements were made to beginning balance amounts. See Note 17 for details.

Total assets increased \$165,585. This increase was due primarily to a increase in equity in pooled cash and cash equivalents resulting from operation. This increase was partially offset by a decrease in taxes receivable due to a change in estimate calculation.

Total liabilities decreased \$104,775. This decrease was due primarily to debt decreases in governmental activities in as a result of current year principal payments.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Table 2 shows the changes in net position for the year ended December 31, 2013 as compared to the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012*	2013	2012	2013	2012*
Revenues						
Program Revenues:						
Charges for Services and Sales	\$ 126,646	\$ 158,453	\$ 1,764,132	\$ 1,684,113	\$ 1,890,778	\$ 1,842,566
Operating Grants and Contributions**	219,478	247,481	-	-	219,478	247,481
Capital Grants and Contributions	-	-	245,142	254,858	245,142	254,858
Total Program Revenues	346,124	405,934	2,009,274	1,938,971	2,355,398	2,344,905
General Revenues:						
Property & Income Taxes	1,791,657	2,229,187	-	-	1,791,657	2,229,187
Unrestricted Grants and Entitlements**	426,902	487,120	-	-	426,902	487,120
Unrestricted Investment Earnings	937	791	20	20	957	811
Other	52,577	58,841	38,286	49,610	90,863	108,451
Total General Revenues	2,272,073	2,775,939	38,306	49,630	2,310,379	2,825,569
Total Revenues	2,618,197	3,181,873	2,047,580	1,988,601	4,665,777	5,170,474
Program Expenses						
General Government -						
Legislative and Executive	775,060	760,564	-	-	775,060	760,564
Security of Persons & Property	1,379,258	1,405,212	-	-	1,379,258	1,405,212
Public Health	1,470	1,470	-	-	1,470	1,470
Leisure Time Services	155,475	161,349	-	-	155,475	161,349
Transportation	533,421	645,117	-	-	533,421	645,117
Interest and Fiscal Charges	18,830	21,418	-	-	18,830	21,418
Water	-	-	802,178	750,820	802,178	750,820
Sewer	-	-	785,794	794,038	785,794	794,038
Total Expenses	2,863,514	2,995,130	1,587,972	1,544,858	4,451,486	4,539,988
Increase (Decrease) in Net Position	(245,317)	186,743	459,608	443,743	214,291	630,486
Beginning Net Position As Restated	4,946,355	4,759,612	6,219,314	5,775,571	11,165,669	10,535,183
Ending Net Position	\$4,701,038	\$4,946,355	\$ 6,678,922	\$ 6,219,314	\$ 11,379,960	\$ 11,165,669

* Certain restatements were made to beginning balance amounts. See Note 17 for details.

**Certain reclassifications to revenues were made to 2012 amounts to conform to the 2013 presentation which had no impact on net position.

Operating Grants and Contributions decreased as a result of decreased funding in the Bridge and Street, and Recreational Complex revenues. Property and Income Taxes decreased as a result of a change in receivable calculations. Transportation expenses decreased due to decreased funding in the Bridge and Street Fund.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Governmental Activities

Several revenue sources fund governmental activities, with income taxes generally being the biggest contributor. General revenues from property taxes are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 98% of all general revenues in the governmental activities, the Village monitors each of these revenue sources very closely for fluctuations.

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

Business-Type Activities

The Village's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the Village's residents. The sewer operations generated program revenues of \$1,246,979 and had expenses of \$785,794. The water operations generated program revenues of \$762,295 and had expenses of \$802,178. The Village's goal is to cover the costs of operations as well as build cash balance in these funds. The Village is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

The Village's Funds

The Village's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financial sources of \$3,815,679 and expenditures and other financing uses of \$3,999,912. The net change in fund balance for the year in the General Fund increased \$151,089 due primarily to revenues exceeding expenditures and transfers out in 2013. The Police Fund had a fund balance decrease of \$131,792. The Bridge and Street Fund had a fund balance decrease of \$49,747. The Fire Fund had a fund balance decrease of \$57,512, while the Levee Fund had a fund balance of \$12,008 which didn't change from the prior year.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, final budgeted revenues were \$1,800,630. Actual revenues were higher than final budgeted revenues in the amount of \$63,824 due primarily to higher than expected income tax revenue. Original and final budgeted expenditures and other financing uses were \$2,054,308 and \$1,954,283, respectively. Actual budgetary basis expenditures and other financing uses were \$1,766,564, which is lower than the final budgeted expenditures and other financing uses due primarily to less expenditures for leisure time activities and less transfers out.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2013, the Village had \$11,794,150 invested in land, land improvements, buildings and improvements, furniture and equipment, water and sewer lines, and infrastructure, net of accumulated depreciation. Table 3 shows 2013 balances as compared to the prior year.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Table 3
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012	2013	2012*
Land	\$ 239,268	\$ 239,268	\$ 70,000	\$ 70,000	\$ 309,268	\$ 309,268
Construction in Progress	-	-	-	323,997	-	323,997
Land Improvements	47,084	77,166	4,092	12,270	51,176	89,436
Buildings and Improvements	848,125	867,266	7,403,305	7,629,707	8,251,430	8,496,973
Furniture and Equipment	342,691	431,563	14,656	34,977	357,347	466,540
Infrastructure	1,752,548	1,839,387	1,072,381	194,507	2,824,929	2,033,894
Totals	\$ 3,229,716	\$ 3,454,650	\$ 8,564,434	\$ 8,265,458	\$ 11,794,150	\$ 11,720,108

* Certain restatements were made to beginning balance amounts. See Note 17 for details.

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

Debt

At December 31, 2013, the Village of Waverly had \$3,281,348 in notes, loans, and compensated absences outstanding with \$443,849 due within one year.

Table 4
Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	Total
	2013	2012	2013	2012	2013	2012
Compensated Absences	\$ 47,590	\$ 50,995	\$ 18,821	\$ 18,877	\$ 66,411	\$ 69,872
Long Term Notes	295,667	485,549	-	-	295,667	485,549
O.W.D.A. Loans	-	-	2,505,000	2,673,366	2,505,000	2,673,366
O.P.W.C. Loans	111,443	121,918	302,827	64,396	414,270	186,314
Total	\$ 454,700	\$ 658,462	\$ 2,826,648	\$ 2,756,639	\$ 3,281,348	\$ 3,415,101

The Village's overall legal debt margin was \$7,367,224 at December 31, 2013.

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

The Future

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

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

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Contacting the Village's Finance Department

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

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Village of Waverly
Statement of Net Position
December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,069,704	\$ 683,625	\$ 1,753,329
Receivables:			
Taxes	1,190,164	-	1,190,164
Accounts	3,078	291,348	294,426
Materials and Supplies Inventory	-	1,281	1,281
Prepaid Items	36,294	15,348	51,642
Due from Other Governments	263,901	-	263,901
Due from Other Funds	7,195	-	7,195
Non-Depreciable Capital Assets	239,268	70,000	309,268
Depreciable Capital Assets, Net	<u>2,990,448</u>	<u>8,494,434</u>	<u>11,484,882</u>
<i>Total Assets</i>	<u>5,800,052</u>	<u>9,556,036</u>	<u>15,356,088</u>
LIABILITIES:			
Accounts Payable	19,524	22,714	42,238
Accrued Wages and Benefits	26,427	10,467	36,894
Contracts Payable	9,000	-	9,000
Due to Other Governments	56,951	17,285	74,236
Long-Term Liabilities:			
Due Within One Year	309,805	134,044	443,849
Due in More Than One Year	<u>144,895</u>	<u>2,692,604</u>	<u>2,837,499</u>
<i>Total Liabilities</i>	<u>566,602</u>	<u>2,877,114</u>	<u>3,443,716</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Not Levied to Finance Current Year Operations	<u>532,412</u>	-	<u>532,412</u>
NET POSITION:			
Net Investment in Capital Assets	2,813,606	5,756,607	8,570,213
Restricted for:			
Capital Projects	189,258	-	189,258
Police	89,992	-	89,992
Bridge and Street	103,100	-	103,100
Other Purposes	221,640	-	221,640
Unrestricted	<u>1,283,442</u>	<u>922,315</u>	<u>2,205,757</u>
<i>Total Net Position</i>	<u>\$ 4,701,038</u>	<u>\$ 6,678,922</u>	<u>\$ 11,379,960</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government:							
Legislative and Executive	\$ 775,060	\$ 6,093	\$ 126	\$ -	\$ (768,841)	\$ -	\$ (768,841)
Security of Persons and Property	1,379,258	107,703	158,022	-	(1,113,533)	-	(1,113,533)
Public Health	1,470	13	-	-	(1,457)	-	(1,457)
Leisure Time Services	155,475	1,329	60,904	-	(93,242)	-	(93,242)
Transportation	533,421	11,428	-	-	(521,993)	-	(521,993)
Interest and Fiscal Charges	18,830	80	426	-	(18,324)	-	(18,324)
<i>Total Governmental Activities</i>	<u>2,863,514</u>	<u>126,646</u>	<u>219,478</u>	<u>-</u>	<u>(2,517,390)</u>	<u>-</u>	<u>(2,517,390)</u>
Business-Type Activities:							
Sewer	785,794	1,001,837	-	245,142	-	461,185	461,185
Water	802,178	762,295	-	-	-	(39,883)	(39,883)
<i>Total Business-Type Activities</i>	<u>1,587,972</u>	<u>1,764,132</u>	<u>-</u>	<u>245,142</u>	<u>-</u>	<u>421,302</u>	<u>421,302</u>
Totals	<u>\$ 4,451,486</u>	<u>\$ 1,890,778</u>	<u>\$ 219,478</u>	<u>\$ 245,142</u>	<u>(2,517,390)</u>	<u>421,302</u>	<u>(2,096,088)</u>
General Revenues:							
Taxes:							
Property Taxes - General Purposes					132,487	-	132,487
Property Taxes - Other Purposes					276,222	-	276,222
Income Taxes					1,382,948	-	1,382,948
Grants and Entitlements not Restricted to Specific Programs					426,902	-	426,902
Investment Earnings					937	20	957
Miscellaneous					52,577	38,286	90,863
<i>Total General Revenues</i>					<u>2,272,073</u>	<u>38,306</u>	<u>2,310,379</u>
<i>Change in Net Position</i>					(245,317)	459,608	214,291
<i>Net Position Beginning of Year-As Restated-See Note 17</i>					<u>4,946,355</u>	<u>6,219,314</u>	<u>11,165,669</u>
<i>Net Position End of Year</i>					<u>\$ 4,701,038</u>	<u>\$ 6,678,922</u>	<u>\$ 11,379,960</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Balance Sheet
Governmental Funds
December 31, 2013

	General	Bridge and Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
ASSETS:							
Equity in Pooled Cash and Cash Equivalents	\$ 534,911	\$ 22,853	\$ 39,684	\$ 99,718	\$ 12,008	\$ 360,530	\$ 1,069,704
Receivables:							
Taxes	703,550	68,738	100,823	317,053	-	-	1,190,164
Accounts	-	-	2,400	-	-	678	3,078
Due from Other Governments	139,623	89,202	6,421	20,366	-	8,289	263,901
Prepaid Items	9,559	9,875	3,331	13,529	-	-	36,294
Due from Other Funds	7,195	-	-	-	-	-	7,195
<i>Total Assets</i>	<u>1,394,838</u>	<u>190,668</u>	<u>152,659</u>	<u>450,666</u>	<u>12,008</u>	<u>369,497</u>	<u>2,570,336</u>
LIABILITIES:							
Accounts Payable	9,086	1,644	1,135	2,477	-	5,182	19,524
Accrued Wages and Benefits	6,311	5,351	2,307	12,458	-	-	26,427
Contracts Payable	-	-	-	9,000	-	-	9,000
Due to Other Governments	21,271	8,181	8,156	19,343	-	-	56,951
<i>Total Liabilities</i>	<u>36,668</u>	<u>15,176</u>	<u>11,598</u>	<u>43,278</u>	<u>-</u>	<u>5,182</u>	<u>111,902</u>
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue							
Delinquent Taxes	1,657	1,569	2,476	7,967	-	-	13,669
Income Taxes	318,859	-	-	-	-	-	318,859
Property Taxes Not Levied to Finance Current							
Year Operations	72,965	65,094	95,259	299,094	-	-	532,412
Grants	63,691	61,470	6,421	20,366	-	4,631	156,579
<i>Total Deferred Inflows of Resources</i>	<u>457,172</u>	<u>128,133</u>	<u>104,156</u>	<u>327,427</u>	<u>-</u>	<u>4,631</u>	<u>1,021,519</u>
FUND BALANCES:							
Nonspendable	17,195	9,875	3,331	13,529	-	-	43,930
Restricted	-	37,484	33,574	66,432	12,008	183,822	333,320
Committed	-	-	-	-	-	175,862	175,862
Assigned	1,841	-	-	-	-	-	1,841
Unassigned	881,962	-	-	-	-	-	881,962
<i>Total Fund Balances</i>	<u>900,998</u>	<u>47,359</u>	<u>36,905</u>	<u>79,961</u>	<u>12,008</u>	<u>359,684</u>	<u>1,436,915</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 1,394,838</u>	<u>\$ 190,668</u>	<u>\$ 152,659</u>	<u>\$ 450,666</u>	<u>\$ 12,008</u>	<u>\$ 369,497</u>	<u>\$ 2,570,336</u>

See accompanying notes to the basic financial statements.

Village of Waverly
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2013*

Total Governmental Fund Balances	\$	1,436,915
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,229,716
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Certain receivables reported as revenues on the statement of activities are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.

Taxes	332,528	
Intergovernmental	<u>156,579</u>	
 Total		 489,107

Long-term liabilities, including notes, loans, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences Payable	(47,590)	
General Obligation Notes and Loans Payable	<u>(407,110)</u>	
 Total		 <u>(454,700)</u>

Net Position of Governmental Activities	\$	<u><u>4,701,038</u></u>
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See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Bridge and Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	\$ 1,564,770	\$ 41,932	\$ 52,163	\$ 187,450	\$ -	\$ -	\$ 1,846,315
Intergovernmental	255,657	196,304	36,503	109,456	-	33,714	631,634
Interest	822	16	-	-	-	99	937
Charges for Services	-	-	40,725	-	-	-	40,725
Fees, Licenses and Permits	8,160	-	-	-	-	-	8,160
Fines and Forfeitures	77,305	-	-	-	-	456	77,761
Other	13,316	3,789	5,305	5,263	-	24,904	52,577
<i>Total Revenues</i>	<u>1,920,030</u>	<u>242,041</u>	<u>134,696</u>	<u>302,169</u>	<u>-</u>	<u>59,173</u>	<u>2,658,109</u>
EXPENDITURES:							
Current:							
General Government:							
Legislative and Executive	695,241	-	-	-	-	979	696,220
Security of Persons and Property	85,347	-	263,703	864,961	-	10,674	1,224,685
Public Health	1,470	-	-	-	-	-	1,470
Leisure Time Services	151,540	-	-	-	-	3,935	155,475
Transportation	-	463,434	-	-	-	19,500	482,934
Capital Outlay	-	6,495	-	9,000	-	46,876	62,371
Debt Service:							
Principal	-	21,120	77,465	-	331,727	92,272	522,584
Interest and Fiscal Charges	-	739	2,600	-	13,306	2,185	18,830
<i>Total Expenditures</i>	<u>933,598</u>	<u>491,788</u>	<u>343,768</u>	<u>873,961</u>	<u>345,033</u>	<u>176,421</u>	<u>3,164,569</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>986,432</u>	<u>(249,747)</u>	<u>(209,072)</u>	<u>(571,792)</u>	<u>(345,033)</u>	<u>(117,248)</u>	<u>(506,460)</u>
OTHER FINANCING SOURCES AND USES:							
Issuance of Notes and Loans	-	-	26,560	-	295,667	-	322,227
Transfers In	-	200,000	125,000	440,000	49,366	20,977	835,343
Transfers Out	(835,343)	-	-	-	-	-	(835,343)
<i>Total Other Financing Sources and Uses</i>	<u>(835,343)</u>	<u>200,000</u>	<u>151,560</u>	<u>440,000</u>	<u>345,033</u>	<u>20,977</u>	<u>322,227</u>
<i>Net Change in Fund Balances</i>	<u>151,089</u>	<u>(49,747)</u>	<u>(57,512)</u>	<u>(131,792)</u>	<u>-</u>	<u>(96,271)</u>	<u>(184,233)</u>
<i>Fund Balances at Beginning of Year</i>	<u>749,909</u>	<u>97,106</u>	<u>94,417</u>	<u>211,753</u>	<u>12,008</u>	<u>455,955</u>	<u>1,621,148</u>
<i>Fund Balances at End of Year</i>	<u>\$ 900,998</u>	<u>\$ 47,359</u>	<u>\$ 36,905</u>	<u>\$ 79,961</u>	<u>\$ 12,008</u>	<u>\$ 359,684</u>	<u>\$ 1,436,915</u>

See accompanying notes to the basic financial statements.

Village of Waverly
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013*

Net Change in Fund Balances - Total Governmental Funds \$ (184,233)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded additions in the current period.

Capital Asset Additions	62,371	
Current Year Depreciation	<u>(287,305)</u>	
Total		(224,934)

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

Intergovernmental	14,746	
Taxes	<u>(54,658)</u>	
Total		(39,912)

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

522,584

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

(322,227)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences		<u>3,405</u>
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Net Change in Net Position of Governmental Activities \$ (245,317)

See accompanying notes to the basic financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$ 128,635	\$ 128,635	\$ 133,219	\$ 4,584
Income Taxes	1,361,771	1,361,771	1,410,301	48,530
Intergovernmental	215,229	215,229	222,899	7,670
Interest	793	793	821	28
Fees, Licenses and Permits	7,879	7,879	8,160	281
Fines and Forfeitures	73,466	73,466	76,084	2,618
Other	12,857	12,857	12,970	113
Total Revenues	<u>1,800,630</u>	<u>1,800,630</u>	<u>1,864,454</u>	<u>63,824</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	805,220	706,720	690,701	16,019
Security of Persons and Property	97,000	97,000	87,586	9,414
Public Health	1,470	1,470	1,470	-
Leisure Time Activities	217,000	190,000	151,464	38,536
Transportation	50,000	-	-	-
Total Expenditures	<u>1,170,690</u>	<u>995,190</u>	<u>931,221</u>	<u>63,969</u>
Excess of Revenues Over Expenditures	<u>629,940</u>	<u>805,440</u>	<u>933,233</u>	<u>127,793</u>
OTHER FINANCING USES:				
Transfers Out	<u>(883,618)</u>	<u>(959,093)</u>	<u>(835,343)</u>	<u>123,750</u>
Total Other Financing Uses	<u>(883,618)</u>	<u>(959,093)</u>	<u>(835,343)</u>	<u>123,750</u>
Net Change in Fund Balance	(253,678)	(153,653)	97,890	251,543
Fund Balance at Beginning of Year	351,357	351,357	351,357	-
Prior Year Encumbrances Appropriated	<u>19,205</u>	<u>19,205</u>	<u>19,205</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 116,884</u>	<u>\$ 216,909</u>	<u>\$ 468,452</u>	<u>\$ 251,543</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Bridge and Street Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 73,689	\$ 73,689	\$ 59,264	\$ (14,425)
Intergovernmental	230,920	230,920	185,716	(45,204)
Interest	20	20	16	(4)
Other	4,711	4,711	3,789	(922)
Total Revenues	309,340	309,340	248,785	(60,555)
EXPENDITURES:				
Current:				
Transportation	574,325	516,825	466,500	50,325
Capital Outlay	25,000	17,000	-	17,000
Debt Service:				
Principal	41,752	41,752	21,120	20,632
Interest and Fiscal Charges	1,461	1,461	739	722
Total Expenditures	642,538	577,038	488,359	88,679
Deficiency of Revenues				
Under Expenditures	(333,198)	(267,698)	(239,574)	28,124
OTHER FINANCING SOURCES:				
Transfers In	248,681	248,681	200,000	(48,681)
Total Other Financing Sources	248,681	248,681	200,000	(48,681)
Net Change in Fund Balance	(84,517)	(19,017)	(39,574)	(20,557)
Fund Balance at Beginning of Year	62,322	62,322	62,322	-
Prior Year Encumbrances Appropriated	53	53	53	0
Fund Balance at End of Year	\$ (22,142)	\$ 43,358	\$ 22,801	\$ (20,557)

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Fire Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 84,973	\$ 84,973	\$ 91,324	\$ 6,351
Intergovernmental	33,965	35,660	36,503	843
Charges for Services	35,660	33,965	38,325	4,360
Other	4,936	4,936	5,305	369
Total Revenues	<u>159,534</u>	<u>159,534</u>	<u>171,457</u>	<u>11,923</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	299,151	284,002	259,821	24,181
Capital Outlay	3,620	3,437	3,144	293
Debt Service:				
Principal	89,191	84,674	77,465	7,209
Interest and Fiscal Charges	2,993	2,842	2,600	242
Total Expenditures	<u>394,955</u>	<u>374,955</u>	<u>343,030</u>	<u>31,925</u>
Deficiency of Revenues Under Expenditures	<u>(235,421)</u>	<u>(215,421)</u>	<u>(171,573)</u>	<u>43,848</u>
OTHER FINANCING SOURCES:				
Proceeds from Loans	24,713	24,713	26,560	1,847
Transfers In	116,307	166,307	125,000	(41,307)
Total Other Financing Sources	<u>141,020</u>	<u>191,020</u>	<u>151,560</u>	<u>(39,460)</u>
Net Change in Fund Balance	(94,401)	(24,401)	(20,013)	4,388
Fund Balance at Beginning of Year	<u>59,697</u>	<u>59,697</u>	<u>59,697</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (34,704)</u>	<u>\$ 35,296</u>	<u>\$ 39,684</u>	<u>\$ 4,388</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Police Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 290,365	\$ 290,365	\$ 294,465	\$ 4,100
Intergovernmental	107,932	107,932	109,456	1,524
Other	5,190	5,190	5,263	73
Total Revenues	<u>403,487</u>	<u>403,487</u>	<u>409,184</u>	<u>5,697</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	1,074,650	990,606	887,636	102,970
Capital Outlay	65,000	10,044	9,000	1,044
Total Expenditures	<u>1,139,650</u>	<u>1,000,650</u>	<u>896,636</u>	<u>104,014</u>
Deficiency of Revenues Under Expenditures	<u>(736,163)</u>	<u>(597,163)</u>	<u>(487,452)</u>	<u>109,711</u>
OTHER FINANCING SOURCES:				
Transfers In	433,873	573,873	440,000	(133,873)
Total Other Financing Sources	<u>433,873</u>	<u>573,873</u>	<u>440,000</u>	<u>(133,873)</u>
Net Change in Fund Balance	(302,290)	(23,290)	(47,452)	(24,162)
Fund Balance at Beginning of Year	<u>119,320</u>	<u>119,320</u>	<u>119,320</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (182,970)</u>	<u>\$ 96,030</u>	<u>\$ 71,868</u>	<u>\$ (24,162)</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Enterprise Funds		
	Water	Sewer	Totals
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 332,332	\$ 351,293	\$ 683,625
Materials and Supplies Inventory	1,281	-	1,281
Prepaid Items	10,232	5,116	15,348
Accounts Receivable	145,663	145,685	291,348
<i>Total Current Assets</i>	<u>489,508</u>	<u>502,094</u>	<u>991,602</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	70,000	-	70,000
Depreciable Capital Assets, Net	3,763,578	4,730,856	8,494,434
<i>Total Noncurrent Assets</i>	<u>3,833,578</u>	<u>4,730,856</u>	<u>8,564,434</u>
<i>Total Assets</i>	<u>4,323,086</u>	<u>5,232,950</u>	<u>9,556,036</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	20,441	2,273	22,714
Accrued Wages and Benefits	5,781	4,686	10,467
Due to Other Governments	8,104	9,181	17,285
Compensated Absences Payable	1,546	1,872	3,418
OPWC Loans Payable	5,477	10,259	15,736
OWDA Loans Payable	14,720	100,170	114,890
<i>Total Current Liabilities</i>	<u>56,069</u>	<u>128,441</u>	<u>184,510</u>
Noncurrent Liabilities:			
Compensated Absences Payable	5,141	10,262	15,403
OPWC Loans Payable	43,817	243,274	287,091
OWDA Loans Payable	205,307	2,184,803	2,390,110
<i>Total Noncurrent Liabilities</i>	<u>254,265</u>	<u>2,438,339</u>	<u>2,692,604</u>
<i>Total Liabilities</i>	<u>310,334</u>	<u>2,566,780</u>	<u>2,877,114</u>
NET POSITION:			
Net Investment in Capital Assets	3,564,257	2,192,350	5,756,607
Unrestricted	448,495	473,820	922,315
<i>Total Net Position</i>	<u>\$ 4,012,752</u>	<u>\$ 2,666,170</u>	<u>\$ 6,678,922</u>

See accompanying notes to the basic financial statements.

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

	Enterprise Funds		Totals
	Water	Sewer	
OPERATING REVENUES:			
Charges for Services	\$ 759,657	\$ 980,292	\$ 1,739,949
Tap-In Fees	2,638	21,545	24,183
Other	34,898	3,388	38,286
<i>Total Operating Revenues</i>	<u>797,193</u>	<u>1,005,225</u>	<u>1,802,418</u>
OPERATING EXPENSES:			
Salaries and Wages	217,120	195,896	413,016
Fringe Benefits	134,277	101,776	236,053
Contractual Services	142,761	262,420	405,181
Materials and Supplies	146,366	28,706	175,072
Other	23,265	2,969	26,234
Depreciation	133,552	141,019	274,571
<i>Total Operating Expenses</i>	<u>797,341</u>	<u>732,786</u>	<u>1,530,127</u>
<i>Operating Income (Loss)</i>	<u>(148)</u>	<u>272,439</u>	<u>272,291</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	20	-	20
Interest and Fiscal Charges	(4,837)	(53,008)	(57,845)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(4,817)</u>	<u>(53,008)</u>	<u>(57,825)</u>
<i>Income Before Capital Contributions</i>	(4,965)	219,431	214,466
Capital Contributions - Intergovernmental	-	245,142	245,142
<i>Change in Net Position</i>	(4,965)	464,573	459,608
<i>Net Position at Beginning of Year</i>	<u>4,017,717</u>	<u>2,201,597</u>	<u>6,219,314</u>
<i>Net Position at End of Year</i>	<u>\$ 4,012,752</u>	<u>\$ 2,666,170</u>	<u>\$ 6,678,922</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Enterprise		
	Water	Sewer	Total
<i>Increase in Cash and Cash Equivalents:</i>			
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$ 781,935	\$ 1,000,798	\$ 1,782,733
Cash Payments to Suppliers for Goods and Services	(300,295)	(315,619)	(615,914)
Cash Payments to Employees for Services and Benefits	(356,409)	(300,816)	(657,225)
Cash Received for Other Operating Receipts	18,198	3,388	21,586
<i>Net Cash Provided by Operating Activities</i>	<u>143,429</u>	<u>387,751</u>	<u>531,180</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Capital Grants	-	286,182	286,182
Proceeds from Debt Issuance	-	511,123	511,123
Payments for Capital Acquisitions	-	(573,547)	(573,547)
Principal Payments	(34,481)	(406,577)	(441,058)
Interest Payments	(4,837)	(53,008)	(57,845)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(39,318)</u>	<u>(235,827)</u>	<u>(275,145)</u>
<i>Cash Flows from Investing Activities:</i>			
Interest on Investments	20	-	20
<i>Net Cash Provided by Investing Activities</i>	<u>20</u>	<u>-</u>	<u>20</u>
Net Increase in Cash and Cash Equivalents	104,131	151,924	256,055
Cash and Cash Equivalents at Beginning of Year	<u>228,201</u>	<u>199,369</u>	<u>427,570</u>
Cash and Cash Equivalents at End of Year	<u>\$ 332,332</u>	<u>\$ 351,293</u>	<u>\$ 683,625</u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i>			
Operating Income (Loss)	\$ (148)	\$ 272,439	\$ 272,291
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>			
Depreciation	133,552	141,019	274,571
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	2,940	(1,039)	1,901
(Increase)/Decrease in Prepaid Items	(10,232)	(5,116)	(15,348)
Decrease in Supplies Inventory	7,992	-	7,992
Increase/(Decrease) in Accounts Payable	4,105	(20,124)	(16,019)
Decrease in Contracts Payable	-	(4,000)	(4,000)
Increase/(Decrease) in Accrued Wages and Benefits	561	(562)	(1)
Increase/(Decrease) in Compensated Absences Payable	272	(328)	(56)
Increase in Due to Other Governments	4,387	5,462	9,849
Total Adjustments	<u>143,577</u>	<u>115,312</u>	<u>258,889</u>
Net Cash Provided by Operating Activities	<u>\$ 143,429</u>	<u>\$ 387,751</u>	<u>\$ 531,180</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2013

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 103
Cash and Cash Equivalents in Segregated Accounts	<u>8,899</u>
<i>Total Assets</i>	<u><u>\$ 9,002</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Other Governments	\$ 1,704
Due to Other Funds	7,195
Undistributed Monies	<u>103</u>
<i>Total Liabilities</i>	<u><u>\$ 9,002</u></u>

See accompanying notes to the basic financial statements.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

Basis of Presentation: The Village’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements. During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements present financial information at a more detailed level. The governmental and enterprise fund financial statements focus on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Agency funds, which are a type of fiduciary fund, are used to account for assets held by the government as an agent for individuals, private organizations and other governments.

Governmental Funds

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

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

Enterprise Funds

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

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

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

Fiduciary Funds

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

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

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

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

Fund Financial Statements All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Deferred Outflows and Deferred Inflows of Resources Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Village did not have any deferred outflows as of December 31, 2013. The Village also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Village these amounts consist of income taxes which are not collected in the available period, and intergovernmental receivables which are not collected in the available period.

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the statement of net position and the balance sheet is due to income taxes and grants and entitlements not received during the available period and due to delinquent property taxes. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Tax Budget Unless specifically waived by the County Budget Commission, a budget of estimated revenues and expenditures for all funds, other than agency funds, is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. If the requirement to file this tax budget is waived by the County Budget Commission, other financial documentation may be requested for review of the Village's financial status.

Estimated Resources The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the Village by October 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Auditor's Office Manager determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2013.

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

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

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

Net Position: Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Restricted for other purposes represents balances of state and federal grants in special revenue funds. Of the Village's restricted net position, none was restricted for enabling legislation.

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).
4. Certain funds are included as part of the General Fund (GAAP basis) but are excluded from the General Fund for the budget basis.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for 2013 on the GAAP basis to the budget basis for the General, Bridge and Street, Fire, and Police major funds are as follows:

	Net Change in Fund Balances			
	General	Bridge and Street	Fire	Police
GAAP Basis	\$ 151,089	\$ (49,747)	\$ (57,512)	\$ (131,792)
Increases (Decreases) Due To:				
Revenue Accruals	(55,230)	6,744	36,761	107,015
Expenditure Accruals	4,003	3,482	738	5,175
Encumbrances	(1,626)	(53)	-	(27,850)
Funds Included for GAAP Purposes Purposes but Excluded for				
Budgetary Reporting	(346)	-	-	-
Budget Basis	<u>\$ 97,890</u>	<u>\$ (39,574)</u>	<u>\$ (20,013)</u>	<u>\$ (47,452)</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAROhio);
8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
9. Linked deposits as authorized by ordinance adopted pursuant to Section 135.80 of the Revised Code.

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village’s bank balance of \$1,873,616 was either covered by the FDIC or collateralized by its financial institution in the manner described below.

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

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 5 – MUNICIPAL INCOME TAX

The Village levies and collects an income tax of one percent on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2013, revenue from the income tax amounted to \$1,382,948. All proceeds go to the General Fund.

NOTE 6 – PROPERTY TAX

Property taxes include amounts levied against all real and public utility located in the Village. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013 and are collected in 2013 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2013, was \$15.30 per \$1,000 of assessed value. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$ 69,355,330
Public Utility Property	4,685,950
Total Property Taxes	<u>\$ 74,041,280</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.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Waverly. The County Auditor periodically remits to the Village its portion of the taxes. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2013 operations. The receivable is offset by deferred inflow of resources.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 7 – RECEIVABLES

Receivables at December 31, 2013, consisted of taxes, interfund, accounts, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

Fund/Description of Receivable	Amount
General Fund	
Local Government	\$ 59,672
Homestead, Rollback, and Exemption	6,831
Estate Tax	73,120
Total General Fund	139,623
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	6,421
Total Fire Major Special Revenue Fund	6,421
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	20,366
Total Police Major Special Revenue Fund	20,366
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax	41,363
Cents Per Gallon Tax	27,599
Motor Vehicle License Tax	15,877
Homestead, Rollback, and Exemption	4,363
Total Bridge and Street Fund	89,202
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax	3,354
Cents Per Gallon Tax	2,238
Motor Vehicle License Tax	1,287
Total Inter-City Highway Fund	6,879
Village Permissive Non-major Special Revenue Fund	
Permissive Motor vehicle License Taxes	1,410
Total Permissive Fund	1,410
Total Nonmajor Special Revenue Funds	8,289
Total Governmental Activities	\$ 263,901

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013:

	Beginning Balance <u>12/31/2012*</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/2013</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 239,268	\$ -	\$ -	\$ 239,268
Total Capital Assets, Not Being Depreciated	<u>239,268</u>	<u>-</u>	<u>-</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	545,673	8,076	-	553,749
Buildings and Improvements	1,368,226	-	-	1,368,226
Furniture and Equipment	2,551,804	15,495	(14,300)	2,552,999
Infrastructure	<u>2,556,837</u>	<u>38,800</u>	<u>-</u>	<u>2,595,637</u>
Total Capital Assets Being Depreciated	7,022,540	62,371	(14,300)	7,070,611
Less Accumulated Depreciation				
Land Improvements	(468,507)	(38,158)	-	(506,665)
Buildings and Improvements	(500,960)	(19,141)	-	(520,101)
Furniture and Equipment	(2,120,241)	(104,367)	14,300	(2,210,308)
Infrastructure	<u>(717,450)</u>	<u>(125,639)</u>	<u>-</u>	<u>(843,089)</u>
Total Accumulated Depreciation	<u>(3,807,158)</u>	<u>(287,305)</u>	<u>14,300</u>	<u>(4,080,163)</u>
Total Capital Assets Being Depreciated, Net	<u>3,215,382</u>	<u>(224,934)</u>	<u>-</u>	<u>2,990,448</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,454,650</u>	<u>\$ (224,934)</u>	<u>\$ -</u>	<u>\$ 3,229,716</u>

* Certain restatements were made to beginning balance amounts. See Note 17 for details.

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$ 81,887
Security of Persons & Property	56,228
Transportation	<u>149,190</u>
Total Depreciation Expense	<u>\$ 287,305</u>

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 8 – CAPITAL ASSETS (Continued)

	Ending Balance 12/31/2012	Additions	Deletions	Ending Balance 12/31/2013
<u>Business Type Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Construction in Progress	323,997	573,547	(897,544)	-
Total Capital Assets, Not Being Depreciated	393,997	573,547	(897,544)	70,000
Capital Assets Being Depreciated				
Land Improvements	196,783	-	-	196,783
Buildings and Improvements	11,596,347	-	-	11,596,347
Mechanical Equipment	277,472	-	-	277,472
Infrastructure	4,471,319	897,544	-	5,368,863
Total Capital Assets Being Depreciated	16,541,921	897,544	-	17,439,465
Less Accumulated Depreciation				
Land Improvements	(184,513)	(8,178)	-	(192,691)
Buildings and Improvements	(3,966,640)	(226,402)	-	(4,193,042)
Mechanical Equipment	(242,495)	(20,321)	-	(262,816)
Infrastructure	(4,276,812)	(19,670)	-	(4,296,482)
Total Accumulated Depreciation	(8,670,460)	(274,571)	-	(8,945,031)
Total Capital Assets Being Depreciated, Net	7,871,461	622,973	-	8,494,434
Business Type Activities Capital Assets, Net	\$ 8,265,458	\$ 1,196,520	\$(897,544)	\$ 8,564,434

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/carf.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.
- E. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2013, 2012, and 2011 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications and 12.0% and 12.6%, 11.5% and 12.1%, and 11.0% and 11.6%, respectively for members in public safety and law enforcement.

The 2013, 2012, and 2011 employer contribution rates for members in state and local classifications were 14.0%, 14.0%, and 14.0%, respectively, of covered payroll. For both public safety and law enforcement divisions, the employer contribution rates were 18.10%, 18.10%, and 18.10%, respectively.

The Village's contributions to the PERS of Ohio for the years ending December 31, 2013, 2012, and 2011 were \$147,147, \$169,156, and \$183,321. 91% of the required contribution has been made for fiscal year 2013 and 100% has been contributed for 2012 and 2011. \$13,724 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

Ohio Police and Fire Pension Fund

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

For January 1, 2013 to July 1, 2013, plan members were required to contribute 10.00% of their annual covered salary. From July 2, 2013 through December 31, 2013 plan members were required to contribute 10.75% of their annual covered salary. Employers were required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ended December 31, 2013, 2012, and 2011 were \$126,100, \$119,252, and \$87,080. 94% has been contributed for 2013. 100% has been contributed for 2012 and 2011. \$7,031 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System of Ohio (OPERS) or the Ohio Police and Fire Pension Fund (OP&F) have an option to choose Social Security. As of December 31, 2013, twenty-three members of the fire department, three members of the Village Council, and the Village Auditor have elected Social Security. The Village's liability is 6.2 percent of wages paid.

NOTE 10 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

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

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

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

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.1%. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2013, the employer contribution allocated to the health care for members of the Traditional and Combined plans were 1.0%. For 2012 and 2011, the employer contributions allocated to the health care for members in the Traditional was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

- C. The employer contributions that were used to fund post-employment benefits were \$58,859 for 2013, \$67,662 for 2012, and \$73,328 for 2011. 91% of the employer contributions have been made for 2013, and 100% have been made for 2012 and 2011.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00%, of covered payroll for police and fire employers, for 2013, 2012, and 2011, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. For the years ended December 31, 2012 and 2011, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll or 34.62% of the total employer contributions. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

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

The Village's actual contributions for 2013 that were used to fund postemployment benefits were \$19,586. For 2012 and 2011, the contributions were \$39,063 and \$28,791, respectively. The full amount has been contributed for 2012 and 2011. 94% has been contributed for 2013.

NOTE 11 – EMPLOYEE BENEFITS

A. DEFERRED COMPENSATION PLAN

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

B. COMPENSATED ABSENCES

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

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

C. INSURANCE BENEFITS

The Village provides life insurance through Fort Dearborn Life and health insurance through the Ohio Plan Healthcare Consortium. Dental insurance is provided through MetLife and vision insurance through Vision Service Plan of Ohio.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 12 – INTERFUND TRANSACTIONS

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

Transfers made during the year ended December 31, 2013, were as follows:

<u>Fund Type/ Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Funds:		
General	\$ 835,343	\$ -
Bridge and Street	-	200,000
Fire	-	125,000
Police	-	440,000
Levee	-	49,366
Total Major Funds	<u>835,343</u>	<u>814,366</u>
Nonmajor Funds:		
Depot Str. Improvement	-	2,644
Hillside Ave. Storm System	-	3,333
Green Acres	-	9,000
Mayor's Court Computer	-	6,000
Total Nonmajor Funds	<u>-</u>	<u>20,977</u>
Total All Funds	<u>\$ 835,343</u>	<u>\$ 835,343</u>

Interfund balances at December 31, 2013, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Fund:</i>		
General Fund	\$ 7,195	\$ -
<i>Agency Fund:</i>		
Mayor's Court	-	7,195
Total All Funds	<u>\$ 7,195</u>	<u>\$ 7,195</u>

The above balance results from monies collected by the Mayor's Court in December of 2013 that were not paid into the General Fund until January of 2014.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2013, was as follows:

Issue	Balance 12/31/12	Issued	Retired	Balance 12/31/13	Due in One Year
Business-Type Activities					
Compensated Absences	\$ 18,877	\$ 49,115	\$ 49,171	\$ 18,821	\$ 3,418
2001 - 2% OWDA Wastewater Treatment Plant Loan	2,424,335	-	197,083	2,227,252	100,170
2013 - 0% OPWC Bridge Street Sanitation Sewer Loan	-	250,000	4,167	245,833	8,334
2013 - 0% OWDA Bridge Street Sanitation Sewer Main Rehab Loan	-	200,000	200,000	-	-
1997 - 0% OPWC Wastewater Treatment Plant Loan	9,625	-	1,925	7,700	1,925
2013 - 1% OWDA Bridge Street Sanitation Sewer Main Rehab Loan	-	61,123	3,402	57,721	-
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	249,031	-	29,004	220,027	14,720
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	54,771	-	5,477	49,294	5,477
Total Business-Type Activities	\$ 2,756,639	\$ 560,238	\$ 490,229	\$ 2,826,648	\$ 134,044
Governmental Activities					
Compensated Absences	\$ 50,995	\$ 94,137	\$ 97,542	\$ 47,590	\$ 8,161
2002 - 0% OPWC Green Acres Paving & Drainage Project Loan	4,498	-	4,498	-	-
2003 - 0% OPWC Depot Street Reconstruction Loan	29,086	-	2,644	26,442	2,644
2012/2013 -4.05% Fire Truck Note	50,905	26,560	77,465	-	-
2012/2013 - 4% Green Acres Levee Improvements Note	331,727	295,667	331,727	295,667	295,667
2012 - 2.75% Bristol Park Note	81,797	-	81,797	-	-
2008 0% OPWC Hillside Avenue Storm System Loan	88,334	-	3,333	85,001	3,333
2012 - 3.5% Truck Note	21,120	-	21,120	-	-
Total Governmental Activities	\$ 658,462	\$ 416,364	\$ 620,126	\$ 454,700	\$ 309,805

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

The Village’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,367,224 with an unvoted debt margin of \$3,665,160 at December 31, 2013.

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

	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2014	\$ 15,736	\$ 114,890	\$ 26,700
2015	15,736	233,542	49,639
2016	15,736	238,648	44,533
2017	15,736	243,865	39,316
2018	13,810	249,197	33,984
2019-2023	63,576	1,243,824	87,481
2024-2038	41,663	123,313	1,357
2029-2033	41,667	-	-
2034-2038	41,667	-	-
2039-2043	37,500	-	-
Total	<u>\$ 302,827</u>	<u>\$ 2,447,279</u>	<u>\$ 283,010</u>

The OWDA amortization does not match the schedule above because the 2013 1% OWDA Loan amortization was not available.

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans
	Principal
2014	\$ 5,977
2015	5,977
2016	5,977
2017	5,977
2018	5,977
2019-2023	29,888
2024-2028	16,666
2029-2033	16,667
2034-2038	16,660
2039	1,677
	<u>\$ 111,443</u>

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

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

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

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

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

The County issued an OWDA loan in 2013 with proceeds of \$200,000 for the Bridge Street Sanitation Sewer Main program. The OWDA loan proceeds were paid by grant funding.

The County issued an OPWC loan in 2013 with proceeds of \$250,000 for the Bridge Street Sanitation Sewer program. The OPWC loan is being repaid from the Bridge Street Sanitary Sewer Fund.

The County issued an OWDA loan in 2013 with proceeds of \$61,123 for the Water Quality Floating Rate project. The OWDA loan is being repaid from the Bridge Street Sanitary Sewer Fund.

The OPWC Green Acres Paving and Drainage Loan was issued in the amount of \$89,997 for the improvement of storm drains and to repair curbs and gutters. The loan was repaid in full from the Green Acres Capital Projects Fund on January 10, 2013.

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

The Bristol Park note was issued on April 7 2011 in the amount of \$113,260 and was for the purpose of repaying a previously issued note used to complete the Bristol Park project. This note matured on March 28, 2012 and the Village paid \$31,462 from the Recreational Complex Fund against the note and refinanced the remaining \$81,797 into a new note. This note was paid in full on March 20, 2013.

The Fire Truck note was issued on for the purpose of refinancing the note from a previously purchased fire truck. A Fire Truck note was issued on August 11, 2011 for the purpose of refinancing the note from a previously purchased fire truck in the amount of \$98,246. This note matured on February 10, 2012 and the Village paid \$23,419 from the Fire Fund against the note and refinanced the remaining \$74,827 into a new note. This note matured on August 8, 2012 and the Village paid \$23,922 from the Fire Fund against the note and refinanced the remaining \$50,905 into a new note. This note matured on February 4, 2013 and the Village paid \$24,345 from the Fire Fund against the note and refinanced the remaining \$26,560 into a new note. This note was repaid in full on July 17, 2013.

The Truck note was issued on August 5, 2011 in the amount of \$41,817 and was issued for the purpose of repaying a previously issued note used for the purchase of a street sweeper. This note matured on August 4, 2012 and the Village paid \$20,697 from the Recreational Complex Fund against the note and refinanced the remaining \$21,120 into a new note. This note was repaid in full from the Bridge and Street Fund on October 23, 2013.

The Green Acres Levee Improvement note was issued on August 30, 2011 in the amount of \$366,685 and was for the purpose of repaying a previously issued note used for repairs to the levee. This note matured on August 23, 2013 and the Village paid \$36,060 from the Levee Improvement Fund against the note and refinanced the remaining \$295,667 into a new note. The new note will mature on August 29, 2014. Therefore, no amortization schedule is shown on the previous page for this note.

The 2008 OPWC loan was issued in the amount of \$100,000 for the purpose of improving the Hillside Avenue storm system. This loan is being repaid from the Hillside Avenue Storm System Fund.

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

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 14 – RISK MANAGEMENT

The Village belongs to the Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

As authorized by Section 9.833 of the Ohio Revised Code, the OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 92 and 74 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conforms with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2012 and 2011: (the latest information available). Settlement amounts did not exceed insurance coverage for the past three fiscal years.

	2012	2011
	OPHC	OPHC
Assets	\$ 1,152,610	\$ 1,459,791
Liabilities	(1,615,537)	(1,283,527)
Members' Equity	<u>\$ (462,927)</u>	<u>\$ 176,264</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 14 – RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

Building and Contents-replacement cost (\$5,000 deductible)	\$ 33,742,389
Miscellaneous Property and Inland Marine Coverage (\$1,000 deductible)	958,518
Electronic Data Processing Equip Coverage (\$1,000 deductible)	48,171
Automobile Vehicle Liability (\$0 deductible)	2,000,000
Uninsured/Under Insured Motorists Per Occurrence	100,000
Medical Expenses	1,000
Wrongful Acts Coverage (\$2,500 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Employee Benefits (\$1,000 deductible)	1,000,000
Medical Expense (other than auto)	5,000
Law Enforcement Liability (\$2,000 deductible)	
Per occurrence	2,000,000

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government’s share of these unpaid claims collectible in future years is approximately \$75,000.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 14 – RISK MANAGEMENT (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 87,424	\$ 88,424	\$ 77,097

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 15 – JOINTLY GOVERNED ORGANIZATION

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

NOTE 16 – CONTINGENT LIABILITIES

Grants

The Village received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Village at December 31, 2013, if applicable, cannot be determined at this time.

Litigation

The Village is not party to any legal proceedings.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES/PRIOR PERIOD ADJUSTMENT

For 2013, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

The following prior period adjustment was made to correct accumulated depreciation for Governmental Activities.

	Governmental	BusinessType	Total
Net Position at December 31, 2012	\$ 4,856,832	\$ 6,219,314	\$ 11,076,146
Prior Period Adjustment	89,523	-	89,523
Restated Net Position at January 1, 2013	<u>\$ 4,946,355</u>	<u>\$ 6,219,314</u>	<u>\$ 11,165,669</u>

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 – FUND BALANCES

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

Fund Balances	General	Bridge & Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
Nonspendable							
Unclaimed Monies	\$ 7,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,636
Prepaid Items	9,559	9,875	3,331	13,529	-	-	36,294
Total Nonspendable	<u>17,195</u>	<u>9,875</u>	<u>3,331</u>	<u>13,529</u>	<u>-</u>	<u>-</u>	<u>43,930</u>
Restricted for							
Bridge & Street	-	37,484	-	-	-	-	37,484
Other Purposes	-	-	-	-	-	20,775	20,775
Fire	-	-	33,574	-	-	-	33,574
Police	-	-	-	66,432	-	-	66,432
Levee	-	-	-	-	12,008	-	12,008
Inner-City Highway	-	-	-	-	-	66,819	66,819
Permissive Tax	-	-	-	-	-	12,488	12,488
Capital Improvements	-	-	-	-	-	88,922	88,922
Total Restricted	<u>-</u>	<u>37,484</u>	<u>33,574</u>	<u>66,432</u>	<u>12,008</u>	<u>189,004</u>	<u>338,502</u>
Committed to							
Other Purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,862</u>	<u>175,862</u>
Assigned to							
Other Purposes	<u>1,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,841</u>
Unassigned							
	<u>881,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,962</u>
Total Fund Balances	<u>\$ 900,998</u>	<u>\$ 47,359</u>	<u>\$ 36,905</u>	<u>\$ 79,961</u>	<u>\$12,008</u>	<u>\$ 364,866</u>	<u>\$ 1,442,097</u>

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 25, 2015, wherein we noted there was a lack of sufficient competent evidential matter to gain the necessary assurances regarding the accuracy, completeness, existence and valuation of the capital assets and related accumulated depreciation and depreciation expense reported in the governmental activities, business-type activities, major Water Fund, and major Sewer Fund for the year ended December 31, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2013-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2015

VILLAGE OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

FINDING NUMBER 2013-001

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village Auditor did not certify the availability of funds prior to making commitments for 57% of the disbursements tested for 2013. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2013-001
(Continued)**

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

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

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-002

MATERIAL WEAKNESS

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

Prior to 2004, the Village did not have a comprehensive listing of all of its capital assets detailing individual assets purchased, the cost of the assets, location, date of acquisition, etc. During the preparation of the 2004 financial statements, the Village obtained a Capital Assets Inventory System and department heads each developed a listing of the capital assets related to their department. However, the Village provided no documentation for the historical cost recorded for each capital asset. Acceptable methods to determine historical cost of capital assets include: obtaining actual documentation of the purchase or construction of the asset; estimating the historical cost using the standard costing method (determining what others paid for an equivalent asset at the same time); and the normal costing method (determine the cost to acquire an equivalent asset today and using a price index to deflate the cost to what the cost would have been in the year acquired).

Also, there were significant variances between the audited December 31, 2003 amounts and the restated beginning January 1, 2004 amounts due to the Village using estimates in preparing its Capital Assets Inventory System listing in 2004. Testing further revealed that the amounts reported for 2004 and 2005 capital assets additions were also estimates of values, when actual costs were available from the Village accounting system.

During 2006, the Village contracted with an appraisal firm to perform an appraisal of the Village's capital assets. The appraisal firm based values included in the appraisal report primarily on information provided by the Village, which consisted mostly of estimates of values and acquisition dates, rather than an acceptable valuation method.

**FINDING NUMBER 2013-002
(Continued)**

In the years following the 2006 appraisal, the Village has not maintained accurate, complete records of capital asset additions and deletions. These errors resulted from the Village not performing a review of the annual reports from the appraisal firm.

The Village did not present documentation or evidence of an acceptable valuation method to support the amounts included in the Capital Asset Inventory System, and therefore we could not effectively gain assurances regarding the accuracy, completeness, existence, and valuation of the Village's capital asset values and related depreciation and accumulated depreciation expense.

We recommend that the Village value all existing capital assets using an acceptable valuation method, and maintain documentation of that valuation. We also recommend that the Village record capital asset additions and deletions in the year the transaction occurs, and maintain documentation of the asset purchases. We recommend that the Village complete capital asset acquisition and disposal forms, and affix identification tags to all existing capital assets, and new capital assets as they are purchased. Finally, we recommend that the Village monitor capital assets listings to capital assets in the various departments.

The Village should ensure that capital assets values are accurately recorded and that the asset inventory is complete.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-003

Budget Versus Actual Statements

SIGNIFICANT DEFICIENCY

Final Budgeted Revenues on the Budget Versus Actual Statements did not agree to the Village's Final Certificate of Estimated Resources in the Fire and Police Funds. The Village requested an Amended Certificate from the Pike County Auditor on May 20, 2013 for \$140,000 to transfer funds from the General Fund to the Police Fund. The amount used in the Final Column of the Budget Versus Actual Statement for Transfers of the Police Fund does not include this modification. The Village requested an Amended Certificate from the Pike County Auditor on November 7, 2013 for \$50,000 to transfer funds from the General Fund to the Fire Fund. The amount used in the final column of the Budget Versus Actual Statement for Transfers of the Fire Funds does not include this modification.

We recommend that the Village review the Budget Versus Actual Statements to ensure that amounts included in the statements agrees to total amounts approved by the Village.

The Village corrected the Transfers In per the Final Budgeted Amount Column in the Fire Fund to reflect \$166,307.

The Village did not correct the Transfers In per the Final Budgeted Amount Column on the Police Fund to reflect \$573,873, a difference of \$140,000.

Officials' Response:

We did not receive a response from Officials to this finding.

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**VILLAGE OF WAVERLY
PIKE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 5705.41(D)(1)-Not certifying the availability of funds prior to obligation.	No	Not Corrected - Reissued as finding 2013-001
2012-02	Capital Assets listing not correct.	No	Not Corrected – Reissued as finding 2013-002

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VILLAGE OF WAVERLY

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 9, 2015**