



Mary Taylor, CPA
Auditor of State

**CITY OF WAVERLY
PIKE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Pike County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Capital Assets reported in the governmental activities, business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2009.

In our opinion, except for such adjustments, if any, that would have been necessary had sufficient, competent, evidential matter been available to assure the accuracy, completeness, existence and valuation of the City's recorded Capital Assets, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Pike County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Bridge and Street Fund, Fire Fund, and Police Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 8, 2010

City of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

The discussion and analysis of the City of Waverly's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets decreased \$49,560. Net assets of governmental activities decreased \$23,378. Net assets of business-type activities decreased \$26,182.
- Governmental activities general revenues accounted for \$2,792,434 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$423,213 or 13 percent of total revenues of \$3,215,647. Business-type activities general revenues accounted for \$25,309 in revenue or 10 percent of all revenues. Program specific revenues accounted for \$1,436,992 or 90 percent of total revenues of \$1,462,301.
- The City had \$3,114,025 in expenses related to governmental activities; \$423,213 of these expenses were offset by program specific charges for services and sales, grants and contributions; the remainder of these expenses were partially offset by general revenues. The City had \$1,613,483 in expenses related to business-type activities; \$1,436,992 was offset by program specific charges for services and sales, grants and contributions.

Using the Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

City of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

The City as a Whole

Table 1 provides a summary of the City's net assets for 2009 compared to the prior year:

	Table 1 Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$3,149,311	\$3,158,338	\$431,077	\$471,452	\$3,580,388	\$3,629,790
Capital Assets, Net	3,922,412	4,214,353	8,780,067	9,059,463	12,702,479	13,273,816
Total Assets	7,071,723	7,372,691	9,211,144	9,530,915	16,282,867	16,903,606
Liabilities						
Current and Other Liabilities	838,712	931,248	45,709	56,734	884,421	987,982
Long-Term Liabilities	775,247	960,301	3,564,759	3,847,323	4,340,006	4,807,624
Total Liabilities	1,613,959	1,891,549	3,610,468	3,904,057	5,224,427	5,795,606
Net Assets						
Invested in Capital Assets						
Net of Related Debt	3,204,171	3,309,274	5,236,746	5,231,658	8,440,917	8,540,932
Restricted	837,437	649,105	0	0	837,437	649,105
Unrestricted	1,416,156	1,522,763	363,930	395,200	1,780,086	1,917,963
Total Net Assets	\$5,457,764	\$5,481,142	\$5,600,676	\$5,626,858	\$11,058,440	\$11,108,000

Total assets decreased \$620,739. This decrease was due primarily to a decrease in capital assets of \$571,337, resulting from depreciation of the assets for governmental and business-type activities. There was also a decrease in taxes receivable of \$91,903 due to decreased amounts projected to be received. These decreases were partially offset by an increase in cash as a result of close budgetary monitoring during 2009.

Total liabilities decreased \$571,179. This decrease was due primarily to debt reduction of \$493,837 in governmental and business-type activities.

City of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Table 2 shows the changes in net assets for the year ended December 31, 2009 as compared to the prior year.

Table 2
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2009	2008*	2009	2008	2009	2008*
Revenues						
Program Revenues:						
Charges for Services and Sales	\$167,216	\$228,653	\$1,436,992	\$1,451,818	\$1,604,208	\$1,680,471
Operating Grants and Contributions	255,997	250,111	0	0	255,997	250,111
Capital Grants and Contributions	0	337,774	0	0	0	337,774
Total Program Revenues	423,213	816,538	1,436,992	1,451,818	1,860,205	2,268,356
General Revenues:						
Property & Income Taxes	1,939,399	2,337,534	0	0	1,939,399	2,337,534
Grants and Entitlements	783,975	604,024	0	0	783,975	604,024
Unrestricted Investment Earnings	2,929	8,181	47	147	2,976	8,328
Other	66,131	122,509	25,262	19,017	91,393	141,526
Total General Revenues	2,792,434	3,072,248	25,309	19,164	2,817,743	3,091,412
Total Revenues	3,215,647	3,888,786	1,462,301	1,470,982	4,677,948	5,359,768
Program Expenses						
General Government -						
Legislative and Executive	820,333	973,946	0	0	820,333	973,946
Security of Persons & Property	1,435,633	1,591,749	0	0	1,435,633	1,591,749
Transportation	745,656	630,117	0	0	745,656	630,117
Public Health	1,470	1,470	0	0	1,470	1,470
Leisure Time Services	85,208	7,975	0	0	85,208	7,975
Community Environment	329	3,907	0	0	329	3,907
Interest and Fiscal Charges	25,396	27,059	0	0	25,396	27,059
Water	0	0	878,149	755,963	878,149	755,963
Sewer	0	0	735,334	812,056	735,334	812,056
Total Expenses	3,114,025	3,236,223	1,613,483	1,568,019	4,727,508	4,804,242
Increase (Decrease) in Net Assets Before Transfers	101,622	652,563	(151,182)	(97,037)	(49,560)	555,526
Transfers	(125,000)	0	125,000	0	0	0
Increase (Decrease) in Net Assets	(23,378)	652,563	(26,182)	(97,037)	(49,560)	555,526
Beginning Net Assets	5,481,142	4,828,579	5,626,858	5,723,895	11,108,000	10,552,474
Ending Net Assets	\$5,457,764	\$5,481,142	\$5,600,676	\$5,626,858	\$11,058,440	\$11,108,000

* - Amounts were restated to correct an error in reporting property and income taxes and beginning net assets in 2008. There was no effect on net assets as of January 1, 2009.

The decrease in revenues for governmental activities is due to a decrease in capital grants resulting from funding from the State for a capital project in 2008 and a decrease in tax revenue, which was partially offset by an increase in unrestricted grants and entitlements due to increased reimbursements from the State for the personal property phase out. Total expenses decreased only slightly as a result of a decrease in spending due to a FEMA grant that was received and spent in the prior year for assistance in the cleanup from Hurricane Ike. These decreases were partially offset by increased paving and road maintenance expenses as well as increased salaries and wages in the Water Fund.

City of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(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 City monitors each of these revenue sources very closely for fluctuations.

General government, security of persons and property, and transportation are the major activities of the City, generating nearly 96% of the total expenses.

Business-Type Activities

The City's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the City's residents. The sewer operations generated program revenues of \$771,727 and had expenses of \$735,334. The water operations generated program revenues of \$665,265 and had expenses of \$878,149. There is an increase in the water expenses and a decrease in sewer expenses that is directly related to the moving an employee from the sewer department to the water department, as well as an additional hire in the water department. The City's goal is to cover the costs of operations as well as build a cash balance in these funds. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financial sources of \$5,088,242 and expenditures and other financing uses of \$4,973,098. The net change in fund balance for the year in the General Fund was decreased in the amount of \$27,858 due primarily to a decrease in tax revenue while expenditures and transfers out remained constant. The Police Fund had a fund balance increase of \$113,036. The primary reason for the increase was due to an increase in intergovernmental revenue along with a decrease in expenditures. The Bridge and Street Fund had a fund balance increase of \$6,373. The Fire Fund had a fund balance decrease of \$34,980 due to a decrease in tax revenue and a decrease in charges for services revenue.

General Fund Budgeting Highlights

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

For the General Fund, original and final budgeted revenues were \$2,568,900. Actual revenues were lower than final budgeted revenues in the amount of \$231,872 due to lower than expected tax revenue. Original and final budgeted expenditures and other financing uses were \$2,692,793. Actual budgetary basis expenditures and other financing uses were \$463,879 lower than the final budgeted expenditures and other financing uses due to lower than expected transfers out and legislative and executive expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2009, the City had \$12,702,479 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, water and sewer lines, and infrastructure, net of accumulated depreciation. Table 3 shows 2009 balances as compared to the prior year.

City of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Table 3
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$239,268	\$239,268	\$70,000	\$70,000	\$309,268	\$309,268
Construction in Progress	0	505,208	0	0	0	505,208
Land Improvements	190,431	228,186	39,054	48,732	229,485	276,918
Furniture and Equipment	893,635	802,490	74,127	108,992	967,762	911,482
Buildings and Improvements	782,578	1,025,788	8,309,174	8,535,576	9,091,752	9,561,364
Infrastructure	1,816,500	1,413,413	287,712	296,163	2,104,212	1,709,576
Totals	\$3,922,412	\$4,214,353	\$8,780,067	\$9,059,463	\$12,702,479	\$13,273,816

The decrease noted in the capital assets for governmental and business-type activities is due to current year depreciation expense. See Note 8 for additional information on the City's capital assets.

Debt

At December 31, 2009, the City of Waverly had \$4,340,006 in notes, loans, and compensated absences outstanding with \$815,551 due within one year.

Table 4
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	Total
	2009	2008	2009	2008	2009	2008
Compensated Absences	\$57,006	\$55,222	\$21,438	\$19,518	\$78,444	\$74,740
Synagro Loan	0	0	53,570	101,402	53,570	101,402
Long Term Notes	551,393	724,920	83,828	105,725	635,221	830,645
O.W.D.A. Loans	0	0	3,323,021	3,530,374	3,323,021	3,530,374
O.P.W.C. Loans	166,848	180,159	82,902	90,304	249,750	270,463
Total	\$775,247	\$960,301	\$3,564,759	\$3,847,323	\$4,340,006	\$4,807,624

The City's overall legal debt margin was \$7,671,190 at December 31, 2009.

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

The Future

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

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

City of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Contacting the City's Finance Department

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

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City of Waverly
Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$1,595,124	\$139,830	\$1,734,954
Receivables:			
Taxes	1,347,610	0	1,347,610
Accounts	0	291,247	291,247
Due from Other Governments	199,943	0	199,943
Due from Other Funds	6,634	0	6,634
Non-Depreciable Capital Assets	239,268	70,000	309,268
Depreciable Capital Assets, Net	3,683,144	8,710,067	12,393,211
<i>Total Assets</i>	<u>7,071,723</u>	<u>9,211,144</u>	<u>16,282,867</u>
LIABILITIES:			
Accounts Payable	16,188	31,608	47,796
Accrued Wages and Benefits	6,836	503	7,339
Due to Other Governments	82,907	13,598	96,505
Unearned Revenue	732,781	0	732,781
Long-Term Liabilities:			
Due Within One Year	569,081	246,470	815,551
Due in More Than One Year	206,166	3,318,289	3,524,455
<i>Total Liabilities</i>	<u>1,613,959</u>	<u>3,610,468</u>	<u>5,224,427</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	3,204,171	5,236,746	8,440,917
Restricted for:			
Capital Projects	183,443	0	183,443
Police	283,095	0	283,095
Bridge and Street	128,729	0	128,729
Fire	58,044	0	58,044
Other Purposes	184,126	0	184,126
Unrestricted	1,416,156	363,930	1,780,086
<i>Total Net Assets</i>	<u><u>\$5,457,764</u></u>	<u><u>\$5,600,676</u></u>	<u><u>\$11,058,440</u></u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Activities
For the Year Ended December 31, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government:						
Legislative and Executive	\$820,333	\$1,519	\$0	(\$818,814)		(\$818,814)
Security of Persons and Property	1,435,633	156,138	173,823	(1,105,672)		(1,105,672)
Public Health	1,470	2	0	(1,468)		(1,468)
Leisure Time Services	85,208	0	0	(85,208)		(85,208)
Community Environment	329	0	0	(329)		(329)
Transportation	745,656	9,195	79,072	(657,389)		(657,389)
Interest and Fiscal Charges	25,396	362	3,102	(21,932)		(21,932)
<i>Total Governmental Activities</i>	<u>3,114,025</u>	<u>167,216</u>	<u>255,997</u>	<u>(2,690,812)</u>	<u>0</u>	<u>(2,690,812)</u>
Business-Type Activities:						
Sewer	735,334	771,727	0		\$36,393	36,393
Water	878,149	665,265	0		(212,884)	(212,884)
<i>Total Business-Type Activities</i>	<u>1,613,483</u>	<u>1,436,992</u>	<u>0</u>	<u>0</u>	<u>(176,491)</u>	<u>(176,491)</u>
Totals	<u>\$4,727,508</u>	<u>\$1,604,208</u>	<u>\$255,997</u>	<u>(2,690,812)</u>	<u>(176,491)</u>	<u>(2,867,303)</u>
General Revenues:						
Taxes:						
General Purposes				206,545	0	206,545
Other Purposes				497,942	0	497,942
Income Taxes				1,234,912	0	1,234,912
Grants and Entitlements not Restricted to Specific Programs				783,975	0	783,975
Investment Earnings				2,929	47	2,976
Miscellaneous				66,131	25,262	91,393
<i>Total General Revenues</i>				<u>2,792,434</u>	<u>25,309</u>	<u>2,817,743</u>
Transfers				(125,000)	125,000	0
<i>Change in Net Assets</i>				<u>(23,378)</u>	<u>(26,182)</u>	<u>(49,560)</u>
<i>Net Assets Beginning of Year</i>				<u>5,481,142</u>	<u>5,626,858</u>	<u>11,108,000</u>
<i>Net Assets End of Year</i>				<u>\$5,457,764</u>	<u>\$5,600,676</u>	<u>\$11,058,440</u>

See accompanying notes to the basic financial statements.

City of Waverly
Balance Sheet
Governmental Funds
December 31, 2009

	<u>General Fund</u>	<u>Bridge & Street</u>	<u>Fire</u>	<u>Police</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$800,330	\$61,586	\$68,159	\$307,769	\$357,280	\$1,595,124
Receivables:						
Taxes	631,982	91,098	136,977	487,553	0	1,347,610
Due from Other Governments	70,526	93,231	6,207	19,688	10,291	199,943
Due from Other Funds	6,634	0	0	0	0	6,634
<i>Total Assets</i>	<u>\$1,509,472</u>	<u>\$245,915</u>	<u>\$211,343</u>	<u>\$815,010</u>	<u>\$367,571</u>	<u>\$3,149,311</u>
LIABILITIES:						
Accounts Payable	\$12,129	\$1,278	\$0	\$2,781	\$0	\$16,188
Accrued Wages and Benefits	208	853	215	5,560	0	6,836
Due to Other Governments	25,708	8,792	12,561	35,846	0	82,907
Deferred Revenue	360,676	160,681	141,089	500,581	5,417	1,168,444
<i>Total Liabilities</i>	<u>398,721</u>	<u>171,604</u>	<u>153,865</u>	<u>544,768</u>	<u>5,417</u>	<u>1,274,375</u>
FUND BALANCES:						
Reserved for Encumbrances	43,665	41,437	5,796	1,490	2,750	95,138
Unreserved, Undesignated, Reported in:						
General Fund	1,067,086	0	0	0	0	1,067,086
Special Revenue Funds	0	32,874	51,682	268,752	178,711	532,019
Capital Projects Funds	0	0	0	0	180,693	180,693
<i>Total Fund Balances</i>	<u>1,110,751</u>	<u>74,311</u>	<u>57,478</u>	<u>270,242</u>	<u>362,154</u>	<u>1,874,936</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,509,472</u>	<u>\$245,915</u>	<u>\$211,343</u>	<u>\$815,010</u>	<u>\$367,571</u>	<u>\$3,149,311</u>

See accompanying notes to the basic financial statements.

City of Waverly
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2009*

Total Governmental Fund Balances		\$1,874,936
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,922,412
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	286,077	
Intergovernmental	<u>149,586</u>	
Total		435,663
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	(57,006)	
General Obligation Notes and Loans Payable	<u>(718,241)</u>	
Total		<u>(775,247)</u>
Net Assets of Governmental Activities		<u><u>\$5,457,764</u></u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General Fund	Bridge & Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$1,559,286	\$68,838	\$99,505	\$321,728	\$0	\$2,049,357
Intergovernmental	405,711	215,517	83,276	224,273	32,872	961,649
Interest	2,682	76	0	0	171	2,929
Charges for Services	0	0	28,805	0	0	28,805
Fees, Licenses and Permits	1,824	0	0	0	0	1,824
Fines and Forfeitures	135,695	0	0	100	792	136,587
Other	25,533	1,515	0	0	39,083	66,131
<i>Total Revenues</i>	<u>2,130,731</u>	<u>285,946</u>	<u>211,586</u>	<u>546,101</u>	<u>72,918</u>	<u>3,247,282</u>
EXPENDITURES:						
Current:						
General Government:						
Legislative and Executive	760,535	0	0	0	0	760,535
Security of Persons and Property	92,860	0	241,066	1,008,685	18,666	1,361,277
Public Health	1,470	0	0	0	0	1,470
Leisure Time Services	85,208	0	0	0	0	85,208
Community Environment	0	0	0	0	328	328
Transportation	0	559,947	0	0	14,150	574,097
Capital Outlay	11,989	0	0	0	0	11,989
Debt Service:						
Principal	0	119,220	436,861	23,462	366,728	946,271
Interest and Fiscal Charges	0	4,223	8,624	918	11,631	25,396
<i>Total Expenditures</i>	<u>952,062</u>	<u>683,390</u>	<u>686,551</u>	<u>1,033,065</u>	<u>411,503</u>	<u>3,766,571</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>1,178,669</u>	<u>(397,444)</u>	<u>(474,965)</u>	<u>(486,964)</u>	<u>(338,585)</u>	<u>(519,289)</u>
OTHER FINANCING SOURCES AND USES:						
Issuance of Notes	0	93,817	394,985	0	270,631	759,433
Transfers In	0	310,000	45,000	600,000	126,527	1,081,527
Transfers Out	(1,206,527)	0	0	0	0	(1,206,527)
<i>Total Other Financing Sources and Uses</i>	<u>(1,206,527)</u>	<u>403,817</u>	<u>439,985</u>	<u>600,000</u>	<u>397,158</u>	<u>634,433</u>
<i>Net Change in Fund Balances</i>	<u>(27,858)</u>	<u>6,373</u>	<u>(34,980)</u>	<u>113,036</u>	<u>58,573</u>	<u>115,144</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,138,609</u>	<u>67,938</u>	<u>92,458</u>	<u>157,206</u>	<u>303,581</u>	<u>1,759,792</u>
<i>Fund Balances at End of Year</i>	<u>\$1,110,751</u>	<u>\$74,311</u>	<u>\$57,478</u>	<u>\$270,242</u>	<u>\$362,154</u>	<u>\$1,874,936</u>

See accompanying notes to the basic financial statements.

City of Waverly
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009*

Net Change in Fund Balances - Total Governmental Funds \$115,144

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

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

Capital Asset Additions	11,989	
Current Year Depreciation	<u>(303,930)</u>	
Total		(291,941)

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

Intergovernmental	78,323	
Taxes	<u>(109,958)</u>	
Total		(31,635)

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

946,271

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.

(759,433)

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

Increase in Compensated Absences		<u>(1,784)</u>
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Net Change in Net Assets of Governmental Activities

(\$23,378)

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$303,500	\$303,500	\$139,316	(\$164,184)
Income Taxes	1,618,653	1,618,653	1,570,289	(48,364)
Intergovernmental	470,746	470,746	456,681	(14,065)
Interest	2,773	2,773	2,689	(84)
Fees, Licenses and Permits	1,880	1,880	1,824	(56)
Fines and Forfeitures	144,256	144,256	139,946	(4,310)
Other	27,092	27,092	26,283	(809)
Total Revenues	<u>2,568,900</u>	<u>2,568,900</u>	<u>2,337,028</u>	<u>(231,872)</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	1,113,223	1,113,223	840,725	272,498
Security of Persons and Property	93,100	93,100	82,903	10,197
Public Health	1,470	1,470	1,470	0
Leisure Time Activities	75,000	75,000	85,208	(10,208)
Capital Outlay	50,000	50,000	12,081	37,919
Total Expenditures	<u>1,332,793</u>	<u>1,332,793</u>	<u>1,022,387</u>	<u>310,406</u>
Excess of Revenues Over Expenditures	<u>1,236,107</u>	<u>1,236,107</u>	<u>1,314,641</u>	<u>78,534</u>
OTHER FINANCING USES:				
Transfers Out	(1,360,000)	(1,360,000)	(1,206,527)	153,473
Total Other Financing Uses	<u>(1,360,000)</u>	<u>(1,360,000)</u>	<u>(1,206,527)</u>	<u>153,473</u>
Net Change in Fund Balance	(123,893)	(123,893)	108,114	232,007
Fund Balance at Beginning of Year	728,738	728,738	728,738	0
Prior Year Encumbrances Appropriated	<u>34,403</u>	<u>34,403</u>	<u>34,403</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$639,248</u></u>	<u><u>\$639,248</u></u>	<u><u>\$871,255</u></u>	<u><u>\$232,007</u></u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Bridge and Street Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$89,100	\$89,100	\$67,401	(\$21,699)
Intergovernmental	142,532	210,034	215,959	5,925
Interest	50	74	76	2
Other	1,000	1,473	1,515	42
Total Revenues	<u>232,682</u>	<u>300,681</u>	<u>284,951</u>	<u>(15,730)</u>
EXPENDITURES:				
Current:				
Transportation	650,967	650,967	618,691	32,276
Debt Service:				
Principal	145,837	145,837	119,220	26,617
Interest and Fiscal Charges	2,976	2,976	4,223	(1,247)
Total Expenditures	<u>799,780</u>	<u>799,780</u>	<u>742,134</u>	<u>57,646</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(567,098)</u>	<u>(499,099)</u>	<u>(457,183)</u>	<u>41,916</u>
OTHER FINANCING SOURCES:				
Proceeds from Loans	61,919	91,243	93,817	2,574
Transfers In	204,599	301,495	310,000	8,505
Total Other Financing Sources	<u>266,518</u>	<u>392,738</u>	<u>403,817</u>	<u>11,079</u>
Net Change in Fund Balance	(300,580)	(106,361)	(53,366)	52,995
Fund Balance at Beginning of Year	37,335	37,335	37,335	0
Prior Year Encumbrances Appropriated	<u>35,442</u>	<u>35,442</u>	<u>35,442</u>	<u>0</u>
Fund Balance at End of Year	<u>(\$227,803)</u>	<u>(\$33,584)</u>	<u>\$19,411</u>	<u>\$52,995</u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Fire Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$135,900	\$135,900	\$100,508	(\$35,392)
Intergovernmental	20,719	47,518	83,276	35,758
Charges for Services	8,062	18,491	32,405	13,914
Total Revenues	<u>164,681</u>	<u>201,909</u>	<u>216,189</u>	<u>14,280</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	278,523	278,523	260,738	17,785
Debt Service:				
Principal	279,371	279,371	436,861	(157,490)
Interest and Fiscal Charges	0	0	8,624	(8,624)
Total Expenditures	<u>557,894</u>	<u>557,894</u>	<u>706,223</u>	<u>(148,329)</u>
Deficiency of Revenues Under Expenditures	<u>(393,213)</u>	<u>(355,985)</u>	<u>(490,034)</u>	<u>(134,049)</u>
OTHER FINANCING SOURCES:				
Proceeds from Loans	98,272	225,384	394,985	169,601
Transfers In	11,196	25,678	45,000	19,322
Total Other Financing Sources	<u>109,468</u>	<u>251,062</u>	<u>439,985</u>	<u>188,923</u>
Net Change in Fund Balance	(283,745)	(104,923)	(50,049)	54,874
Fund Balance at Beginning of Year	108,689	108,689	108,689	0
Prior Year Encumbrances Appropriated	3,723	3,723	3,723	0
Fund Balance at End of Year	<u>(\$171,333)</u>	<u>\$7,489</u>	<u>\$62,363</u>	<u>\$54,874</u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Police Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$450,000	\$450,000	\$324,985	(\$125,015)
Intergovernmental	153,927	160,310	224,273	63,963
Fines and Forfeitures	69	72	100	28
Total Revenues	603,996	610,382	549,358	(61,024)
EXPENDITURES:				
Current:				
Security of Persons and Property	1,087,775	1,087,775	1,049,267	38,508
Capital Outlay	121,000	121,000	0	121,000
Debt Service:				
Principal	48,487	48,487	23,462	25,025
Interest and Fiscal Charges	0	0	918	(918)
Total Expenditures	1,257,262	1,257,262	1,073,647	183,615
Excess (Deficiency)of Revenues Over (Under) Expenditures	(653,266)	(646,880)	(524,289)	122,591
OTHER FINANCING SOURCES:				
Transfers In	411,804	428,880	600,000	171,120
Total Other Financing Sources	411,804	428,880	600,000	171,120
Net Change in Fund Balance	(241,462)	(218,000)	75,711	293,711
Fund Balance at Beginning of Year	216,224	216,224	216,224	0
Prior Year Encumbrances Appropriated	9,125	9,125	9,125	0
Fund Balance at End of Year	(\$16,113)	\$7,349	\$301,060	\$293,711

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Fund Net Assets
Proprietary Funds
December 31, 2009

	Enterprise Funds		
	Water	Sewer	Totals
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$79,390	\$60,440	\$139,830
Accounts Receivable	146,310	144,937	291,247
<i>Total Current Assets</i>	<u>225,700</u>	<u>205,377</u>	<u>431,077</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	70,000	0	70,000
Depreciable Capital Assets, Net	4,329,377	4,380,690	8,710,067
<i>Total Noncurrent Assets</i>	<u>4,399,377</u>	<u>4,380,690</u>	<u>8,780,067</u>
<i>Total Assets</i>	<u>4,625,077</u>	<u>4,586,067</u>	<u>9,211,144</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	15,201	16,407	31,608
Accrued Wages and Benefits	359	144	503
Due to Other Governments	8,013	5,585	13,598
Loans Payable	0	137,398	137,398
OPWC Loans Payable	2,739	963	3,702
OWDA Loans Payable	13,594	91,776	105,370
<i>Total Current Liabilities</i>	<u>39,906</u>	<u>252,273</u>	<u>292,179</u>
Noncurrent Liabilities:			
Compensated Absences Payable	9,954	11,484	21,438
OPWC Loans Payable	65,726	13,474	79,200
OWDA Loans Payable	319,067	2,898,584	3,217,651
<i>Total Noncurrent Liabilities</i>	<u>394,747</u>	<u>2,923,542</u>	<u>3,318,289</u>
<i>Total Liabilities</i>	<u>434,653</u>	<u>3,175,815</u>	<u>3,610,468</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	3,998,251	1,238,495	5,236,746
Unrestricted	192,173	171,757	363,930
<i>Total Net Assets</i>	<u>\$4,190,424</u>	<u>\$1,410,252</u>	<u>\$5,600,676</u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES:			
Charges for Services	\$665,265	\$771,727	\$1,436,992
<i>Total Operating Revenues</i>	<u>665,265</u>	<u>771,727</u>	<u>1,436,992</u>
OPERATING EXPENSES:			
Salaries and Wages	246,057	184,629	430,686
Fringe Benefits	102,097	86,981	189,078
Contractual Services	243,354	181,930	425,284
Materials and Supplies	108,781	50,826	159,607
Other	20,699	17,634	38,333
Depreciation	150,105	129,291	279,396
<i>Total Operating Expenses</i>	<u>871,093</u>	<u>651,291</u>	<u>1,522,384</u>
<i>Operating Income (Loss)</i>	<u>(205,828)</u>	<u>120,436</u>	<u>(85,392)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	47	0	47
Other Revenues	21,444	3,818	25,262
Interest and Fiscal Charges	(7,056)	(84,043)	(91,099)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>14,435</u>	<u>(80,225)</u>	<u>(65,790)</u>
<i>Income (Loss) Before Transfers</i>	(191,393)	40,211	(151,182)
Transfers In	0	125,000	125,000
<i>Change in Net Assets</i>	(191,393)	165,211	(26,182)
<i>Net Assets at Beginning of Year</i>	<u>4,381,817</u>	<u>1,245,041</u>	<u>5,626,858</u>
<i>Net Assets at End of Year</i>	<u><u>\$4,190,424</u></u>	<u><u>\$1,410,252</u></u>	<u><u>\$5,600,676</u></u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Enterprise		
	Water	Sewer	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$680,735	\$792,519	\$1,473,254
Cash Payments to Suppliers for Goods and Services	(362,619)	(226,268)	(588,887)
Cash Payments to Employees for Services and Benefits	(354,953)	(286,148)	(641,101)
Cash Payments for Other Operating Disbursements	(4,405)	(17,700)	(22,105)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(41,242)</u>	<u>262,403</u>	<u>221,161</u>
Cash Flows from Noncapital			
Financing Activities:			
Operating Transfers-In	0	125,000	125,000
Other Non-Operating Receipts	21,444	3,818	25,262
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>21,444</u>	<u>128,818</u>	<u>150,262</u>
Cash Flows from Capital and Related			
Financing Activities:			
Proceeds from Debt Issuance	0	83,828	83,828
Principal Payments	(32,262)	(336,050)	(368,312)
Interest Payments	(7,056)	(84,043)	(91,099)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(39,318)</u>	<u>(336,265)</u>	<u>(375,583)</u>
Cash Flows from Investing Activities:			
Interest on Investments	47	0	47
<i>Net Cash Provided by Investing Activities</i>	<u>47</u>	<u>0</u>	<u>47</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(59,069)	54,956	(4,113)
Cash and Cash Equivalents at Beginning of Year	138,459	5,484	143,943
Cash and Cash Equivalents at End of Year	<u>\$79,390</u>	<u>\$60,440</u>	<u>\$139,830</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$205,828)	\$120,436	(\$85,392)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	150,105	129,291	279,396
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	15,470	20,792	36,262
Increase in Accounts Payable	5,810	6,422	12,232
Decrease in Accrued Wages and Benefits	(7,193)	(4,355)	(11,548)
Increase/(Decrease) in Compensated Absences Payable	3,585	(1,665)	1,920
Decrease in Due to Other Governments	(3,191)	(8,518)	(11,709)
Total Adjustments	<u>164,586</u>	<u>141,967</u>	<u>306,553</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$41,242)</u>	<u>\$262,403</u>	<u>\$221,161</u>

See accompanying notes to the basic financial statements.

City of Waverly
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2009

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$296
Cash and Cash Equivalents in Segregated Accounts	<u>10,259</u>
<i>Total Current Assets</i>	<u>10,555</u>
<i>Total Assets</i>	<u><u>\$10,555</u></u>
LIABILITIES:	
Due to Other Governments	\$3,625
Due to Other Funds	6,634
Undistributed Monies	<u>296</u>
<i>Total Liabilities</i>	<u><u>\$10,555</u></u>

See accompanying notes to the basic financial statements.

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Governmental Funds

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

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

Enterprise Funds

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

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

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

Fiduciary Funds

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

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

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

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

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Estimated Resources The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Auditor's Office Manager determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

Appropriations A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriations ordinance may be supplemented during the year, by City Council action, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year, supplemental appropriations ordinances were passed by City 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 the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures of governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

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

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 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 City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

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

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

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

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Restricted for other purposes represents balances of state and federal grants in special revenue funds.

Of the City's \$837,437 of restricted net assets, \$0 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 City, 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.

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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 reservation of fund balance (GAAP basis).

The adjustments necessary to convert the results of operations for 2009 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	<u>(\$27,858)</u>	<u>\$6,373</u>	<u>(\$34,980)</u>	<u>\$113,036</u>
Increases (Decreases) Due To:				
Revenue Accruals	206,297	(995)	4,603	3,257
Expenditure Accruals	(17,418)	(16,568)	(13,876)	(33,873)
Encumbrances	(52,907)	(42,176)	(5,796)	(6,709)
Budget Basis	<u><u>\$108,114</u></u>	<u><u>(\$53,366)</u></u>	<u><u>(\$50,049)</u></u>	<u><u>\$75,711</u></u>

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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 City’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Auditor by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the City’s bank balance of \$1,763,608 was either covered by the FDIC or collateralized by its financial institution in the manner described below.

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

NOTE 5 – MUNICIPAL INCOME TAX

The City levies and collects an income tax of one percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2009, proceeds of the income tax per the statement of activities amounted to \$1,234,912. All proceeds go to the General Fund.

NOTE 6 – PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes were collected in and intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009 and are collected in 2010 with real property taxes.

2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2007. Collections are made in 2009. Tangible personal property assessments were 6.25 percent of true value for tax year 2008 for property taxes collected in 2009. The percentage decreased to zero percent of true value for tax year 2009.

The full tax rate for all City operations for the year ended December 31, 2009, was \$15.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$76,309,540
Public Utility Property	3,255,150
Tangible Personal	<u>49,710</u>
Total Property Taxes	<u><u>\$79,614,400</u></u>

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

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

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 6 – PROPERTY TAX (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Waverly. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009, 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 2009 operations. The receivable is offset by deferred revenue.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2009, consisted of taxes, 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	\$63,924
Homestead, Rollback, and Exemption	6,602
Total General Fund	70,526
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	6,207
Total Fire Major Special Revenue Fund	6,207
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	19,688
Total Police Major Special Revenue Fund	19,688
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax	49,038
Cents Per Gallon Tax	24,032
Motor Vehicle License Tax	15,942
Homestead, Rollback, and Exemption	4,219
Total Bridge and Street Fund	93,231
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax	4,069
Cents Per Gallon Tax	1,949
Motor Vehicle License Tax	1,200
Total Inter-City Highway Fund	7,218

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 7 – RECEIVABLES (Continued)

<u>Fund/Description of Receivable</u>	<u>Amount</u>
City Permissive Non-major Special Revenue Fund	
Permissive Motor Vehicle License Taxes	<u>\$3,073</u>
Total Permissive Fund	<u>3,073</u>
Total Nonmajor Special Revenue Funds	<u>8,764</u>
Total Governmental Activities	<u>\$199,943</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009:

	<u>Beginning Balance 12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2009</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$239,268	\$0	\$0	\$239,268
Construction in Progress	<u>505,208</u>	<u>0</u>	<u>(505,208)</u>	<u>0</u>
Total Capital Assets, Not Being Depreciated	<u>744,476</u>	<u>0</u>	<u>(505,208)</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	545,673	0	0	545,673
Buildings and Improvements	1,226,819	0	0	1,226,819
Furniture and Equipment	2,633,483	11,989	0	2,645,472
Infrastructure	<u>1,689,220</u>	<u>505,208</u>	<u>0</u>	<u>2,194,428</u>
Total Capital Assets Being Depreciated	<u>6,095,195</u>	<u>517,197</u>	<u>0</u>	<u>6,612,392</u>
Less Accumulated Depreciation				
Land Improvements	(317,487)	(37,755)	0	(355,242)
Buildings and Improvements	(424,329)	(19,912)	0	(444,241)
Furniture and Equipment	(1,607,695)	(144,142)	0	(1,751,837)
Infrastructure	<u>(275,807)</u>	<u>(102,121)</u>	<u>0</u>	<u>(377,928)</u>
Total Accumulated Depreciation	<u>(2,625,318)</u>	<u>(303,930)</u>	<u>0</u>	<u>(2,929,248)</u>
Total Capital Assets Being Depreciated, Net	<u>3,469,877</u>	<u>213,267</u>	<u>0</u>	<u>3,683,144</u>
Governmental Activities Capital Assets, Net	<u>\$4,214,353</u>	<u>\$213,267</u>	<u>(\$505,208)</u>	<u>\$3,922,412</u>

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$58,182
Security of Persons & Property	75,863
Transportation	<u>169,885</u>
Total Depreciation Expense	<u>\$303,930</u>

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 8 – CAPITAL ASSETS (Continued)

	Ending Balance 12/31/2008	Additions	Deletions	Ending Balance 12/31/2009
<u>Business Type Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$70,000	\$0	\$0	\$70,000
Total Capital Assets, Not Being Depreciated	<u>70,000</u>	<u>0</u>	<u>0</u>	<u>70,000</u>
Capital Assets Being Depreciated				
Land Improvements	196,783	0	0	196,783
Buildings and Improvements	11,596,347	0	0	11,596,347
Mechanical Equipment	277,472	0	0	277,472
Infrastructure	4,471,319	0	0	4,471,319
Total Capital Assets Being Depreciated	<u>16,541,921</u>	<u>0</u>	<u>0</u>	<u>16,541,921</u>
Less Accumulated Depreciation				
Land Improvements	(148,051)	(9,678)	0	(157,729)
Buildings and Improvements	(3,060,771)	(226,402)	0	(3,287,173)
Mechanical Equipment	(168,480)	(34,865)	0	(203,345)
Infrastructure	(4,175,156)	(8,451)	0	(4,183,607)
Total Accumulated Depreciation	<u>(7,552,458)</u>	<u>(279,396)</u>	<u>0</u>	<u>(7,831,854)</u>
Total Capital Assets Being Depreciated, Net	<u>8,989,463</u>	<u>(279,396)</u>	<u>0</u>	<u>8,710,067</u>
Business Type Activities Capital Assets, Net	<u>\$9,059,463</u>	<u>(\$279,396)</u>	<u>\$0</u>	<u>\$8,780,067</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2009, 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 2009, 2008, and 2007 member contribution rates were 10.0%, 10.0%, and 9.5%, respectively, for members in state and local classifications. Public safety and law enforcement members contributed at a rate of 10.1%, 10.1%, and 9.75%, respectively.

The 2009, 2008, and 2007 employer contribution rates for members in state and local classifications were 14.0%, 14.0%, and 13.85%, respectively, of covered payroll. For both public safety and law enforcement divisions, the employer contribution rates were 17.63%, 17.4%, and 17.17%, respectively.

The City's contributions to the PERS of Ohio for the years ending December 31, 2009, 2008, and 2007 were \$174,138 \$171,697, and \$168,231. 91% has been contributed for 2009 and 100% for 2008 and 2007; \$15,672 represents the unpaid contribution for 2009 and is recorded as a liability within the respective funds.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters for 2009, 2008, and 2007. The City's contributions to OP&F for the years ended December 31, 2009, 2008, and 2007 were \$99,837 \$116,745, and \$106,495. 77% has been contributed for 2009 and 100% for 2008 and 2007; \$22,982 represents the unpaid contribution for 2009 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, 2009, eighteen members of the fire department, two members of the City Council, and the City Auditor have elected Social Security. The City's liability is 6.2 percent of wages paid.

NOTE 10 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2009, the County contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. For 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June 2007 and 6.0% for July through December 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$72,996 for 2009, \$85,848 for 2008, and \$66,805 for 2007. 91% of the employer contributions have been made for 2009 and 100% for 2008 and 2007.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

Ohio Police and Fire Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00%, of covered payroll for police and fire employers, for 2009, 2008, and 2007, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The number of participants eligible to receive health care benefits as of December 31, 2008, (the latest information available) was 14,567 for Police and 10,750 for Firefighters. The City's actual contributions for 2009, 2008, and 2007 that were used to fund postemployment benefits were \$26,853, \$32,643, and \$29,535, respectively, for Police, and \$6,261, \$6,295, and \$5,938, respectively, for Firefighters. 77% of the City's contributions have been made for 2009 and 100% has been made for 2008 and 2007. The Fund's total health care expenses for the year ended December 31, 2008 (the latest information available) were \$96,472,398, which was net of member contributions of \$56,948,977.

NOTE 11 – EMPLOYEE BENEFITS

A. DEFERRED COMPENSATION PLAN

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

B. COMPENSATED ABSENCES

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

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

C. INSURANCE BENEFITS

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

NOTE 12 – INTERFUND TRANSACTIONS

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

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 12 – INTERFUND TRANSACTIONS (Continued)

Transfers made during the year ended December 31, 2009, were as follows:

<u>Fund Type / Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Funds:		
General	\$1,206,527	\$0
Bridge and Street	0	310,000
Fire	0	45,000
Police	0	600,000
Sewer	0	125,000
Total Major Funds	<u>1,206,527</u>	<u>1,080,000</u>
Nonmajor Capital Projects Funds:		
Second Street	0	60,025
Levee	0	17,000
Depot Str. Improvement	0	2,644
Recreational Complex	0	34,525
Hillside Ave. Storm System	0	3,333
Green Acres	0	9,000
Total Nonmajor Capital Projects	<u>0</u>	<u>126,527</u>
Total All Funds	<u>\$1,206,527</u>	<u>\$1,206,527</u>

Interfund balances at December 31, 2009, 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	\$6,634	\$0
<i>Agency Fund:</i>		
Mayor's Court	0	6,634
Total All Funds	<u>\$6,334</u>	<u>\$6,334</u>

The above balance results from monies collected by the Mayor's Court in December of 2009 that were not paid into the General Fund until January of 2010.

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2009, was as follows:

Issue	Balance 12/31/08	Issued	Retired	Balance 12/31/09	Due in One Year
Compensated Absences	\$19,518	\$35,195	\$33,275	\$21,438	\$0
2001 - 2% OWDA Wastewater Treatment Plant Loan	3,170,928	0	180,568	2,990,360	91,776
1999 - 12% Synagro Dewatering Facility Loan	101,402	0	47,832	53,570	53,570
2008/2009 - 3% Sewer Flush Truck Note	105,725	83,828	105,725	83,828	83,828
1997 - 0% OPWC Wastewater Treatment Plant Loan	16,362	0	1,925	14,437	963
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	359,446	0	26,785	332,661	13,594
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	73,942	0	5,477	68,465	2,739
Total Enterprise	\$3,847,323	\$119,023	\$401,587	\$3,564,759	\$246,470
Compensated Absences	\$55,222	\$96,787	\$95,003	\$57,006	\$2,711
2002 - 0% OPWC Green Acres Paving & Drainage Project Loan	40,497	0	9,000	31,497	9,000
2003 - 0% OPWC Depot Street Reconstruction Loan	39,662	0	2,644	37,018	2,644
2008/2009 - 4% Pride Road Note	150,863	96,897	150,863	96,897	96,897
2008/2009 -4.05% Fire Truck Note	228,821	394,985	436,861	186,945	186,945
2008/2009 - 3.75% Dump Truck Note	19,553	12,789	19,553	12,789	12,789
2008/2009 - 3.9% Police Department Renovations Note	23,462	0	23,462	0	0
2008/2009 - 2.75% Bristol Park Note	202,555	173,734	202,555	173,734	173,734
2008 0% OPWC Hillside Avenue Storm System Loan	100,000	0	1,667	98,333	3,333
2008/2009 - 3.5% Truck Note	99,666	81,028	99,666	81,028	81,028
Total Governmental Activities Long Term	\$960,301	\$856,220	\$1,041,274	\$775,247	\$569,081

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

The City’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,671,190 with an unvoted debt margin of \$3,690,470 at December 31, 2009.

Annual debt service requirements to maturity for enterprise obligations are:

	OPWC	OWDA Loans		1999 Synagro		Flush Truck	
	Loans	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$3,701	\$105,370	\$36,221	\$53,570	\$6,429	\$83,828	\$2,515
2011	7,402	214,190	68,992	0	0	0	0
2012	7,402	218,872	64,310	0	0	0	0
2013	7,402	223,657	59,525	0	0	0	0
2014	7,402	228,546	54,636	0	0	0	0
2015-2019	33,162	1,219,901	196,008	0	0	0	0
2020-2024	16,431	1,112,485	60,312	0	0	0	0
Total	\$82,902	\$3,323,021	\$540,004	\$53,570	\$6,429	\$83,828	\$2,515

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans
	Principal
2010	\$14,977
2011	14,977
2012	14,976
2013	10,476
2014	5,977
2015-2019	29,885
2020-2024	27,243
2025-2029	16,665
2030-2034	16,665
2035-2038	15,007
	\$166,848

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.

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

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

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

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

The Flush Truck note was issued on June 25, 2009 in the amount of \$83,828 and was for the purpose of repaying a previously issued note used to purchase a pump truck.

The Bristol Park note was issued on April 24, 2009 in the amount of \$173,734 and was for the purpose of repaying a previously issued note used to complete the Bristol Park project.

The Fire Truck note was issued on for the purpose of refinancing the note from a previously purchased fire truck. On February 27, 2009 the note was issued in the amount of \$208,040 and matured on August 26, 2009. On August 26, 2009, the note was issued in the amount of \$186,945.

The Pride Road note was issued on October 29, 2009 in the amount of \$96,897 and was used for the purpose of repaying a previously issued note used to construct Pride Road.

The Dump Truck note was issued on February 6, 2009 in the amount of \$12,789 and was issued for the purchase of a dump truck.

The Truck note was issued on August 14, 2009 in the amount of \$81,028 and was issued for the purchase of a street sweeper.

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

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the City contracted with The Public Entities Pool of Ohio for all property and fleet insurance, liability insurance, and inland marine coverage as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$29,698,000
Miscellaneous Property and Inland Marine Coverage (\$1,000 deductible)	858,581
Electronic Data Processing Equip Coverage (\$1,000 deductible)	48,171
Automobile Vehicle Liability (\$0 deductible)	2,000,000
Uninsured/Under Insured Motorists Per Occurrence	100,000
Medical Expenses	1,000
Wrongful Acts Coverage (\$2,500 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Employee Benefits (\$1,000 deductible)	1,000,000
Medical Expense (other than auto)	5,000
Law Enforcement Liability (\$2,000 deductible)	
Per occurrence	2,000,000

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

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

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATION

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

NOTE 16 – CONTINGENT LIABILITIES

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

Federal and State Grants: In 2009, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 17 – COMPLIANCE

Ohio Revised Code Section 5705.41(B):

At December 31, 2009, total disbursements plus encumbrances exceeded total appropriations in the following funds:

General Fund		
Transportation	\$	10,208
Bridge and Street Fund		
Interest and Fiscal Charges		1,247
Fire Fund		
Principal		157,490
Interest and Fiscal Charges		8,624
Police Fund		
Interest and Fiscal Charges		918

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Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Pike County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 8, 2010, wherein we noted there was a lack of sufficient competent evidential matter to gain the necessary assurances regarding the accuracy, completeness, existence and valuation of the capital assets reported in the governmental activities, business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2009. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A deficiency in internal controls 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and timely corrected. We consider finding 2009-003 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-004 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 8, 2010.

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



Mary Taylor, CPA
Auditor of State

September 8, 2010

CITY OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

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

FINDING NUMBER 2009-001

Noncompliance Citation - Finding for Recovery

Travis Holden, former Mayor's Court Clerk, received cash payments for fines and bond receipts from police dispatchers and was responsible for depositing the monies he received. Mr. Holden would issue a computer generated receipt upon receipt of the cash payments from the police dispatchers. On March 5, 2009, Mr. Holden received a cash payment for a bond receipt from a police dispatcher in the amount of \$1,000. Mr. Holden issued duplicate receipt number 63 upon receipt of the cash payment, which indicated the money was received in cash. The police dispatcher receipt number 231287 also indicated the money was received in cash. During testing it was noted that this receipt was recorded on the Bond Receipts report, but was not deposited to the bank.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for monies collected but unaccounted for is hereby issued against Travis Holden, former Mayor's Court Clerk, and the Cincinnati Insurance Company, his bonding company, jointly and severally, in the amount of \$1,000, in favor of the Office of the Mayor Bank Account.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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 City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

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

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

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund 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 City Auditor did not certify the availability of funds prior to making commitments for 57% of the disbursements tested for 2009. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 City’s funds exceeding budgetary spending limitations, we recommend that the City Auditor certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City 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 City Auditor should sign the certification at the time the City incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The City Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-003

Material Weakness

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

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

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Material Weakness (Continued)

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

During 2006, the City contracted with an appraisal firm to perform an appraisal of the City's capital assets. The appraisal firm based values included in the appraisal report primarily on information provided by the City, which consisted mostly of estimates of values and acquisition dates. We tested these estimates in the audit of the City's 2004 and 2005 financial statements and determined them to be inaccurate, or at least unsupported.

We also noted several of the City's capital assets, including Water Department items and fire trucks, that were excluded from the appraisal prepared during 2006, even though the governmental activities capital assets were restated by an increase of \$37,954 and the business-type activities capital assets were restated by an increase of \$2,286,176. In addition, the appraisal incorrectly noted \$0 for vehicles in governmental activities at January 1, 2006. The appraisal also incorrectly removed the vehicles category in the business-type activities.

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

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

In the years following the 2006 appraisal, there have been various other inaccuracies such as Capital Asset Change Transmittal Forms not being accurate as compared to the resulting additions and deletions on the appraisal company's reports, additions were purchased prior to the audit period and the capitalized cost on one of them did not agree to the actual cost of the asset and unrecorded additions on the appraisal report. Also, there were two pickup trucks listed on the appraisal company's deletion report that were actually additions. These items resulted in errors to the capital assets. These errors resulted from the City not performing a review of the appraisal report.

The City should have records to support the valuation of material capital assets. The City should record additions and deletions when the transactions occur. When an asset is purchased and has been received, the City Auditor or his designee should complete a fixed asset addition form and attach a copy of the invoice for payment to it. The Auditor's Office should assign a tag and affix it to the appropriate asset. The City Auditor or his designee should record the tag number on the asset addition form. The City Auditor should then file the form in a separate file for asset additions

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Material Weakness (Continued)

If this process is used throughout the year, the City Auditor can then use the file with the addition forms to prepare the annual update to be sent to the appraisal firm. When an asset is disposed of, the City Auditor or his designee should complete an asset disposal form. The City Auditor or his designee should remove the asset inventory tag from the asset and attach it to the disposal form to ensure that the appropriate asset is removed from the inventory listing. The City Auditor should maintain the disposal forms in a separate file.

The City Auditor can then use this file at the end of the year to send the necessary information for the annual inventory update to the appraisal firm.

Such processes would enable the City to ensure that the amounts reported for capital assets are appropriately recorded and that the asset inventory is accurate for both reporting and insurance purposes. The City Auditor and the appraisal firm should adjust the values on the capital assets reports to agree to the actual amounts expended for the assets and maintain the documentation to support these values.

FINDING NUMBER 2009-004

Significant Deficiency

Estimated receipts posted to the City's accounting system should agree to amounts on the City's certificate of estimated resources received from the County Budget Commission. At year-end, amounts per the City's accounting system did not agree to the certificate of estimated resources as noted below:

Fund	Estimated Revenues Per Official Certificate	Estimated Revenues Posted to Accounting System	Variance
General	\$2,568,900	\$2,400,466	\$168,434
Bridge & Street	693,419	520,100	173,319
Fire	452,971	303,250	149,721
Police	1,039,262	1,205,800	(166,538)
Recreational Complex	230,759	34,500	196,259
Second Street	262,973	60,000	202,973
Sewer	1,065,138	800,000	265,138

Without accurate reports, informed decisions cannot be made.

We recommend estimated revenue amounts per the certificate of estimated resources be entered into the City's accounting system in order to properly monitor budget vs. actual information. Information posted to the accounting system should be compared to actual certificates of estimated resources to ensure information has been posted correctly.

Official's Response:

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

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 5705.36(A)(4) - Appropriations exceeded actual resources.	Yes	
2008-002	Ohio Rev. Code Section 5705.41(B) - Expenditures exceeded appropriations.	No	Partially Corrected – Reissued in the management letter.
2008-003	Ohio Rev. Code Section 5705.41(D)(1) - Not certifying the availability of funds prior to obligation.	No	Not Corrected - Reissued as current audit Finding Number 2009-002.
2008-004	Capital Assets listing not correct.	No	Not Corrected - Reissued as current audit Finding Number 2009-003.



Mary Taylor, CPA
Auditor of State

CITY OF WAVERLY

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 28, 2010**