



**Auditor of State  
Betty Montgomery**



VILLAGE OF WATERVILLE  
LUCAS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

Village of Waterville  
Lucas County  
25 North Second Street  
PO Box 140  
Waterville, Ohio 43566-0140

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 22, 2005

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Waterville  
Lucas County  
25 North Second Street  
PO Box 140  
Waterville, Ohio 43566-0140

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Waterville, Lucas County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements.

The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Waterville, Lucas County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

November 22, 2005



**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$345,026	\$58,778			\$403,804
Municipal Income Taxes	1,538,149			\$512,716	2,050,865
Special Assessments				18,536	18,536
Intergovernmental Receipts	666,531	198,215		27,766	892,512
Charges for Services	80,690			15,000	95,690
Fines, Licenses, and Permits	30,864	640			31,504
Earnings on Investments	34,061	1,803		44	35,908
Miscellaneous	33,691	54,348		100,000	188,039
<b>Total Cash Receipts</b>	<u>2,729,012</u>	<u>313,784</u>		<u>674,062</u>	<u>3,716,858</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,554,390	35,563		2,575	1,592,528
Public Health Services	19,711				19,711
Leisure Time Activities	48,490				48,490
Community Environment	32,279	10,091			42,370
Basic Utility Services	181,247				181,247
Transportation		242,984			242,984
General Government	924,948	23,999		44,089	993,036
Debt Service:					
Principal Payments			\$80,000	63,484	143,484
Interest Payments			108,688	3,216	111,904
Capital Outlay	18,818	57,788		940,890	1,017,496
<b>Total Cash Disbursements</b>	<u>2,779,883</u>	<u>370,425</u>	<u>188,688</u>	<u>1,054,254</u>	<u>4,393,250</u>
<b>Total Receipts (Under) Disbursements</b>	<u>(50,871)</u>	<u>(56,641)</u>	<u>(188,688)</u>	<u>(380,192)</u>	<u>(676,392)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Notes				80,000	80,000
Transfers-In		2,000	188,688	515,000	705,688
Advances-In				58,000	58,000
Transfers-Out	(2,000)			(703,688)	(705,688)
Advances-Out				(58,000)	(58,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(2,000)</u>	<u>2,000</u>	<u>188,688</u>	<u>(108,688)</u>	<u>80,000</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(52,871)	(54,641)	0	(488,880)	(596,392)
Fund Cash Balances, January 1	123,428	277,026	4,535	1,943,722	2,348,711
<b>Fund Cash Balances, December 31</b>	<u><u>\$70,557</u></u>	<u><u>\$222,385</u></u>	<u><u>\$4,535</u></u>	<u><u>\$1,454,842</u></u>	<u><u>\$1,752,319</u></u>
Reserves for Encumbrances, December 31	<u>\$67,205</u>	<u>\$23,582</u>	<u>\$0</u>	<u>\$39,740</u>	<u>\$130,527</u>

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

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,480,407		\$1,480,407
Miscellaneous	11,769		11,769
Total Operating Cash Receipts	<u>1,492,176</u>		<u>1,492,176</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	446,145		446,145
Travel Transportation	2,587		2,587
Contractual Services	517,849		517,849
Supplies and Materials	28,492		28,492
Capital Outlay	257,241		257,241
Total Operating Cash Disbursements	<u>1,252,314</u>		<u>1,252,314</u>
Operating Income	<u>239,862</u>		<u>239,862</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	66,011		66,011
Other Non-Operating Receipts	125	\$1,963	2,088
Total Non-Operating Cash Receipts	<u>66,136</u>	<u>1,963</u>	<u>68,099</u>
<b>Non-Operating Cash Disbursements:</b>			
Principal Payments	85,593		85,593
Interest Payments	63,744		63,744
Other Non-Operating Cash Disbursements		1,816	1,816
Total Non-Operating Cash Disbursements	<u>149,337</u>	<u>1,816</u>	<u>151,153</u>
Excess of Receipts Over Disbursements	156,661	147	156,808
Fund Cash Balances, January 1	<u>503,424</u>	<u>168</u>	<u>503,592</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$660,085</u></b>	<b><u>\$315</u></b>	<b><u>\$660,400</u></b>
Reserve for Encumbrances, December 31	<u>\$86,781</u>	<u>\$315</u>	<u>\$87,096</u>

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

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$305,291	\$57,738			\$363,029
Municipal Income Taxes	1,479,773			\$493,149	1,972,922
Special Assessments				46,227	46,227
Intergovernmental Receipts	596,111	166,938		462,324	1,225,373
Charges for Services	69,020			5,500	74,520
Fines, Licenses, and Permits	48,356	1,281			49,637
Earnings on Investments	34,395	1,257		37	35,689
Miscellaneous	42,187	41,872			84,059
<b>Total Cash Receipts</b>	<b>2,575,133</b>	<b>269,086</b>	<b></b>	<b>1,007,237</b>	<b>3,851,456</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,406,226	37,726			1,443,952
Public Health Services	19,950				19,950
Leisure Time Activities	47,975				47,975
Community Environment	27,551	4,583			32,134
Basic Utility Services	168,046				168,046
Transportation		170,970			170,970
General Government	959,696	4,200		1,975	965,871
Debt Service:					
Principal Payments			\$85,000	71,333	156,333
Interest Payments			112,000	1,475	113,475
Capital Outlay	7,877	13,614		743,902	765,393
<b>Total Cash Disbursements</b>	<b>2,637,321</b>	<b>231,093</b>	<b>197,000</b>	<b>818,685</b>	<b>3,884,099</b>
Total Receipts Over/(Under) Disbursements	(62,188)	37,993	(197,000)	188,552	(32,643)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		21,900	197,001	382,935	601,836
Advances-In				501,485	501,485
Transfers-Out	(83,900)			(579,936)	(663,836)
Advances-Out				(501,485)	(501,485)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(83,900)</b>	<b>21,900</b>	<b>197,001</b>	<b>(197,001)</b>	<b>(62,000)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(146,088)	59,893	1	(8,449)	(94,643)
Fund Cash Balances, January 1	269,516	217,133	4,534	1,952,171	2,443,354
<b>Fund Cash Balances, December 31</b>	<b>\$123,428</b>	<b>\$277,026</b>	<b>\$4,535</b>	<b>\$1,943,722</b>	<b>\$2,348,711</b>
Reserves for Encumbrances, December 31	\$65,948	\$64,274	\$0	\$484,896	\$615,118

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

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,089,485		\$1,089,485
Miscellaneous	9,894		9,894
Total Operating Cash Receipts	<u>1,099,379</u>		<u>1,099,379</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	414,303		414,303
Travel Transportation	2,088		2,088
Contractual Services	528,426		528,426
Supplies and Materials	25,861		25,861
Capital Outlay	101,940		101,940
Total Operating Cash Disbursements	<u>1,072,618</u>		<u>1,072,618</u>
Operating Income	<u>26,761</u>		<u>26,761</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	1,655	\$1,940	3,595
Total Non-Operating Cash Receipts	<u>1,655</u>	<u>1,940</u>	<u>3,595</u>
<b>Non-Operating Cash Disbursements:</b>			
Principal Payments	80,868		80,868
Interest Payments	68,130		68,130
Other Non-Operating Cash Disbursements		1,939	1,939
Total Non-Operating Cash Disbursements	<u>148,998</u>	<u>1,939</u>	<u>150,937</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(120,582)	1	(120,581)
Transfers-In	62,000		62,000
Net Receipts Over/(Under) Disbursements	(58,582)	1	(58,581)
Fund Cash Balances, January 1	562,006	167	562,173
<b>Fund Cash Balances, December 31</b>	<b><u>\$503,424</u></b>	<b><u>\$168</u></b>	<b><u>\$503,592</u></b>
Reserve for Encumbrances, December 31	<u>\$198,734</u>	<u>\$168</u>	<u>\$198,902</u>

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

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Waterville, Lucas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council and Mayor governs the Village according to its' charter. The Village provides water and sewer utilities, park operations, and police and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and U.S. Treasury Notes at cost. The investments in STAR Ohio (the State Treasurer's investment pool) are recorded at share values reported by STAR Ohio.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

General Obligation Bond Fund – This fund is used to account for the payment of general obligation bonds principal and interest.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives 25 percent of the income tax proceeds. The proceeds are then transferred annually to the 5 year Capital Operating Fund 325 based on the 5 year forecast of money needed for capital expenditures within the Village.

5 year Capital Operating Fund – This fund receives proceeds from fund 320 to be used for projected capital expenditures over the next five years.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility. The water is purchased from the City of Toledo.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility. The Village pays Lucas County for processing the sewerage.

Sewer Debt Fund - This fund receives charges for services based on a flat surcharge fee per customer to pay sewer debt and pay for capital improvements related to the sewer department.

**6. Fiduciary Funds (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Lucas County Line Charges Fund – This fund receives charges for services from residents outside the Village limits to cover the cost of providing this utility.

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$2,169,416	\$2,808,886
Total deposits	2,169,416	2,808,886
U.S. Treasury Notes	199,842	
STAR Ohio	43,461	43,417
Total investments	<u>243,303</u>	<u>43,417</u>
Total deposits and investments	<u><u>\$2,412,719</u></u>	<u><u>\$2,852,303</u></u>

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,729,011	\$2,729,012	\$1
Special Revenue	284,158	315,784	31,626
Debt Service	188,688	188,688	0
Capital Projects	1,315,248	1,269,062	(46,186)
Enterprise	1,549,487	1,558,312	8,825
Fiduciary	1,963	1,963	0
Total	\$6,068,555	\$6,062,821	(\$5,734)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,903,652	\$2,849,088	\$54,564
Special Revenue	403,120	394,007	9,113
Debt Service	188,688	188,688	0
Capital Projects	1,971,055	1,797,682	173,373
Enterprise	1,504,597	1,488,432	16,165
Fiduciary	2,168	2,131	37
Total	\$6,973,280	\$6,720,028	\$253,252

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,796,991	\$2,575,133	(\$221,858)
Special Revenue	262,819	290,986	28,167
Debt Service	197,001	197,001	0
Capital Projects	1,932,865	1,390,172	(542,693)
Enterprise	1,151,286	1,163,034	11,748
Fiduciary	1,940	1,940	0
Total	\$6,342,902	\$5,618,266	(\$724,636)



**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,834,479	\$2,787,169	\$47,310
Special Revenue	309,498	295,367	14,131
Debt Service	197,001	197,000	1
Capital Projects	2,619,918	1,883,517	736,401
Enterprise	1,447,533	1,420,350	27,183
Fiduciary	2,107	2,107	0
Total	\$7,410,536	\$6,585,510	\$825,026

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$324,319	5.85%
General Obligation Bonds	2,130,000	4.88 to 7.38%
Ohio Public Works Commission	588,959	0%
Bond Anticipation Note	80,000	3.50%
Total	\$3,123,278	

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$508,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$43,752, including interest, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village issued General Obligation Bonds in the amount of \$600,000 at 7.38 percent interest, payable semiannually over twenty years for the construction of municipal and maintenance buildings.

The Village also issued General Obligation Bonds in the amount of \$2,100,000 at a variable rate not to exceed 6 percent interest, payable semiannually over twenty-five years for the purpose of construction of a new fire station and associated costs, and to remodel and develop the old fire station into a community multi-purpose center.

The Village's taxing authority collateralizes General Obligation Bonds.

The Ohio Public Works Commission (OPWC) loans totaling \$1,005,117 were for sewer improvements of \$480,073, and road improvements of \$525,044. These loans are non-interest bearing payable semiannually over a twenty year period.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan	General Obligation Bonds	OPWC Loans	Bond Anticipation Note
2005	\$43,752	\$185,351	\$68,610	\$82,800
2006	43,752	181,762	68,611	
2007	43,752	188,025	68,611	
2008	43,752	183,802	68,611	
2009	43,752	179,461	52,711	
2010 - 2026	218,760	2,535,417	261,805	
Total	<u>\$437,520</u>	<u>\$3,453,818</u>	<u>\$588,959</u>	<u>\$82,800</u>

**7. CAPITAL LEASES – LESSEE DISCLOSURE**

The Village entered into capitalized leases for the acquisition of a pickup truck and a front end loader and a Bobcat loader for \$107,290, a dump truck and snow plow for \$73,015 and a 100 foot platform fire apparatus ladder truck for \$759,900. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under the capital leases. Amortization of the above debt, including interest, follows:

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Year ending December 31:	Bobcat Loader Pickup	Dump Truck Snow Plow	Fire Apparatus	Total Capital Leases
2005	\$29,364	\$16,062	\$73,640	\$119,066
2006	29,364	16,062	73,641	119,067
2007	29,364	16,061	73,640	119,065
2008	29,364		73,640	103,004
2009			73,641	73,641
2010 - 2019			736,404	736,404
Total	<u>\$117,456</u>	<u>\$48,185</u>	<u>\$1,104,606</u>	<u>\$1,270,247</u>

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**9. Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

	<u><b>2004</b></u>	<u><b>2003</b></u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>\$2,227,808</u>	<u>\$1,871,123</u>
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**10. CONTRACTUAL COMMITMENTS**

In 1973, the Village entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Waste Treatment Plant. In 1996, the Plant was expanded. The Village is to pay a portion of the construction cost of the Plant to Lucas County over a period of 40 years. As of December 31, 2004, the Village owed Lucas County \$821,930 in principal and interest.

The annual requirement to amortize this commitment is as follows:

Year ending December 31:	Amount
2005	\$72,116
2006	72,116
2007	72,116
2008	72,116
2009	72,116
2010 - 2017	<u>461,350</u>
Total	<u><u>\$821,930</u></u>

**11. SUBSEQUENT EVENTS**

On August 10, 2005, the Village issued \$2,660,000 in bond anticipation notes at 4 percent interest maturing August 9, 2006. The proceeds will be used to pay off the fire apparatus lease, and provide for various new capital projects the Village is undertaking.



**Auditor of State  
Betty Montgomery**

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

Village of Waterville  
Lucas County  
25 North Second Street  
PO Box 140  
Waterville, Ohio 43566-0140

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Waterville, Lucas County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 22, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed

Village of Waterville  
Lucas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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 2004-001. In a separate letter to the Village's management dated November 22, 2005, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

November 22, 2005

**VILLAGE OF WATERVILLE  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2004-001**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

**Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose”** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During fiscal year 2004, \$118.92 was spent on alcohol purchases for the Village’s July 4<sup>th</sup> fireworks VIP tent. The purchase was made with a Fifth Third Visa card assigned to Dale Knepper, Director of Finance and Administration. On July 30, 2004 the Administrator and Treasurer signed check number 32640 made payable to Fifth Third Visa.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts, and pursuant to ORC Section 117.28, a finding for recovery for public money illegally expended is hereby issued against J. Steven Schult, Treasurer, Ohio Government Risk Management Plan, Mr. Schult’s surety, Jay M. Bahr, Former Village Administrator, and Dale D. Knepper, Director of Finance and Administration, jointly and severally, in the amount of \$118.92.

On November 16, 2005, Mr. Knepper reimbursed the Village with check number 3195 for \$118.92. The Village of Waterville receipted pay-in number 28256 dated November 16, 2005 in the amount of \$118.92 to Mr. Knepper for his reimbursement.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF WATERVILLE**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2005**