



Dave Yost • Auditor of State



VILLAGE OF WAVERLY  
PIKE COUNTY

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VILLAGE OF WAVERLY  
PIKE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Bridge and Street Fund	Unmodified
Fire Fund	Unmodified
Police Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

***Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water Fund and Sewer Fund***

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Capital Assets and related accumulated depreciation and depreciation expense reported in the governmental activities, business-type activities, the major Water Fund and the major Sewer Fund for the year ended December 31, 2016. Amounts reported for Capital assets and Depreciation Expense represented the following percentages of Total Assets/Total Expense for each opinion unit:

<b>Opinion Unit</b>	<b>Capital Assets Amount (net of related depreciations)</b>	<b>Percentage of Total Assets</b>
Governmental Activities	\$ 3,386,297	50.8%
Business-Type Activities	7,879,817	84.8%
Major Water Fund	3,469,800	86.5%
Major Sewer Fund	4,410,017	83.6%
<b>Opinion Unit</b>	<b>Depreciation Expense</b>	<b>Percentage of Total Expense</b>
Governmental Activities	\$ 195,944	6.3%
Business-Type Activities	265,474	14.5%
Major Water Fund	135,398	14.6%
Major Sewer Fund	130,076	14.3%

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

**Qualified Opinions**

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water Fund and Sewer Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water Fund and Sewer Fund of the Village of Waverly, as of December 31 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General, Bridge and Street, Fire, and Police major funds , and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio as of December 31 2016, and the respective changes in its financial position thereof and the respective budgetary comparisons for the General, Bridge and Street, Fire and Police funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 30, 2018

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**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

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The discussion and analysis of the Village of Waverly's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

### **Financial Highlights**

Key financial highlights for 2016 are as follows:

- In total, net position increased \$346,686. Net position of governmental activities increased \$109,786. Net position of business-type activities increased \$236,900.
- Governmental activities general revenues accounted for \$2,607,619 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$611,605 or 19 percent of total revenues of \$3,219,224. Business-type activities general revenues accounted for \$29,214 in revenue or 1.4 percent of all revenues. Program specific revenues accounted for \$2,043,414 or 98.6 percent of total revenues of \$2,072,628.
- The Village had \$3,109,438 in expenses related to governmental activities; \$611,605 of these expenses was offset by program specific charges for services and sales, grants and contributions. The Village had \$1,835,728 in expenses related to business-type activities; all of these expenses were offset by program specific charges for services and sales.

### **Using the Annual Financial Report**

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

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

### **Reporting the Village as a Whole**

#### Statement of Net Position and Statement of Activities

While this report contains information about the funds used by the Village to provide services to our citizens, the view of the Village as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

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

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

**Reporting the Village's Most Significant Funds**

Fund Financial Statements

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

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

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

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2016 compared to the prior year:

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$ 3,284,216	\$ 2,897,821	\$ 1,408,124	\$ 1,224,134	\$ 4,692,340	\$ 4,121,955
Capital Assets, Net	3,386,297	3,092,522	7,879,817	8,118,999	11,266,114	11,211,521
<b>Total Assets</b>	<b>6,670,513</b>	<b>5,990,343</b>	<b>9,287,941</b>	<b>9,343,133</b>	<b>15,958,454</b>	<b>15,333,476</b>
<b>Deferred Outflows of Resources</b>						
Pension	699,229	245,262	238,555	74,066	937,784	319,328
<b>Liabilities</b>						
Current and Other Liabilities	93,931	59,243	62,904	67,213	156,835	126,456
Long-Term Liabilities:						
Due within One Year	267,981	253,177	264,076	192,493	532,057	445,670
Due in More than One Year:						
Net Pension Liability	2,195,442	1,635,546	594,850	403,828	2,790,292	2,039,374
Other Amounts	398,295	179,852	1,781,179	2,171,496	2,179,474	2,351,348
<b>Total Liabilities</b>	<b>2,955,649</b>	<b>2,127,818</b>	<b>2,703,009</b>	<b>2,835,030</b>	<b>5,658,658</b>	<b>4,962,848</b>
<b>Deferred Inflows of Resources</b>						
Taxes	745,588	567,547	-	-	745,588	567,547
Pension	30,054	11,575	11,513	7,095	41,567	18,670
<b>Total Deferred Inflows of Resources</b>	<b>775,642</b>	<b>579,122</b>	<b>11,513</b>	<b>7,095</b>	<b>787,155</b>	<b>586,217</b>
<b>Net Position</b>						
Net Investment in Capital Assets	2,768,925	2,700,312	5,856,189	5,776,646	8,625,114	8,476,958
Restricted	825,413	688,165	-	-	825,413	688,165
Unrestricted	44,113	140,188	955,785	798,428	999,898	938,616
<b>Total Net Position</b>	<b>\$ 3,638,451</b>	<b>\$ 3,528,665</b>	<b>\$ 6,811,974</b>	<b>\$ 6,575,074</b>	<b>\$ 10,450,425</b>	<b>\$ 10,103,739</b>

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

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The net pension liability equals the Village's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Village is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Village's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Total assets increased \$624,978. This increase was due primarily to an increase in cash and cash equivalents, taxes receivable, and capital assets in governmental activities. Deferred outflows of resources increased due primarily to actuarial calculations related to pensions.

Total liabilities increased \$695,810. Current and other liabilities increased due and increase in accrued wages and benefits and due to other governments. The decrease to other amounts due in more than one year is primarily due to debt principal payments. Deferred inflows of resources increased due to the deferred inflows of resources related to pensions and taxes.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

Table 2 shows the changes in net position for the year ended December 31, 2016 as compared to the prior year.

Table 2  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$ 347,932	\$ 280,996	\$ 2,043,414	\$ 1,816,993	\$ 2,391,346	\$ 2,097,989
Operating Grants and Contributions	263,673	233,162	-	-	263,673	233,162
Total Program Revenues	611,605	514,158	2,043,414	1,816,993	2,655,019	2,331,151
General Revenues:						
Property & Income Taxes	2,240,862	2,054,944	-	-	2,240,862	2,054,944
Unrestricted Grants and Entitlements	314,450	242,199	-	-	314,450	242,199
Investment Earnings	1,319	1,158	21	1,838	1,340	2,996
Gain on Sale of Capital Assets	2,275	46,775	-	-	2,275	46,775
Other	48,713	64,572	29,193	47,668	77,906	112,240
Total General Revenues	2,607,619	2,409,648	29,214	49,506	2,636,833	2,459,154
Total Revenues	3,219,224	2,923,806	2,072,628	1,866,499	5,291,852	4,790,305
<b>Program Expenses</b>						
General Government -						
Legislative and Executive	1,032,108	876,169	-	-	1,032,108	876,169
Security of Persons & Property	1,495,558	1,292,365	-	-	1,495,558	1,292,365
Public Health	-	1,470	-	-	-	1,470
Leisure Time Services	14,253	66,107	-	-	14,253	66,107
Transportation	555,932	548,737	-	-	555,932	548,737
Interest and Fiscal Charges	11,587	13,821	-	-	11,587	13,821
Water	-	-	928,798	836,862	928,798	836,862
Sewer	-	-	906,930	1,017,746	906,930	1,017,746
Total Expenses	3,109,438	2,798,669	1,835,728	1,854,608	4,945,166	4,653,277
Increase (Decrease) in Net Position	109,786	125,137	236,900	11,891	346,686	137,028
Beginning Net Position	3,528,665	3,403,528	6,575,074	6,563,183	10,103,739	9,966,711
Ending Net Position	\$ 3,638,451	\$ 3,528,665	\$ 6,811,974	\$ 6,575,074	\$ 10,450,425	\$ 10,103,739

Charges for Services and Sales increased due to impound fees. Unrestricted Grants and Entitlements increased due to an increase in inheritance collections in 2016. Legislative and Executive expenses increased due to costs related to impound fees. Leisure Time Services decreased due to a decrease in expenses related to parks and recreation.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

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**Governmental Activities**

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

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

**Business-Type Activities**

The Village's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the Village's residents. The sewer operations generated program revenues of \$1,094,769 and had expenses of \$906,930. The water operations generated program revenues of \$948,645 and had expenses of \$928,798. The Village's goal is to cover the costs of operations as well as build cash balance in these funds. The Village is also generating funds for additional capital expansion to ensure continued capavillage and capavillage improvements for future growth and development.

**The Village's Funds**

The Village's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financial sources of \$4,813,079 and expenditures and other financing uses of \$4,710,908. The net change in fund balance for the year in the General Fund decreased \$3,013 due primarily expenditures and transfers out exceeding revenues in 2016. The Police Fund had a fund balance increase of \$38,092. The Bridge and Street Fund had a fund balance increase of \$43,132. The Fire Fund had a fund balance increase of \$47,671.

**General Fund Budgeting Highlights**

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

For the General Fund, final budgeted revenues were \$1,983,388. Actual revenues were higher than final budgeted revenues in the amount of \$241,061 due primarily to higher than expected income tax, fees, licenses and permits, and fines and forfeitures. Original and final budgeted expenditures and other financing uses were \$2,380,934 and \$2,561,504, respectively. Actual budgetary basis expenditures and other financing uses were \$2,185,257, which is lower than the final budgeted expenditures and other financing uses due primarily to less expenditures for legislative and executive and capital outlay.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year end 2016, the Village had \$11,266,114 invested in land, land improvements, buildings and improvements, furniture and equipment, water and sewer lines, and infrastructure, net of accumulated depreciation. Table 3 shows 2016 balances as compared to the prior year.

Table 3  
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 239,268	\$ 239,268	\$ 70,000	\$ 70,000	\$ 309,268	\$ 309,268
Land Improvements	25,953	23,869	8,503	9,503	34,456	33,372
Buildings and Improvements	790,702	809,842	6,801,088	7,027,490	7,591,790	7,837,332
Furniture and Equipment	823,494	443,040	20,515	1,405	844,009	444,445
Infrastructure	1,506,880	1,576,503	979,711	1,010,601	2,486,591	2,587,104
<b>Totals</b>	<b>\$ 3,386,297</b>	<b>\$ 3,092,522</b>	<b>\$ 7,879,817</b>	<b>\$ 8,118,999</b>	<b>\$ 11,266,114</b>	<b>\$ 11,211,521</b>

The increase noted in Governmental Activities capital assets is primarily due to the addition of equipment. The decrease noted in Business-Type Activities capital assets is due to current year depreciation expense which was partially offset by additions. See Note 8 for additional information on the Village's capital assets.

**Debt**

At December 31, 2016, the Village of Waverly had \$2,711,531 in notes, loans, and compensated absences outstanding with \$532,057 due within one year.

Table 4  
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Compensated Absences	\$ 48,904	\$ 40,819	\$ 21,627	\$ 21,636	\$ 70,531	\$ 62,455
Long Term Notes and Loans	526,852	292,721	-	52,015	526,852	344,736
O.W.D.A. Loans	-	-	1,775,876	2,024,111	1,775,876	2,024,111
O.P.W.C. Loans	90,520	99,489	247,752	266,227	338,272	365,716
<b>Total</b>	<b>\$ 666,276</b>	<b>\$ 433,029</b>	<b>\$ 2,045,255</b>	<b>\$ 2,363,989</b>	<b>\$ 2,711,531</b>	<b>\$ 2,797,018</b>

The Village's overall legal debt margin was \$7,167,615 at December 31, 2016.

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

**The Future**

The Village continues to work diligently to increase revenues and decrease costs to keep the Village in a solid financial position.

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

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**Contacting the Village's Finance Department**

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



**Village of Waverly**  
*Statement of Net Position*  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,638,122	\$ 917,353	\$ 2,555,475
Receivables:			
Taxes	1,391,175	-	1,391,175
Accounts	6,465	475,201	481,666
Prepaid Items	36,366	15,570	51,936
Due from Other Governments	204,265	-	204,265
Due from Other Funds	7,823	-	7,823
Non-Depreciable Capital Assets	239,268	70,000	309,268
Depreciable Capital Assets, Net	<u>3,147,029</u>	<u>7,809,817</u>	<u>10,956,846</u>
<i>Total Assets</i>	<u>6,670,513</u>	<u>9,287,941</u>	<u>15,958,454</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension	<u>699,229</u>	<u>238,555</u>	<u>937,784</u>
<b>LIABILITIES:</b>			
Accounts Payable	12,416	38,776	51,192
Accrued Wages and Benefits	20,362	9,638	30,000
Due to Other Governments	61,153	14,490	75,643
Long-Term Liabilities:			
Due Within One Year	267,981	264,076	532,057
Due in More Than One Year:			
Net Pension Liability (See Note 9)	2,195,442	594,850	2,790,292
Other Amounts Due in More than One Year	<u>398,295</u>	<u>1,781,179</u>	<u>2,179,474</u>
<i>Total Liabilities</i>	<u>2,955,649</u>	<u>2,703,009</u>	<u>5,658,658</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes Not Levied to Finance Current Year Operations	745,588	-	745,588
Pension	<u>30,054</u>	<u>11,513</u>	<u>41,567</u>
<i>Total Deferred Inflows of Resources</i>	<u>775,642</u>	<u>11,513</u>	<u>787,155</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,768,925	5,856,189	8,625,114
Restricted for:			
Capital Projects	37,979	-	37,979
Police	180,047	-	180,047
Bridge and Street	184,583	-	184,583
Fire	149,709	-	149,709
Inter-city Highway	53,333	-	53,333
Waverly South Central	87,666	-	87,666
Other Purposes	132,096	-	132,096
Unrestricted	<u>44,113</u>	<u>955,785</u>	<u>999,898</u>
<i>Total Net Position</i>	<u>\$ 3,638,451</u>	<u>\$ 6,811,974</u>	<u>\$ 10,450,425</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
General Government:						
Legislative and Executive	\$ 1,032,108	\$ 109,165	\$ -	\$ (922,943)	\$ -	\$ (922,943)
Security of Persons and Property	1,495,558	210,671	187,619	(1,097,268)	-	(1,097,268)
Leisure Time Services	14,253	1,659	-	(12,594)	-	(12,594)
Transportation	555,932	26,301	75,635	(453,996)	-	(453,996)
Interest and Fiscal Charges	11,587	136	419	(11,032)	-	(11,032)
<i>Total Governmental Activities</i>	<u>3,109,438</u>	<u>347,932</u>	<u>263,673</u>	<u>(2,497,833)</u>	<u>-</u>	<u>(2,497,833)</u>
Business-Type Activities:						
Sewer	906,930	1,094,769	-	-	187,839	187,839
Water	928,798	948,645	-	-	19,847	19,847
<i>Total Business-Type Activities</i>	<u>1,835,728</u>	<u>2,043,414</u>	<u>-</u>	<u>-</u>	<u>207,686</u>	<u>207,686</u>
<i>Totals</i>	<u>\$ 4,945,166</u>	<u>\$ 2,391,346</u>	<u>\$ 263,673</u>	<u>(2,497,833)</u>	<u>207,686</u>	<u>(2,290,147)</u>
General Revenues:						
Taxes:						
Property Taxes - General Purposes				135,436	-	135,436
Property Taxes - Other Purposes				493,814	-	493,814
Income Taxes				1,611,612	-	1,611,612
Grants and Entitlements not Restricted to Specific Programs				314,450	-	314,450
Investment Earnings				1,319	21	1,340
Gain on Sale of Capital Assets				2,275	-	2,275
Miscellaneous				48,713	29,193	77,906
<i>Total General Revenues</i>				<u>2,607,619</u>	<u>29,214</u>	<u>2,636,833</u>
<i>Change in Net Position</i>				109,786	236,900	346,686
<i>Net Position Beginning of Year</i>				<u>3,528,665</u>	<u>6,575,074</u>	<u>10,103,739</u>
<i>Net Position End of Year</i>				<u>\$ 3,638,451</u>	<u>\$ 6,811,974</u>	<u>\$ 10,450,425</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Balance Sheet*  
**Governmental Funds**  
*December 31, 2016*

	General	Bridge and Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 931,818	\$ 104,274	\$ 150,510	\$ 166,805	\$ 284,715	\$ 1,638,122
Receivables:						
Taxes	747,491	79,541	137,272	426,871	-	1,391,175
Accounts	5,206	84	84	84	1,007	6,465
Due from Other Governments	67,630	85,484	6,166	19,633	25,352	204,265
Prepaid Items	9,226	9,939	3,931	13,270	-	36,366
Due from Other Funds	7,823	-	-	-	-	7,823
<i>Total Assets</i>	<u>1,769,194</u>	<u>279,322</u>	<u>297,963</u>	<u>626,663</u>	<u>311,074</u>	<u>3,284,216</u>
<b>LIABILITIES:</b>						
Accounts Payable	9,314	1,040	1,118	944	-	12,416
Accrued Wages and Benefits	5,134	4,172	1,842	9,214	-	20,362
Due to Other Governments	23,573	7,739	6,595	23,246	-	61,153
<i>Total Liabilities</i>	<u>38,021</u>	<u>12,951</u>	<u>9,555</u>	<u>33,404</u>	<u>-</u>	<u>93,931</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenue						
Delinquent Taxes	4,938	4,789	6,999	23,327	-	40,053
Income Taxes	326,607	-	-	-	-	326,607
Property Taxes Not Levied to Finance Current						
Year Operations	148,712	73,143	127,917	395,816	-	745,588
Grants	58,083	73,757	6,166	19,633	21,634	179,273
<i>Total Deferred Inflows of Resources</i>	<u>538,340</u>	<u>151,689</u>	<u>141,082</u>	<u>438,776</u>	<u>21,634</u>	<u>1,291,521</u>
<b>FUND BALANCES:</b>						
Nonspendable	17,183	9,939	3,931	13,270	-	44,323
Restricted	-	104,743	143,395	141,213	176,982	566,333
Committed	193,260	-	-	-	112,458	305,718
Assigned	576,885	-	-	-	-	576,885
Unassigned	405,505	-	-	-	-	405,505
<i>Total Fund Balances</i>	<u>1,192,833</u>	<u>114,682</u>	<u>147,326</u>	<u>154,483</u>	<u>289,440</u>	<u>1,898,764</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 1,769,194</u>	<u>\$ 279,322</u>	<u>\$ 297,963</u>	<u>\$ 626,663</u>	<u>\$ 311,074</u>	<u>\$ 3,284,216</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2016*

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**Total Governmental Fund Balances** \$ 1,898,764

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,386,297

Certain receivables reported as revenues on the statement of activities are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.

Taxes	366,660
Intergovernmental	179,273
	345,933

Total 545,933

The net pension liability is not due and payable in the current period: therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	699,229
Deferred Inflows - Pension	(30,054)
Net Pension Liability	(2,195,442)
	(1,526,267)

Total (1,526,267)

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	(48,904)
General Obligation Notes and Loans Payable	(617,372)
	(666,276)

Total (666,276)

**Net Position of Governmental Activities** **\$ 3,638,451**

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See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Bridge and Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 1,725,766	\$ 64,440	\$ 99,825	\$ 321,135	\$ -	\$ 2,211,166
Intergovernmental	204,457	156,452	62,663	64,133	54,219	541,924
Interest	1,166	24	-	-	129	1,319
Charges for Services	-	-	38,430	45,119	960	84,509
Fees, Licenses and Permits	134,282	-	-	600	-	134,882
Fines and Forfeitures	128,444	-	-	-	97	128,541
Other	10,955	995	5,386	3,126	28,251	48,713
<i>Total Revenues</i>	<u>2,205,070</u>	<u>221,911</u>	<u>206,304</u>	<u>434,113</u>	<u>83,656</u>	<u>3,151,054</u>
<b>EXPENDITURES:</b>						
Current:						
General Government:						
Legislative and Executive	882,447	-	-	-	39,071	921,518
Security of Persons and Property	94,833	-	308,207	904,699	28,567	1,336,306
Public Health	-	-	-	-	-	-
Leisure Time Services	13,828	-	-	-	145	13,973
Transportation	-	464,076	-	-	36,047	500,123
Capital Outlay	86,577	-	337,039	66,097	5,600	495,313
Debt Service:						
Principal	-	65,808	8,408	-	227,474	301,690
Interest and Fiscal Charges	-	2,492	289	-	8,806	11,587
<i>Total Expenditures</i>	<u>1,077,685</u>	<u>532,376</u>	<u>653,943</u>	<u>970,796</u>	<u>345,710</u>	<u>3,580,510</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>1,127,385</u>	<u>(310,465)</u>	<u>(447,639)</u>	<u>(536,683)</u>	<u>(262,054)</u>	<u>(429,456)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>						
Issuance of Loans	-	-	295,310	-	-	295,310
Issuance of Notes	-	53,597	-	-	177,945	231,542
Proceeds from Sale of Capital Assets	-	-	-	4,775	-	4,775
Transfers In	-	300,000	200,000	570,000	60,398	1,130,398
Transfers Out	(1,130,398)	-	-	-	-	(1,130,398)
<i>Total Other Financing Sources and Uses</i>	<u>(1,130,398)</u>	<u>353,597</u>	<u>495,310</u>	<u>574,775</u>	<u>238,343</u>	<u>531,627</u>
<i>Net Change in Fund Balances</i>	(3,013)	43,132	47,671	38,092	(23,711)	102,171
<i>Fund Balances at Beginning of Year</i>	<u>1,195,846</u>	<u>71,550</u>	<u>99,655</u>	<u>116,391</u>	<u>313,151</u>	<u>1,796,593</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,192,833</u>	<u>\$ 114,682</u>	<u>\$ 147,326</u>	<u>\$ 154,483</u>	<u>\$ 289,440</u>	<u>\$ 1,898,764</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2016*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ 102,171
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital Asset Additions	494,214	
Current Year Depreciation	<u>(195,944)</u>	
Total		298,270
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.</p>		
Proceeds from Disposal of Capital Assets	(4,775)	
Gain on Sale of Capital Assets	2,275	
Loss on Disposal of Capital Assets	<u>(1,995)</u>	
Total		(4,495)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Intergovernmental	36,199	
Taxes	<u>29,696</u>	
Total		65,895
<p>Repayments of note and loan principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.</p>		
		301,690
<p>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.</p>		
		(526,852)
<p>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.</p>		
Increase in Compensated Absences		(8,085)
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
		184,751
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		<u>(303,559)</u>
<b>Net Change in Net Position of Governmental Activities</b>		<u><u>\$ 109,786</u></u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$ 139,374	\$ 139,374	\$ 134,377	\$ (4,997)
Income Taxes	1,445,485	1,445,485	1,590,306	144,821
Intergovernmental	220,866	220,866	215,086	(5,780)
Interest	1,001	1,001	1,145	144
Fees, Licenses and Permits	79,589	79,589	131,962	52,373
Fines and Forfeitures	83,225	83,225	141,035	57,810
Other	13,848	13,848	10,538	(3,310)
Total Revenues	<u>1,983,388</u>	<u>1,983,388</u>	<u>2,224,449</u>	<u>241,061</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	848,620	1,102,820	937,111	165,709
Security of Persons and Property	102,500	102,500	94,833	7,667
Public Health	1,470	1,470	-	1,470
Leisure Time Activities	16,000	16,066	13,828	2,238
Capital Outlay	208,250	208,250	9,087	199,163
Total Expenditures	<u>1,176,840</u>	<u>1,431,106</u>	<u>1,054,859</u>	<u>376,247</u>
Excess of Revenues Over Expenditures	<u>806,548</u>	<u>552,282</u>	<u>1,169,590</u>	<u>617,308</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(1,204,094)</u>	<u>(1,130,398)</u>	<u>(1,130,398)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,204,094)</u>	<u>(1,130,398)</u>	<u>(1,130,398)</u>	<u>-</u>
Net Change in Fund Balance	(397,546)	(578,116)	39,192	617,308
Fund Balance at Beginning of Year	841,895	841,895	841,895	-
Prior Year Encumbrances Appropriated	<u>66</u>	<u>66</u>	<u>66</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 444,415</u>	<u>\$ 263,845</u>	<u>\$ 881,153</u>	<u>\$ 617,308</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*Bridge and Street Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 51,130	\$ 51,130	\$ 65,346	\$ 14,216
Intergovernmental	129,406	129,406	171,301	41,895
Interest	18	18	24	6
Other	5,751	5,751	911	(4,840)
<b>Total Revenues</b>	<b>186,305</b>	<b>186,305</b>	<b>237,582</b>	<b>51,277</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Transportation	565,025	565,025	474,462	90,563
<b>Debt Service:</b>				
Principal	88,095	88,095	65,808	22,287
Interest and Fiscal Charges	-	-	2,492	(2,492)
<b>Total Expenditures</b>	<b>653,120</b>	<b>653,120</b>	<b>542,762</b>	<b>110,358</b>
Deficiency of Revenues Under Expenditures	(466,815)	(466,815)	(305,180)	161,635
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from Notes	65,808	65,808	53,597	(12,211)
Transfers In	300,000	300,000	300,000	-
<b>Total Other Financing Sources</b>	<b>365,808</b>	<b>365,808</b>	<b>353,597</b>	<b>(12,211)</b>
Net Change in Fund Balance	(101,007)	(101,007)	48,417	149,424
Fund Balance at Beginning of Year	43,357	43,357	43,357	-
Fund Balance at End of Year	<u>\$ (57,650)</u>	<u>\$ (57,650)</u>	<u>\$ 91,774</u>	<u>\$ 149,424</u>

See accompanying notes to the basic financial statements.



**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*Fire Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 64,023	\$ 88,044	\$ 101,234	\$ 13,190
Intergovernmental	12,262	16,863	62,663	45,800
Charges for Services	21,831	30,022	38,430	8,408
Other	5,669	7,796	5,302	(2,494)
Total Revenues	<u>103,785</u>	<u>142,725</u>	<u>207,629</u>	<u>64,904</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	330,500	396,560	343,683	52,877
Capital Outlay	5,000	5,000	300,139	(295,139)
Debt Service:				
Principal	17,460	17,460	8,408	9,052
Interest and Fiscal Charges	-	-	289	(289)
Total Expenditures	<u>352,960</u>	<u>419,020</u>	<u>652,519</u>	<u>(233,499)</u>
Deficiency of Revenues Under Expenditures	<u>(249,175)</u>	<u>(276,295)</u>	<u>(444,890)</u>	<u>(168,595)</u>
OTHER FINANCING SOURCES:				
Proceeds from Loans	8,408	8,408	295,310	286,902
Transfers In	200,000	200,000	200,000	-
Total Other Financing Sources	<u>208,408</u>	<u>208,408</u>	<u>495,310</u>	<u>286,902</u>
Net Change in Fund Balance	(40,767)	(67,887)	50,420	118,307
Fund Balance at Beginning of Year	99,410	99,410	99,410	-
Prior Year Encumbrances Appropriated	680	680	680	-
Fund Balance at End of Year	<u>\$ 59,323</u>	<u>\$ 32,203</u>	<u>\$ 150,510</u>	<u>\$ 118,307</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 239,675	\$ 263,675	\$ 325,694	\$ 62,019
Intergovernmental	57,955	63,955	64,133	178
Charges for Services	-	-	45,119	45,119
Fines and Forfeitures	-	-	600	600
Other	3,725	3,725	7,817	4,092
Total Revenues	<u>301,355</u>	<u>331,355</u>	<u>443,363</u>	<u>112,008</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	985,850	1,024,307	968,766	55,541
Total Expenditures	<u>985,850</u>	<u>1,024,307</u>	<u>968,766</u>	<u>55,541</u>
Deficiency of Revenues Under Expenditures	<u>(684,495)</u>	<u>(692,952)</u>	<u>(525,403)</u>	<u>167,549</u>
OTHER FINANCING SOURCES:				
Transfers In	540,000	570,000	570,000	-
Total Other Financing Sources	<u>540,000</u>	<u>570,000</u>	<u>570,000</u>	<u>-</u>
Net Change in Fund Balance	(144,495)	(122,952)	44,597	167,549
Fund Balance at Beginning of Year	113,708	113,708	113,708	-
Prior Year Encumbrances Appropriated	8,500	8,500	8,500	-
Fund Balance at End of Year	<u>\$ (22,287)</u>	<u>\$ (744)</u>	<u>\$ 166,805</u>	<u>\$ 167,549</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2016*

	Enterprise Funds		
	Water	Sewer	Totals
<b>ASSETS:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 298,021	\$ 619,332	\$ 917,353
Prepaid Items	8,838	6,732	15,570
Accounts Receivable	235,744	239,457	475,201
<i>Total Current Assets</i>	<u>542,603</u>	<u>865,521</u>	<u>1,408,124</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	70,000	-	70,000
Depreciable Capital Assets, Net	3,399,800	4,410,017	7,809,817
<i>Total Noncurrent Assets</i>	<u>3,469,800</u>	<u>4,410,017</u>	<u>7,879,817</u>
<i>Total Assets</i>	<u>4,012,403</u>	<u>5,275,538</u>	<u>9,287,941</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension	126,968	111,587	238,555
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	12,915	25,861	38,776
Accrued Wages and Benefits	4,980	4,658	9,638
Due to Other Governments	6,896	7,594	14,490
Compensated Absences Payable	-	2,786	2,786
OPWC Loans Payable	5,477	9,296	14,773
OWDA Loans Payable	31,408	215,109	246,517
<i>Total Current Liabilities</i>	<u>61,676</u>	<u>265,304</u>	<u>326,980</u>
Noncurrent Liabilities:			
Compensated Absences Payable	11,401	7,440	18,841
OPWC Loans Payable	24,646	208,333	232,979
OWDA Loans Payable	98,061	1,431,298	1,529,359
Net Pension Liability	312,211	282,639	594,850
<i>Total Noncurrent Liabilities</i>	<u>446,319</u>	<u>1,929,710</u>	<u>2,376,029</u>
<i>Total Liabilities</i>	<u>507,995</u>	<u>2,195,014</u>	<u>2,703,009</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension	6,057	5,456	11,513
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,310,208	2,545,981	5,856,189
Unrestricted	315,111	640,674	955,785
<i>Total Net Position</i>	<u>\$ 3,625,319</u>	<u>\$ 3,186,655</u>	<u>\$ 6,811,974</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2016*

	Enterprise Funds		
	Water	Sewer	Totals
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 946,745	\$ 1,071,183	\$ 2,017,928
Tap-In Fees	1,900	23,586	25,486
Other	28,312	-	28,312
<i>Total Operating Revenues</i>	<u>976,957</u>	<u>1,094,769</u>	<u>2,071,726</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Wages	263,175	259,284	522,459
Fringe Benefits	160,194	153,743	313,937
Contractual Services	150,410	287,384	437,794
Materials and Supplies	175,785	30,228	206,013
Other	41,793	6,710	48,503
Depreciation	135,398	130,076	265,474
<i>Total Operating Expenses</i>	<u>926,755</u>	<u>867,425</u>	<u>1,794,180</u>
<i>Operating Income</i>	<u>50,202</u>	<u>227,344</u>	<u>277,546</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest Income	21	-	21
Other Non-Operating Revenues	-	881	881
Interest and Fiscal Charges	(2,043)	(39,505)	(41,548)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(2,022)</u>	<u>(38,624)</u>	<u>(40,646)</u>
<i>Change in Net Position</i>	48,180	188,720	236,900
<i>Net Position at Beginning of Year</i>	<u>3,577,139</u>	<u>2,997,935</u>	<u>6,575,074</u>
<i>Net Position at End of Year</i>	<u>\$ 3,625,319</u>	<u>\$ 3,186,655</u>	<u>\$ 6,811,974</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2016

	Enterprise		
	Water	Sewer	Total
<b><i>Increase in Cash and Cash Equivalents:</i></b>			
<b><i>Cash Flows from Operating Activities:</i></b>			
Cash Received from Customers	\$ 930,842	\$ 1,080,641	\$ 2,011,483
Cash Payments to Suppliers for Goods and Services	(393,965)	(310,250)	(704,215)
Cash Payments to Employees for Services and Benefits	(403,190)	(395,944)	(799,134)
Cash Received for Other Operating Receipts	28,312	-	28,312
<i>Net Cash Provided by Operating Activities</i>	<u>161,999</u>	<u>374,447</u>	<u>536,446</u>
<b><i>Cash Flows from Noncapital Financing Activities:</i></b>			
Other Non-Operating Receipts	-	881	881
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>-</u>	<u>881</u>	<u>881</u>
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>			
Acquisition of Capital Assets	-	(26,292)	(26,292)
Principal Payments	(65,013)	(253,712)	(318,725)
Interest Payments	(2,044)	(39,505)	(41,549)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(67,057)</u>	<u>(319,509)</u>	<u>(386,566)</u>
<b><i>Cash Flows from Investing Activities:</i></b>			
Interest on Investments	21	-	21
<i>Net Cash Provided by Investing Activities</i>	<u>21</u>	<u>-</u>	<u>21</u>
Net Increase in Cash and Cash Equivalents	94,963	55,819	150,782
Cash and Cash Equivalents at Beginning of Year	203,058	563,513	766,571
Cash and Cash Equivalents at End of Year	<u>\$ 298,021</u>	<u>\$ 619,332</u>	<u>\$ 917,353</u>
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i></b>			
Operating Income	\$ 50,202	\$ 227,344	\$ 277,546
<b><i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i></b>			
<b><i>Operating Activities:</i></b>			
Depreciation	135,398	130,076	265,474
Pension Expense	16,666	14,285	30,951
<b>Changes in Assets and Liabilities:</b>			
Increase in Accounts Receivable	(17,803)	(14,212)	(32,015)
(Increase)/Decrease in Prepaid Items	(1,593)	400	(1,193)
Increase/(Decrease) in Accounts Payable	(25,977)	14,156	(11,821)
Increase in Accrued Wages and Benefits	1,233	2,141	3,374
Increase/(Decrease) in Compensated Absences Payable	2,349	(2,357)	(8)
Increase in Due to Other Governments	1,524	2,614	4,138
Total Adjustments	<u>111,797</u>	<u>147,103</u>	<u>258,900</u>
Net Cash Provided by Operating Activities	<u>\$ 161,999</u>	<u>\$ 374,447</u>	<u>\$ 536,446</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*December 31, 2016*

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 103
Cash and Cash Equivalents in Segregated Accounts	9,148
<i>Total Assets</i>	<u>\$ 9,251</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Due to Other Governments	\$ 1,325
Due to Other Funds	7,823
Undistributed Monies	103
<i>Total Liabilities</i>	<u>\$ 9,251</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 1 – DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY**

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

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

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

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**Governmental Funds**

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

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

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

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

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

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



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Proprietary Funds**

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

**Enterprise Funds**

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

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

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

**Fiduciary Funds**

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

**Basis of Accounting and Measurement Focus:**

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***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. Measurable means the amount of the transaction can be determined, and available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Village, available means expected to be received within sixty days of fiscal year end.

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

***Deferred Outflows and Deferred Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Village, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Village, deferred inflows of resources include property taxes, income taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Village, unavailable revenue includes delinquent property taxes, intergovernmental grants, and incomes taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9)

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance fiscal year 2017 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the statement of net position and the balance sheet is due to pensions, income taxes and grants and entitlements not received during the available period and due to delinquent property taxes. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position.

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

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

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

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

***Estimated Resources*** The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the Village by October 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Auditor's Office Manager determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**Accrued Liabilities and Long-Term Obligations:** All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in 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:** Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

The adjustments necessary to convert the results of operations for 2016 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	\$ (3,013)	\$ 43,132	\$ 47,671	\$ 38,092
Increases (Decreases) Due To:				
Revenue Accruals	19,712	15,671	1,325	4,475
Expenditure Accruals	23,036	2,114	1,424	2,030
Encumbrances	(370)	(12,500)	-	-
Funds Included for GAAP Purposes but Excluded for				
Budgetary Reporting	(173)	-	-	-
Budget Basis	<u>\$ 39,192</u>	<u>\$ 48,417</u>	<u>\$ 50,420</u>	<u>\$ 44,597</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
9. Linked deposits as authorized by ordinance adopted pursuant to Section 135.80 of the Revised Code.

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

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



**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village’s bank balance of \$2,685,209 was either covered by the FDIC or collateralized by its financial institution in the manner described below.

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

**NOTE 5 – MUNICIPAL INCOME TAX**

The Village levies and collects an income tax of one percent on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2016, revenue from the income tax amounted to \$1,611,612. All proceeds go to the General Fund.

**NOTE 6 – PROPERTY TAX**

Property taxes include amounts levied against all real and public utility located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016 and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$15.30 per \$1,000 of assessed value. The assessed values of real property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$ 69,430,830
Public Utility Property	4,711,900
Total Property Taxes	<u>\$ 74,142,730</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.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 6 – PROPERTY TAX (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Waverly. The County Auditor periodically remits to the Village its portion of the taxes. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016, 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 2016 operations. The receivable is offset by deferred inflow of resources.

**NOTE 7 – RECEIVABLES**

Receivables at December 31, 2016, consisted of taxes, interfund, accounts, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

<b>Fund/Description of Receivable</b>	<b>Amount</b>
General Fund	
Local Government	\$ 60,954
Homestead, Rollback, and Exemption	6,676
Total General Fund	67,630
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	6,166
Total Fire Major Special Revenue Fund	6,166
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	19,633
Total Police Major Special Revenue Fund	19,633
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax	44,363
Cents Per Gallon Tax	22,734
Motor Vehicle License Tax	14,180
Homestead, Rollback, and Exemption	4,207
Total Bridge and Street Fund	85,484
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax	3,596
Cents Per Gallon Tax	1,844
Motor Vehicle License Tax	1,150
Total Inter-City Highway Fund	6,590
Village Permissive Non-major Special Revenue Fund	
Permissive Motor vehicle License Taxes	18,762
Total Permissive Fund	18,762
Total Nonmajor Special Revenue Funds	25,352
Total Governmental Activities	\$ 204,265

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016:

	Beginning Balance <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/2016</u>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated				
Land	\$ 239,268	\$ -	\$ -	\$ 239,268
Total Capital Assets, Not Being Depreciated	<u>239,268</u>	<u>-</u>	<u>-</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	572,449	5,600	-	578,049
Buildings and Improvements	1,368,226	-	-	1,368,226
Furniture and Equipment	2,530,945	488,614	(38,689)	2,980,870
Infrastructure	<u>2,595,637</u>	<u>-</u>	<u>-</u>	<u>2,595,637</u>
Total Capital Assets Being Depreciated	<u>7,067,257</u>	<u>494,214</u>	<u>(38,689)</u>	<u>7,522,782</u>
Less Accumulated Depreciation				
Land Improvements	(548,580)	(3,516)	-	(552,096)
Buildings and Improvements	(558,384)	(19,140)	-	(577,524)
Furniture and Equipment	(2,087,905)	(103,665)	34,194	(2,157,376)
Infrastructure	<u>(1,019,134)</u>	<u>(69,623)</u>	<u>-</u>	<u>(1,088,757)</u>
Total Accumulated Depreciation	<u>(4,214,003)</u>	<u>(195,944)</u>	<u>34,194</u>	<u>(4,375,753)</u>
Total Capital Assets Being Depreciated, Net	<u>2,853,254</u>	<u>298,270</u>	<u>(4,495)</u>	<u>3,147,029</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,092,522</u>	<u>\$ 298,270</u>	<u>\$ (4,495)</u>	<u>\$ 3,386,297</u>

Depreciation expense was charged to governmental functions as follows:

General Government:

Legislative and Executive	\$ 86,763
Security of Persons & Property	38,805
Leisure Time Activities	280
Transportation	<u>70,096</u>
Total Depreciation Expense	<u>\$ 195,944</u>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 8 – CAPITAL ASSETS (Continued)**

	Ending Balance 12/31/2015	Additions	Deletions	Ending Balance 12/31/2016
<b>Business Type Activities</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Total Capital Assets, Not Being Depreciated	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	206,783	-	-	206,783
Buildings and Improvements	11,673,336	-	-	11,673,336
Mechanical Equipment	277,472	26,292	(14,300)	289,464
Infrastructure	5,368,863	-	-	5,368,863
Total Capital Assets Being Depreciated	<u>17,526,454</u>	<u>26,292</u>	<u>(14,300)</u>	<u>17,538,446</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(197,280)	(1,000)	-	(198,280)
Buildings and Improvements	(4,645,846)	(226,402)	-	(4,872,248)
Mechanical Equipment	(276,067)	(7,182)	14,300	(268,949)
Infrastructure	(4,358,262)	(30,890)	-	(4,389,152)
Total Accumulated Depreciation	<u>(9,477,455)</u>	<u>(265,474)</u>	<u>14,300</u>	<u>(9,728,629)</u>
Total Capital Assets Being Depreciated, Net	<u>8,048,999</u>	<u>(239,182)</u>	<u>-</u>	<u>7,809,817</u>
Business Type Activities Capital Assets, Net	<u>\$ 8,118,999</u>	<u>\$ (239,182)</u>	<u>\$ -</u>	<u>\$ 7,879,817</u>

**NOTE 9- DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Village’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Village’s obligation for this liability to annually required payments. The Village cannot control benefit terms or the manner in which pensions are financed; however, the Village does receive the benefit of employees’ services in exchange for compensation including pension.

**NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

***Net Pension Liability (continued)***

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - Village employees, other than full-time police officers and full time fire fighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

***Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)***

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

**NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

***Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)***

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$148,305 for 2016. Of this amount, \$23,278 is reported as an intergovernmental payable.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

***Plan Description – Ohio Police & Fire Pension Fund (OPF) (continued)***

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$94,285 for 2016. Of this amount \$15,208 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The Village's proportion of the net pension liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0089630%	0.0192410%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0088110%	0.0188531%	
Change in Proportionate Share	0.0001520%	0.0003879%	
Proportion of the Net Pension Liability	\$1,552,505	\$1,237,787	\$2,790,292
Pension Expense	\$223,692	\$146,424	\$370,116



**Village of Waverly**  
*Notes to the Basic Financial Statements*  
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**NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$456,338	\$226,826	\$683,164
Changes in employer proportion	12,030	0	12,030
Village contributions subsequent to the measurement date	<u>148,305</u>	<u>94,285</u>	<u>242,590</u>
Total deferred outflows of resources	<u><u>\$616,673</u></u>	<u><u>\$321,111</u></u>	<u><u>\$937,784</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$29,997	\$3,476	\$33,473
Changes in employer proportion	<u>0</u>	<u>8,094</u>	<u>8,094</u>
Total deferred inflows of resources	<u><u>\$29,997</u></u>	<u><u>\$11,570</u></u>	<u><u>\$41,567</u></u>

\$242,590 reported as deferred outflows of resources related to pension resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$105,357	\$55,708	\$161,065
2018	112,655	55,708	168,363
2019	117,092	55,708	172,800
2020	103,267	44,969	148,236
2021	0	2,657	2,657
2022	<u>0</u>	<u>506</u>	<u>506</u>
Total	<u><u>\$438,371</u></u>	<u><u>\$215,256</u></u>	<u><u>\$653,627</u></u>

**NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
	Pre January 7, 2013: 3 percent, simple
COLA or Ad Hoc COLA	Post January 7, 2013: 3 percent simple through 2018, then
	2.80 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401 (b) Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

**Village of Waverly**  
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***NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)***

***Actuarial Assumptions – OPERS (continued)***

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long Term Expected Real Rate of Return</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Village’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the Village’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Village's proportionate share of the net pension liability	\$2,473,519	\$1,552,505	\$775,658

**NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions – OPF***

OPF’s total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2015 are summarized on the following page:

**Village of Waverly**  
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***NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)***

***Actuarial Assumptions – OPF (continued)***

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
 Total	 <u>120.00 %</u>		

\* levered 2x

\*\* Numbers are net of expected inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

***Discount Rate***

The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the Village's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
Village's proportionate share of the net pension liability	\$1,632,475	\$1,237,787	\$903,447

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System (OPERS)**

**Plan Description** - OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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 20 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 45. Please see the OPERS CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614)222-5601 or 800-222-7377.

**Funding Policy** - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust(401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

**NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)**

**Ohio Public Employees Retirement System (OPERS) (continued)**

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

The Village's actual contributions for 2016, 2015, and 2014, which were used to fund OPEB were \$24,726, \$23,042, and \$22,310, respectively, which were equal to the required contributions for each year.

**Ohio Police and Fire Pension Fund**

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

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

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

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

**Funding Policy** - 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% of covered payroll for police, for 2016, 2015, and 2014, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 2014 through December 31, 2016. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)**

**Ohio Police and Fire Pension Fund (continued)**

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

The Village's contributions for 2016 that were used to fund postemployment benefits were \$2,477 for Police and Fire. For 2015 and 2014, the contributions were \$2,163 and \$1,971, respectively, which were equal to the required contributions for each year.

**NOTE 11 – EMPLOYEE BENEFITS**

**A. DEFERRED COMPENSATION PLAN**

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

**B. COMPENSATED ABSENCES**

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

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

**C. INSURANCE BENEFITS**

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



**Village of Waverly**  
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**NOTE 12 – INTERFUND TRANSACTIONS**

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

Transfers made during the year ended December 31, 2016, were as follows:

<u>Fund Type / Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Major Funds:</b>		
General	\$ 1,130,398	\$ -
Bridge and Street	-	300,000
Fire	-	200,000
Police	-	570,000
<b>Total Major Funds</b>	<u>1,130,398</u>	<u>1,070,000</u>
<b>Nonmajor Funds:</b>		
Levee	-	49,366
Depot Str. Improvement	-	2,644
Hillside Ave. Storm System	-	1,388
Emergency Siren	-	2,000
Mayor's Court Computer	-	5,000
<b>Total Nonmajor Funds</b>	<u>-</u>	<u>60,398</u>
<b>Total All Funds</b>	<u>\$ 1,130,398</u>	<u>\$ 1,130,398</u>

Interfund balances at December 31, 2016, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Fund:</i>		
General Fund	\$ 7,823	\$ -
<i>Agency Fund:</i>		
Mayor's Court	-	7,823
<b>Total All Funds</b>	<u>\$ 7,823</u>	<u>\$ 7,823</u>

The above balance results from monies collected by the Mayor's Court in December of 2016 that were not paid into the General Fund until January of 2017.

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**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2016, was as follows:

Issue	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Due in One Year
<b>Business-Type Activities</b>					
Compensated Absences	\$ 21,636	\$ 52,083	\$ 52,092	\$ 21,627	\$ 2,786
2001 - 2% OWDA Wastewater Treatment Plant Loan	1,819,910	-	210,453	1,609,457	215,109
2013 - 0% OPWC Bridge Street Sanitation Sewer Loan	224,999	-	8,333	216,666	8,333
1997 - 0% OPWC Wastewater Treatment Plant Loan	2,888	-	1,925	963	963
2013 - 1% OWDA Bridge Street Sanitation Sewer Main Rehab Loan	43,943	-	6,993	36,950	-
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	160,258	-	30,789	129,469	31,408
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	38,340	-	8,217	30,123	5,477
2015 - 3.5% Excavator Loan	52,015	-	52,015	-	-
Net Pension Liability - OPERS:					
Water	209,353	102,858	-	312,211	-
Sewer	194,475	88,164	-	282,639	-
Total Net Pension Liability - OPERS	<u>403,828</u>	<u>191,022</u>	<u>-</u>	<u>594,850</u>	<u>-</u>
<b>Total Business-Type Activities</b>	<b><u>\$ 2,767,817</u></b>	<b><u>\$ 243,105</u></b>	<b><u>\$ 370,817</u></b>	<b><u>\$ 2,640,105</u></b>	<b><u>\$ 264,076</u></b>
<b>Governmental Activities</b>					
Compensated Absences	\$ 40,819	\$ 99,825	\$ 91,740	\$ 48,904	\$ 4,658
2003 - 0% OPWC Depot Street Reconstruction Loan	21,154	-	3,967	17,187	2,644
2015/2016 - 4% Green Acres Levee Improvements Note	218,505	177,945	218,505	177,945	177,945
2008 - 0% OPWC Hillside Avenue Storm System Loan	78,335	-	5,002	73,333	3,333
2015 - 3.5% Truck Note	8,408	-	8,408	-	-
2015/2016 - 3.75% Ford Truck Note	65,808	53,597	65,808	53,597	53,597
2016 - 2.9% Fire Pumper Truck	-	295,310	-	295,310	25,804
Net Pension Liability:					
OPERS	658,877	298,778	-	957,655	-
OP&F	976,669	261,118	-	1,237,787	-
Total Net Pension Liability	<u>1,635,546</u>	<u>559,896</u>	<u>-</u>	<u>2,195,442</u>	<u>-</u>
<b>Total Governmental Activities</b>	<b><u>\$ 2,068,575</u></b>	<b><u>\$ 1,186,573</u></b>	<b><u>\$ 393,430</u></b>	<b><u>\$ 2,861,718</u></b>	<b><u>\$ 267,981</u></b>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

The Village’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,167,615 with an unvoted debt margin of \$3,460,478 at December 31, 2016.

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

	OPWC Loans		OWDA Loans	
	Principal		Principal	Interest
2017	\$ 14,773		\$ 246,517	\$ 36,664
2018	13,810		251,906	31,275
2019	13,810		257,414	25,767
2020	13,810		263,041	20,139
2021	13,810		234,784	14,557
2022-2026	44,403		485,264	13,417
2027-2031	41,665		-	-
2032-2036	41,665		-	-
2037-2041	41,665		-	-
2042	8,341		-	-
	\$ 247,752		\$ 1,738,926	\$ 141,819

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

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans		Fire Pumper Truck	
	Principal		Principal	Interest
2017	\$ 5,977		25,804	8,498
2018	5,977		26,569	7,733
2019	5,977		27,356	6,946
2020	5,977		28,166	6,135
2021	5,977		29,001	5,301
2022-2026	20,632		158,414	13,094
2027-2031	16,665		-	-
2032-2036	16,665		-	-
2037-2039	6,673		-	-
	\$ 90,520		\$ 295,310	\$ 47,707

**Village of Waverly**  
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**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

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

The Village issued an OPWC loan in 2013 with proceeds of \$250,000 for the Bridge Street Sanitation Sewer program. The OPWC loan is being repaid from the 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 Village issued an OWDA loan in 2013 with proceeds of \$61,123 for the Water Quality Floating Rate project. The OWDA loan is being repaid from the Sewer Fund.

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 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.

In October of 2015, the Village obtained a loan in the amount of \$52,015 to purchase an excavator. This loan was repaid in the full amount in February 2016.

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

The Green Acres Levee Improvement note was issued on August 6, 2015 in the amount of \$218,505 and was for the purpose of repaying a previously issued note used for repairs to the levee. This note matured on August 5, 2016 and the Village paid \$40,560 from the Levee Improvement Fund against the note and refinanced the remaining \$177,945 into a new note. This new note will mature on July 28, 2017. Therefore, no amortization schedule is shown on the previous page for this note.

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

On March 26, 2015, the Village issued a note in the amount of \$8,408. The note was for the purpose of purchasing a Chevrolet Silverado Truck. This note matured on April 1, 2016 and the Village paid the note in full.

In July of 2015, the Village obtained note in the amount of \$65,808 to purchase a Ford F-550 truck. This note matured on July 28, 2016 the Village paid \$12,211 from the Bridge and Street fund against the note and refinanced the remaining \$53,597 into a new note. This new note will mature on July 28, 2017. Therefore, no amortization schedule is shown on the previous page for this note. The note was secured by the truck as pledged collateral.

In December of 2016, The Village obtained a loan in the amount of \$295,310 to purchase a fire pump truck. The loan was issued for a 10 year period, with a 2.9% interest rate. This loan will be repaid from the Fire Fund.

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

**Village of Waverly**  
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**NOTE 14 – RISK MANAGEMENT**

The Village uses Medical Mutual of Ohio for health care benefits.

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

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

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

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Building and Contents-replacement cost (\$1,000 deductible)	\$ 34,680,351
Miscellaneous Property and Inland Marine Coverage (\$1,000 deductible)	1,026,002
Electronic Data Processing Equip Coverage (\$1,000 deductible)	50,088
Automobile Vehicle Liability (\$0 deductible)	3,000,000
Uninsured/Under Insured Motorists Per Occurrence	100,000
Medical Expenses	1,000
Wrongful Acts Coverage (\$2,500 deductible)	3,000,000
General Liability	
Per occurrence	3,000,000
Employee Benefits (\$1,000 deductible)	1,000,000
Medical Expense (other than auto)	5,000
Law Enforcement Liability (\$2,000 deductible)	
Per occurrence	3,000,000

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 14 – RISK MANAGEMENT (Continued)**

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Assets	\$42,182,281	\$38,307,677
Liabilities	<u>(13,396,700)</u>	<u>(12,759,127)</u>
Net Position	<u>\$28,785,581</u>	<u>\$25,548,550</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village’s share of these unpaid claims collectible in future years is approximately \$58,000.

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

**2016 Contributions to PEP**

\$ 92,081

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

**NOTE 15 – JOINTLY GOVERNED ORGANIZATION**

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

**NOTE 16 – CONTINGENT LIABILITIES**

**Grants**

The Village received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Village at December 31, 2016, if applicable, cannot be determined at this time.

**Litigation**

The Village is not party to any legal proceedings.

**NOTE 17 – NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended December 31, 2016, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 77, Tax Abatement Disclosures, and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Village.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Village.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Village.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Village as there were no tax abatements in effect that could have a significant effect on the Village.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Village.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 18 – FUND BALANCES**

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

Fund Balances	General	Bridge & Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Unclaimed Monies	\$ 7,957	\$ -	\$ -	\$ -	\$ -	\$ 7,957
Prepaid Items	9,226	9,939	3,931	13,270	-	36,366
Total Nonspendable	<u>17,183</u>	<u>9,939</u>	<u>3,931</u>	<u>13,270</u>	<u>-</u>	<u>44,323</u>
<b>Restricted for</b>						
Bridge & Street	-	104,743	-	-	-	104,743
Other Purposes	-	-	-	-	32,293	32,293
Fire	-	-	143,395	-	-	143,395
Police	-	-	-	141,213	-	141,213
Inner-City Highway	-	-	-	-	47,694	47,694
Law Drug	-	-	-	-	28,366	28,366
Permissive Tax	-	-	-	-	55,442	55,442
Capital Improvements	-	-	-	-	13,187	13,187
Total Restricted	<u>-</u>	<u>104,743</u>	<u>143,395</u>	<u>141,213</u>	<u>176,982</u>	<u>566,333</u>
<b>Committed to</b>						
Other Purposes	<u>193,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,458</u>	<u>305,718</u>
<b>Assigned to</b>						
Other Purposes	<u>576,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>576,885</u>
<b>Unassigned</b>						
	<u>405,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,505</u>
Total Fund Balances	<u>\$ 1,192,833</u>	<u>\$ 114,682</u>	<u>\$ 147,326</u>	<u>\$ 154,483</u>	<u>\$ 289,440</u>	<u>\$ 1,898,764</u>

**NOTE 19 – SUBSEQUENT EVENT**

In January 2017, the Village signed a purchase agreement for a backhoe in the amount of \$61,474. The agreement was for 5 years, maturing in February of 2022.

On February 7, 2017, the Village obtained debt from Ohio Valley Bank Company of Waverly, Ohio at 3.10% for \$48,644.12, amortized over 5 years, for the purchase of a 2017 For DS Dump Truck for use by the Water Department.

On February 7, 2017, the Village obtained debt from KS State Bank Baystone Government Finance of Manhattan, Kansas, at 3.07% for \$61,474.05, amortized over 5 years, for the purchase of a Case 580N backhoe for use by the Bridge and Street Department.

On September 7, 2016, the Village obtained debt from the First National Bank of Waverly at 4.0% interest for \$110,025, due in one year, for the purchase of Sludge Removal at the Water Treatment Plant. Due to a delay in services, the loan was held at First National Bank until March 8, 2017 and ultimately paid to the vendor on June 7, 2017.

On July 1, 2017, the Village entered into an agreement with the Ohio Public Works Commission for the 7<sup>th</sup> Street Sanitary Sewer Pump & Force Main in the amount of \$560,000. \$280,000 of project funding is in the form of a 0% interest promissory note, which is to be paid back in semi-annual payments over 20 years. The remaining funds of \$280,000 are granted with no repayment.



**Village of Waverly**  
*Required Supplementary Information*  
*Schedule of the Village's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System*  
*Last Three Years*

	<u>2016</u>	<u>2015</u>	<u>2014 (1)</u>
Total plan pension liability	\$ 91,534,580,978	\$ 89,017,348,266	\$ 86,407,229,435
Plan net position	<u>74,213,320,352</u>	<u>76,956,230,642</u>	<u>74,618,532,269</u>
Net pension liability	17,321,260,626	12,061,117,624	11,788,697,166
Village's proportion of the net pension liability	0.008963%	0.008811%	0.008811%
Village's proportionate share of the net pension liability	\$ 1,552,505	\$ 1,062,705	\$ 1,038,702
Village's covered-employee payroll	\$ 1,235,875	\$ 1,151,725	\$ 1,115,908
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.60%	92.30%	93.10%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.  
Amounts presented as of the Village's measurement date which is the prior fiscal year.

**Village of Waverly**  
*Required Supplementary Information*  
*Schedule of the Village's Proportionate Share of the Net Pension Liability*  
*Ohio Police and Fire Pension System*  
*Last Three Years*

	<u>2016</u>	<u>2015 *</u>	<u>2014 * (1)</u>
Total plan pension liability	\$ 19,357,013,332	\$ 18,761,561,462	\$ 18,152,090,344
Plan net position	<u>12,923,943,156</u>	<u>13,453,447,836</u>	<u>13,166,077,870</u>
Net pension liability	6,433,070,176	5,308,113,626	4,986,012,474
Village's proportion of the net pension liability	0.0192410%	0.0188531%	0.0188531%
Village's proportionate share of the net pension liability	\$ 1,237,787	\$ 1,000,744	\$ 940,018
Village's covered-employee payroll	\$ 496,237	\$ 433,284	\$ 404,626
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.40%	231.00%	232.30%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	71.71%	72.53%

\* - As Restated

(1) Information prior to 2014 is not available.

Amounts presented as of the Village's measurement date which is the prior fiscal year.

**Village of Waverly**  
*Required Supplementary Information*  
*Schedule of Village Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contributor	\$ 148,305	\$ 138,207	\$ 133,909	\$ 147,147	\$ 169,156	\$ 183,321	\$ 185,928	\$ 174,138	\$ 171,697	\$ 168,231
Contributions in relation to the contractually required contribution	(148,305)	(138,207)	(133,909)	(147,147)	(169,156)	(183,321)	(185,928)	(174,138)	(171,697)	(168,231)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 1,235,875	\$ 1,151,725	\$ 1,115,908	\$ 1,131,900	\$ 1,691,560	\$ 1,833,210	\$ 2,124,891	\$ 2,246,942	\$ 2,452,814	\$ 2,014,743
Contributions as a percentage of covered employee payroll	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%	7.00%	8.35%

**Village of Waverly**  
*Required Supplementary Information*  
*Schedule of Village Contributions*  
*Ohio Police and Fire Pension System*  
*Last Ten Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 94,285	\$ 82,324	\$ 76,879	\$ 126,100	\$ 119,252	\$ 87,080	\$ 90,033	\$ 99,837	\$ 116,745	\$ 106,495
Contributions in relation to the contractually required contribution	(94,285)	(82,324)	(76,879)	(126,100)	(119,252)	(87,080)	(90,033)	(99,837)	(116,745)	(106,495)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 496,237	\$ 433,284	\$ 404,626	\$ 794,081	\$ 935,310	\$ 682,980	\$ 706,141	\$ 783,035	\$ 915,647	\$ 835,255
Contributions as a percentage of covered employee payroll	19.00%	19.00%	19.00%	15.88%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%



# Dave Yost • Auditor of State

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

Village of Waverly  
Pike County  
201 W. North Street  
Waverly, Ohio 45690

To the Village Council :

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County , (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 30, 2018, which was qualified for Governmental Activities, Business-Type Activities, Water Fund, and the Sewer Fund because we were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the capital assets, related accumulated depreciation and depreciation expense.

### ***Internal Control Over Financial Reporting***

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

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001, 2016-004, and 2016-006 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-002, 2016-003, and 2016-005.

***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 30, 2018

**VILLAGE OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

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

**FINDING NUMBER 2016-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring adequate security of assets and records as well as verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. Prior to 2004, the Village did not have a comprehensive listing of all of its capital assets detailing individual assets purchased, the cost of the assets, location, date of acquisition, etc. During the preparation of the 2004 financial statements, the Village obtained a Capital Assets Inventory System and developed a listing of the Village's capital assets. Each department head developed a capital asset listing for their department; however the Village provided no supporting documentation for the estimated values and acquisition dates.

During 2006, the Village contracted with an appraisal firm to perform an appraisal of the Village's capital assets; however, the values and acquisitions dates in the appraisal firm report were based mainly on the unsupported estimates provided by the Village department heads. The 2006 appraisal report also excluded certain Water Department assets and fire trucks.

In the years following the 2006 appraisal, auditors have identified errors in the value of capital assets added to the capital asset listing, errors in the period capital asset additions were reported, and capital asset additions recorded as deletions.

Because the Village was unable to provide supporting documentation for actual cost or estimated historical cost of the capital assets, we could not gain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Village's capital assets. This resulted in an opinion qualification.

Amounts reported for Capital Assets and Depreciation Expense represented the following percentages of Total Assets/Total Expense for each opinion unit.

<b>Opinion Unit</b>	<b>Capital Assets Amount (net of related depreciations)</b>	<b>Percentage of Total Assets</b>
Governmental Activities	\$ 3,386,297	50.8%
Business-Type Activities	7,879,817	84.8%
Major Water Fund	3,469,800	86.5%
Major Sewer Fund	4,410,017	83.6%
<b>Opinion Unit</b>	<b>Depreciation Expense</b>	<b>Percentage of Total Expense</b>
Governmental Activities	\$ 195,944	6.3%
Business-Type Activities	265,474	14.5%
Major Water Fund	135,398	14.6%
Major Sewer Fund	130,076	14.3%

**FINDING NUMBER 2016-001  
(Continued)**

We recommend that the Village implement policies and procedures to:

- Document the actual cost or calculation of estimated historical cost of capital assets.
- Implement procedures to update the capital asset records as assets are acquired and disposed and update the capital asset listing in a timely manner.
- Maintain records to support the valuation of capital assets
- Monitor capital asset amounts recorded in the capital asset listing with amounts reported in the financial statements

These policies and procedures would assist the Village in ensuring that the amounts reported for capital assets are appropriately recorded and that the asset inventory is accurate for both reporting and insurance purposes.

**Officials' Response:**

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

**FINDING NUMBER 2016-002**

**Noncompliance**

**Ohio Rev. Code § 135.18**, states, in part, a political subdivision shall require the institution designated as a public depository to pledge to an deposit with, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Village of Waverly had \$2,685,941 on deposit in Government Accounts at First National Bank at December 31, 2016. These deposits were partially secured by FDIC insurance of \$250,000 and the Village accounts were also covered by \$2,447,866 pledged securities. Therefore, contrary to Ohio law, the Village had \$181,150, in uncollateralized monies.

**Officials' Response:**

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

**FINDING NUMBER 2016-003**

**Noncompliance**

**Ohio Rev. Code § 5705.41 (D)(1)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.



**FINDING NUMBER 2016-003**  
**(Continued)**

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

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village Auditor did not certify the availability of funds prior to making commitments for 25% of the disbursements tested for 2016. Failure to properly certify the availability of funds prior to commitment can result in overspending funds and negative cash fund balances. When prior certification is not possible, "then and now" certification should be use.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response:**

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

**FINDING NUMBER 2016-004**

**Material Weakness**

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village lacked management oversight in the proper presentation and disclosure of budget versus actual receipts and expenditures. This lack of oversight is illustrated by the following:

- Original Budgeted Revenues on the Budget and Actual Statements did not agree to the Village's Original Certificate of Estimated Resources in the Fire Fund by \$38,940 and in the Police Fund by \$30,000. The Village entered the incorrect estimated resources amounts in the accounting system, and used the accounting system reports instead of the Official Certificate for the Budget and Actual Statements.
- Original Budgeted Appropriations on the General Fund's Budget and Actual Statements did not agree to the Village's Original Appropriations by the amount of \$199,163.

Failure to properly present and disclose budget versus actual receipts and disbursements can result in inaccurate and misleading financial statements. We recommend that receipts and disbursements be properly presented and disclosed. All financial statements should be reviewed for accuracy. To improve accountability, we recommend that the Village use due care in presenting and disclosing financial statements.

**Officials' Response:**

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

**FINDING NUMBER 2016-005**

**Noncompliance**

**Ohio Rev. Code § 5705.39** provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources in 2016 in the following funds:

<b>Fund</b>	<b>Current Year Appropriations</b>	<b>Total Certified Resources per Final Certificate</b>	<b>Noncompliance Amount</b>
Bridge & Street	\$653,120	\$595,470	\$ (57,650)
Levee	49,366	37,374	(11,992)
Water	959,015	907,252	(51,763)

Failure to monitor budgetary estimated resources and available appropriations can result in overspending funds and negative cash balances.

**FINDING NUMBER 2016-005  
(Continued)**

We recommend the Council monitor the budgetary receipts and expenditures by having the Village Auditor provide budgetary reports for their review. By regularly monitoring the budgetary position of the Village throughout the year, the Council will be better able to determine when amendments are needed.

**Officials' Response:**

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

**FINDING NUMBER 2016-006**

**Material Weakness**

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

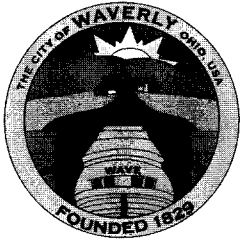
Fund	Estimated Receipts per Final Official Certificate	Estimated Receipts Posted to the Accounting System	Variance
General	\$ 1,983,388	\$ 2,011,388	(28,000)
Bridge & Street	552,113	617,103	(64,990)
Fire	351,133	398,288	(47,155)
Police	901,355	1,014,795	(113,440)
Levee	37,366	49,366	(230,505)

We recommend estimated revenue amounts per the certificate of estimated receipts be entered into the Village'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.

**Officials' Response:**

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

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OFFICE OF THE AUDITOR

City of Waverly

201 W. North Street • Waverly, Ohio 45690 • 740-947-9555



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Inaccurate Capital Assets Listing	Not Corrected	Reissued as Finding number 2016 – 001
2015-002	Posting Errors	Partially Corrected	Reissued as Management Letter Comment
2015-003	ORC 5705.41 (D)(1) – Not certifying the availability of funds prior to obligation	Not Corrected	Reissued as Finding number 2016 – 003
2015-004	Budgetary Statements Misstatements	Not Corrected	Reissued as Finding number 2016 – 004

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# Dave Yost • Auditor of State

VILLAGE OF WAVERLY

PIKE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 20, 2018