



Dave Yost • Auditor of State

VILLAGE OF WATERVILLE
LUCAS COUNTY

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Dave Yost • Auditor of State

Village of Waterville
Lucas County
25 North Second Street
Waterville, Ohio 43566-1491

To the Members of Council:

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

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Dave Yost
Auditor of State

August 15, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waterville
Lucas County
25 North Second Street
Waterville, Ohio 43566-1491

To the Members of Council:

We have audited the accompanying financial statements of the Village of Waterville, Lucas County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Waterville, Lucas County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 15, 2011

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$346,804	\$61,059		\$407,863
Municipal Income Tax	1,994,138		\$437,738	2,431,876
Intergovernmental	530,587	285,794	1,267	817,648
Special Assessments			18,671	18,671
Charges for Services	264,389			264,389
Fines, Licenses and Permits	91,150	2,447		93,597
Earnings on Investments	44,764	2,407	17,291	64,462
Miscellaneous	39,000	5,363	10,181	54,544
	<u>3,310,832</u>	<u>357,070</u>	<u>485,148</u>	<u>4,153,050</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	1,568,791	75,336		1,644,127
Public Health Services	29,785			29,785
Leisure Time Activities	1,900		41,080	42,980
Community Environment	17,871	21,552		39,423
Basic Utility Service	238,290			238,290
Transportation		248,339		248,339
General Government	998,253	27,857	5	1,026,115
Debt Service:				
Redemption of Principal			2,601,617	2,601,617
Interest and Fiscal Charges			169,485	169,485
Capital Outlay		4,646	827,724	832,370
	<u>2,854,890</u>	<u>377,730</u>	<u>3,639,911</u>	<u>6,872,531</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>455,942</u>	<u>(20,660)</u>	<u>(3,154,763)</u>	<u>(2,719,481)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			2,596,625	2,596,625
Transfers-In		40,000		40,000
Transfers-Out	(40,000)			(40,000)
Advances-In			40,000	40,000
Advances-Out	(40,000)			(40,000)
	<u>(80,000)</u>	<u>40,000</u>	<u>2,636,625</u>	<u>2,596,625</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	375,942	19,340	(518,138)	(122,856)
Fund Cash Balances, January 1	<u>96,240</u>	<u>312,756</u>	<u>834,911</u>	<u>1,243,907</u>
Fund Cash Balances, December 31	<u><u>\$472,182</u></u>	<u><u>\$332,096</u></u>	<u><u>\$316,773</u></u>	<u><u>\$1,121,051</u></u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,839,954		\$1,839,954
Miscellaneous	23,609		23,609
Total Operating Cash Receipts	<u>1,863,563</u>		<u>1,863,563</u>
Operating Cash Disbursements:			
Personal Services	547,104		547,104
Travel Transportation	325		325
Contractual Services	525,424		525,424
Supplies and Materials	55,344		55,344
Basic Utility Services		\$1,572	1,572
Capital Outlay	387,844		387,844
Total Operating Cash Disbursements	<u>1,516,041</u>	<u>1,572</u>	<u>1,517,613</u>
Operating Income/(Loss)	<u>347,522</u>	<u>(1,572)</u>	<u>345,950</u>
Non-Operating Cash Receipts:			
Intergovernmental	125,633		125,633
Sale of Notes	961,244		961,244
Other Debt Proceeds	63,433		63,433
Other Non-Operating Cash Receipts	2,022	2,177	4,199
Total Non-Operating Cash Receipts	<u>1,152,332</u>	<u>2,177</u>	<u>1,154,509</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	1,173,864		1,173,864
Interest and Other Fiscal Charges	132,059		132,059
Total Non-Operating Cash Disbursements	<u>1,305,923</u>		<u>1,305,923</u>
Net Receipts Over Disbursements	193,931	605	194,536
Fund Cash Balances, January 1	<u>761,935</u>	<u>339</u>	<u>762,274</u>
Fund Cash Balances, December 31	<u>\$955,866</u>	<u>\$944</u>	<u>\$956,810</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$402,583	\$64,873		\$467,456
Municipal Income Tax	2,075,963		\$366,346	2,442,309
Intergovernmental	581,185	318,222	48,423	947,830
Special Assessments			21,763	21,763
Charges for Services	205,964	1,200		207,164
Fines, Licenses and Permits	22,035	71,913		93,948
Earnings on Investments	53,731	2,160	16,873	72,764
Miscellaneous	64,925		27,811	92,736
	<u>3,406,386</u>	<u>458,368</u>	<u>481,216</u>	<u>4,345,970</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,864,941	69,425		1,934,366
Public Health Services	22,310			22,310
Leisure Time Activities	30,571		84,283	114,854
Community Environment	123,678	28,674		152,352
Basic Utility Service	262,977			262,977
Transportation		298,500		298,500
General Government	1,095,705	924	5,722	1,102,351
Debt Service:				
Redemption of Principal			2,613,563	2,613,563
Interest and Fiscal Charges			160,544	160,544
Capital Outlay		71,132	415,343	486,475
	<u>3,400,182</u>	<u>468,655</u>	<u>3,279,455</u>	<u>7,148,292</u>
Total Receipts Over/(Under) Disbursements	<u>6,204</u>	<u>(10,287)</u>	<u>(2,798,239)</u>	<u>(2,802,322)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			2,419,745	2,419,745
Transfers-In			174,284	174,284
Transfers-Out			(174,284)	(174,284)
Advances-In	40,000		85,000	125,000
Advances-Out	(85,000)		(40,000)	(125,000)
	<u>(45,000)</u>		<u>2,464,745</u>	<u>2,419,745</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(38,796)	(10,287)	(333,494)	(382,577)
Fund Cash Balances, January 1	<u>135,036</u>	<u>323,043</u>	<u>1,168,405</u>	<u>1,626,484</u>
Fund Cash Balances, December 31	<u>\$96,240</u>	<u>\$312,756</u>	<u>\$834,911</u>	<u>\$1,243,907</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,736,333		\$1,736,333
Miscellaneous	6,957		6,957
Total Operating Cash Receipts	<u>1,743,290</u>		<u>1,743,290</u>
Operating Cash Disbursements:			
Personal Services	581,732		581,732
Travel Transportation	2,724		2,724
Contractual Services	618,397		618,397
Supplies and Materials	65,487		65,487
Basic Utility Services		\$2,410	2,410
Capital Outlay	539,831		539,831
Total Operating Cash Disbursements	<u>1,808,171</u>	<u>2,410</u>	<u>1,810,581</u>
Operating Loss	<u>(64,881)</u>	<u>(2,410)</u>	<u>(67,291)</u>
Non-Operating Cash Receipts:			
Intergovernmental	110,950		110,950
Sale of Notes	1,064,191		1,064,191
Other Debt Proceeds	157,389		157,389
Other Non-Operating Cash Receipts	1,299	2,125	3,424
Total Non-Operating Cash Receipts	<u>1,333,829</u>	<u>2,125</u>	<u>1,335,954</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	1,291,066		1,291,066
Interest and Other Fiscal Charges	135,307		135,307
Total Non-Operating Cash Disbursements	<u>1,426,373</u>		<u>1,426,373</u>
Net Disbursements Over Receipts	(157,425)	(285)	(157,710)
Fund Cash Balances, January 1	<u>919,360</u>	<u>624</u>	<u>919,984</u>
Fund Cash Balances, December 31	<u><u>\$761,935</u></u>	<u><u>\$339</u></u>	<u><u>\$762,274</u></u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

Effective April, 2011 the Village officially became a City.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue fund:

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. Capital Project Funds

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

Five-Year Operating Budget Capital Fund – This fund is used for projected capital expenditures over the next five years.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs. The water is purchased from the City of Toledo.

Sewer Debt Fund - This fund receives charges for services from residents to pay for sewer debt related to capital improvements in the sanitary sewer department.

5. Fiduciary Fund (Agency)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for charges for services from residents outside the Village limits to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$52,123	\$172,744
Certificates of deposit	1,238,043	1,238,043
Other time deposits (savings and NOW accounts)	278,860	33,939
Total deposits	1,569,026	1,444,726
U.S. Treasury Notes	502,397	555,017
STAR Ohio	6,438	6,438
Total investments	508,835	561,455
Total deposits and investments	\$2,077,861	\$2,006,181

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

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,289,729	\$3,310,832	\$21,103
Special Revenue	369,557	397,070	27,513
Capital Projects	3,443,713	3,121,773	(321,940)
Enterprise	2,988,739	3,015,895	27,156
Total	\$10,091,738	\$9,845,570	(\$246,168)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,173,846	\$2,934,890	\$238,956
Special Revenue	438,567	377,730	60,837
Capital Projects	3,704,776	3,639,911	64,865
Enterprise	3,218,473	2,821,964	396,509
Total	\$10,535,662	\$9,774,495	\$761,167

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,564,664	\$3,446,386	(\$118,278)
Special Revenue	443,650	458,368	14,718
Capital Projects	3,060,500	3,160,245	99,745
Enterprise	2,918,700	3,077,119	158,419
Total	\$9,987,514	\$10,142,118	\$154,604

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,666,956	\$3,485,182	\$181,774
Special Revenue	563,681	468,655	95,026
Capital Projects	3,812,810	3,493,739	319,071
Enterprise	3,731,238	3,234,544	496,694
Total	\$11,774,685	\$10,682,120	\$1,092,565

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In 2010, eighty-two percent (82%) of the income tax proceeds were placed in the General Fund while eighteen percent (18%) were earmarked for capital expenditures. In 2009, eighty-five percent (85%) of the income tax proceeds were placed in the General Fund while fifteen percent (15%) were earmarked for capital expenditures.

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

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Bonds, Series 2002	\$1,575,000	3.90%
Building Improvement General Obligation Bond	30,000	7.38%
Various Purpose Municipal Improvement Bond		
Anticipation Notes - Series 2010	3,557,869	3.00%
Ohio Public Works Commission Loan #CL318	29,400	0.00%
Ohio Public Works Commission Loan #CT26A	67,127	0.00%
Ohio Public Works Commission Loan #CL11A	54,608	0.00%
Ohio Public Works Commission Loan #CL19C	3,685	0.00%
Ohio Public Works Commission Loan #CT34E	40,320	0.00%
Ohio Public Works Commission Loan #CL20F	40,310	0.00%
Ohio Public Works Commission Loan #CT36G	67,810	0.00%
Ohio Public Works Commission Loan #CT39H	108,412	1.00%
Ohio Public Works Commission Loan #CT24J	215,462	0.00%
Ohio Public Works Commission Loan #CL27K	117,759	0.00%
Ohio Public Works Commission Loan #CL20L	152,550	0.00%
Ohio Water Development Authority Loan #5461	46,748	2.75%
Ohio Water Development Authority Loan #3005	152,127	5.85%
Total	<u>\$6,259,187</u>	

The Various Purpose Bonds, series 2002 relate to the Village's fire station and to remodel and develop the old fire station into a community center. The Bonds were originally issue for \$2,100,000 at a variable rate not to exceed 6.00 percent interest, payable semiannually over twenty-five years. The Village's taxing authority collateralizes the bonds.

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

The Building Improvement General Obligation Bonds relate to the construction of municipal and maintenance buildings. The village originally issue \$600,000 in bonds at 7.38 percent interest, payable semiannually over twenty years. The Village's taxing authority collateralizes the bonds.

The Village issued \$3,557,869 in Various Purpose Municipal Improvement Bond Anticipation Notes – Series 2010 which were used to retire the previously issued BAN's for various improvements. The notes bear an interest rate of 3.0 percent and are payable in one year.

The Ohio Public Works Commission (OPWC) loan #CL318 relates to the River Road sanitary sewer project. OPWC loaned the Village \$294,000 for this project. The Village will repay the loan in semiannual installments of \$7,350 over 20 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT26A relates to the roadway paving program. OPWC loaned the Village \$157,946 for this project. The Village will repay the loan in semiannual installments of \$3,949 over 20 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CL11A relates to the sanitary sewer replacement project. OPWC loaned the Village \$128,489 for this project. The Village will repay the loan in semiannual installments of \$3,212 over 20 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CL19C relates to the Village Parkway, Sycamore Lane and US 24 roadway project. OPWC loaned the Village \$73,700 over 10 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT34E relates to the Waterville-Monclova road project. OPWC loaned the Village \$134,399. The Village will repay the loan in semiannual installments of \$6,720 over 10 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CL20F relates to the sanitary sewer lining – phase 2. OPWC loaned the Village \$57,585. The Village will repay the loan in semiannual installments of \$1,440 over 20 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT36G relates to the masonic watermain looping project. OPWC loaned the Village \$150,689. The Village will repay the loan in semiannual installments of \$7,534 over 10 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT39H relates to the Dutch Road sanitary pump station rehabilitation. OPWC loaned the Village \$129,202. The Village will repay the loan in semiannual installments of \$3,572, including interest, over 20 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT24J relates to the paving program. OPWC loaned the Village \$246,242. The Village will repay the loan in semiannual installments of \$6,156. The loan is collateralized by undivided local government funds.

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

The Ohio Public Works Commission (OPWC) loan #CL27K relates to the elevated water tank rehabilitation. OPWC loaned the Village \$127,307. The Village will repay the loan in semiannual installments of \$3,183. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CL20L relates to the replacement of pump station generators. OPWC loaned the Village \$152,550. The Village will repay the loan in semiannual installments of \$3,814. The loan is collateralized by undivided local government funds.

The Ohio Water Development Authority (OWDA) loan #5461 relates to phase 3 of the sanitary sewer lining project. OWDA approved up to \$172,380 in loans for this project, \$125,633 of which was forgiven by an ARRA grant received by the Village. The Village will repay the remaining balance in semiannual installments over 20 years. This project is still in open status, and therefore no amortization schedule is available at this time.

The Ohio Water Development Authority (OWDA) loan #3005 relates to a water line construction project. OWDA approved up to \$508,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$21,876, including interest, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC CL11A	OPWC CL19C	OPWC CT34E	OPWC CL20F	OPWC CT36G
2011	\$6,424	\$3,685	\$13,440	\$2,879	\$15,069
2012	6,424		13,440	2,879	15,069
2013	6,424		13,440	2,879	15,069
2014	6,424			2,879	15,069
2015	6,424			2,879	7,534
2016-2020	22,488			14,396	
2021-2025				11,519	
Total	<u>\$54,608</u>	<u>\$3,685</u>	<u>\$40,320</u>	<u>\$40,310</u>	<u>\$67,810</u>

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

Year ending December 31:	OWDA Loan #3005	Various Purpose Bonds, Series 2002	Building Improvement General Obligation Bond	OPWC CL318	OPWC CT26A
2011	\$43,752	\$153,038	\$32,213	\$14,700	\$7,897
2012	43,752	150,038		14,700	7,897
2013	43,752	146,963			7,897
2014	43,752	143,175			7,897
2015		144,388			7,897
2016-2020		721,542			27,642
2021-2025		722,260			
2026-2030		141,816			
Total	\$175,008	\$2,323,220	\$32,213	\$29,400	\$67,127

Year ending December 31:	OPWC CT39H	OPWC CT24J	OPWC CL27K	OPWC CL20L	Various Improvement BAN Series 2010
2011	\$7,144	\$12,312	\$6,365	\$7,628	\$3,664,605
2012	7,144	12,312	6,365	7,628	
2013	7,144	12,312	6,365	7,628	
2014	7,144	12,312	6,365	7,628	
2015	7,144	12,312	6,365	7,628	
2016-2020	35,719	61,561	31,827	38,138	
2021-2025	35,719	61,561	31,827	38,138	
2026-2030	10,716	30,780	22,280	38,134	
Total	\$117,874	\$215,462	\$117,759	\$152,550	\$3,664,605

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 24% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management (Continued)

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009, and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

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

9. Contractual Commitments

In 1973, the Village entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Waste Treatment Plant. The Village is to pay a portion of the construction cost of the plant to Lucas County over a period of 40 years. As of December 31, 2010, the Village owed Lucas County \$124,165 in principal and interest for this expansion.

In 1996, the plant was expanded. The Village is to pay a portion of the treatment plant's construction costs based on their quarterly consumption rate. Based on an average between quarterly consumption rates for 2009 and 2010, the Village owed Lucas County approximately \$222,770. Since the amount owed by the Village is variable, and based on consumption, there is no amortization schedule available.

In 2007, the plant was expanded again. The Village is to pay 13.33 percent of the improvement costs of the plant to Lucas County over a period of 20 years. As of December 31, 2010 the Village owed Lucas County \$2,560,874.

In 2010, the plant was expanded again. The Village is to pay a portion of the treatment plant's construction costs based on the quarterly consumption rates. As of December 31, 2010 the project is still in the open status and there is no amortization schedule available to determine the amount owed by the Village.

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. Contractual Commitments (Continued)

The annual requirements to amortize these commitments are as follows:

Year ending December 31:	Fixed (1973)	Fixed (2007 Expansion)
2011	<u>\$19,102</u>	<u>\$134,783</u>
2012	19,102	134,783
2013	19,102	134,783
2014	19,102	134,783
2015	19,102	134,783
2016-2020	28,655	673,914
2021-2025		673,914
2026-2030		539,131
Total	<u><u>\$124,165</u></u>	<u><u>\$2,560,874</u></u>

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Dave Yost • Auditor of State

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

Village of Waterville
Lucas County
25 North Second Street
Waterville, Ohio 43566-1491

To the Members of Council:

We have audited the financial statements of the Village of Waterville, Lucas County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 15, 2011, wherein we noted the Village followed accounting principles the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 15, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 15, 2011

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Material Weakness

Financial Reporting

The review of the financial statements resulted in the following significant audit adjustments:

2009

- Cable franchise receipts (\$69,408) in the Parks and Green Space Improvement Fund were posted as miscellaneous receipts instead of fines, licenses and permits, and
- Debt service principal disbursements (\$451,733) in the Water Debt Fund were posted as interest and fiscal charges.

Additional adjustments were made in smaller relative amounts.

The adjustments made were properly posted in the Village's accounting system. However, errors were made when transferring the data from the accounting system to the Village's annual report, which resulted in the financial statements being misstated. The accompanying financial statements have been adjusted to correct these errors.

Sound financial reporting is the responsibility of the Director of Finance and Administration and the Village Council, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by the Village Council to identify and correct errors and misclassifications.

Officials' Response:

We did not receive a response from Official's to this finding.

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VILLAGE OF WATERVILLE
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 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	Material Weaknesses over Financial Reporting	No	Not Corrected; Repeated as Finding #2010-001 in this report

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VILLAGE OF WATERVILLE

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 30, 2011