



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF WAVERLY
PIKE COUNTY
DECEMBER 31, 2019

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**VILLAGE OF WAVERLY
PIKE COUNTY
DECEMBER 31, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2019, 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

Opinion Unit	Type of Opinion
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, 2019. Amounts reported for Capital assets and Depreciation Expense represented the following percentages of Total Assets/Total Expense for each opinion unit:

Opinion Unit	Capital Assets Amount (net of related depreciations)	Percentage of Total Assets
Governmental Activities	\$ 3,304,166	51.9%
Business-Type Activities	8,548,978	80.4%
Major Water Fund	4,251,007	91.4%
Major Sewer Fund	4,297,971	71.8%
Opinion Unit	Depreciation Expense	Percentage of Total Expense
Governmental Activities	\$ 223,779	8.8%
Business-Type Activities	281,463	12.3%
Major Water Fund	138,442	10.2%
Major Sewer Fund	143,021	15.4%

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 and where applicable, cash flows of the Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund of the Village of Waverly, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Bridge and Street, Fire, and Police major funds, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio as of and for the year ended December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 November 16, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio
November 16, 2020

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Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The discussion and analysis of the Village of Waverly's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2019. 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 2019 are as follows:

- In total, net position increased \$1,178,522. Net position of governmental activities increased \$797,064. Net position of business-type activities increased \$381,458.
- Governmental activities general revenues accounted for \$2,684,167 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$666,289 or 20 percent of total revenues of \$3,350,456. Business-type activities general revenues accounted for \$44,555 in revenue or 2 percent of all revenues. Program specific revenues accounted for \$2,385,986 or 98 percent of total revenues of \$2,430,451.
- The Village had \$2,553,392 in expenses related to governmental activities; \$666,289 of these expenses were offset by program specific charges for services and sales, grants and contributions. The Village had \$2,049,083 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 2019?" 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, 2019
(Unaudited)

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

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

Reporting the Village's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds. Based on restrictions on the use of monies, the Village has established many funds which account for the multitude of services provided to our residents; however, fund financial statements focus on the Village's most significant funds. The Village of Waverly's major funds are the General Fund, Bridge and Street, Fire, and Police Special Revenue Funds, 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, 2019
(Unaudited)

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2019 compared to the prior year:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 3,057,152	\$ 2,802,665	\$ 2,089,207	\$ 2,094,255	\$ 5,146,359	\$ 4,896,920
Capital Assets, Net	3,304,166	3,390,078	8,407,557	7,946,591	11,711,723	11,336,669
Total Assets	6,361,318	6,192,743	10,496,764	10,040,846	16,858,082	16,233,589
Deferred Outflows of Resources						
Pension	1,280,457	764,732	282,520	145,427	1,562,977	910,159
OPEB	390,397	404,128	37,592	26,332	427,989	430,460
Total Deferred Outflows of Resources	1,670,854	1,168,860	320,112	171,759	1,990,966	1,340,619
Liabilities						
Current and Other Liabilities	140,550	124,962	122,328	324,118	262,878	449,080
Long-Term Liabilities:						
Due within One Year	103,275	168,799	303,860	387,590	407,135	556,389
Due in More than One Year:						
Net Pension Liability	3,636,750	2,440,050	926,428	535,720	4,563,178	2,975,770
Net OPEB Liability	920,210	2,046,548	424,478	357,829	1,344,688	2,404,377
Other Amounts	308,569	367,753	1,440,415	1,240,014	1,748,984	1,607,767
Total Liabilities	5,109,354	5,148,112	3,217,509	2,845,271	8,326,863	7,993,383
Deferred Inflows of Resources						
Taxes	626,955	484,388	-	-	626,955	484,388
Pension	55,359	291,244	40,536	160,886	95,895	452,130
OPEB	87,306	81,725	20,010	49,085	107,316	130,810
Total Deferred Inflows of Resources	769,620	857,357	60,546	209,971	830,166	1,067,328
Net Position						
Net Investment in Capital Assets	2,937,332	2,906,390	6,632,755	6,051,347	9,570,087	8,957,737
Restricted	1,024,096	809,137	-	-	1,024,096	809,137
Unrestricted	(1,808,230)	(2,359,393)	906,066	1,106,016	(902,164)	(1,253,377)
Total Net Position	\$ 2,153,198	\$ 1,356,134	\$ 7,538,821	\$ 7,157,363	\$ 9,692,019	\$ 8,513,497

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the Village at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability is another significant liability reported at December 31, 2019 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Village's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Village's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

In accordance with GASB 68 and GASB 75, the Village's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total assets increased \$624,493. This increase was due primarily to an increase in taxes receivable in governmental activities and an increase in capital assets and accounts receivable in business-type activities which was partially offset by a decrease in cash and cash equivalents in business-type activities. Deferred outflows of resources increased due primarily to actuarial calculations related to pensions and OPEB.

Total liabilities increased \$333,480. Current and other liabilities decreased in business-type activities primarily due to a decrease in contracts payable. The increase in long-term liabilities is due to the increase in the net pension liability, which was partially offset by a decrease in the OPEB liability. Deferred inflows of resources decreased due to the pension and OPEB.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

Table 2 shows the changes in net position for the year ended December 31, 2019 as compared to the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services and Sales	\$ 398,124	\$ 227,381	\$ 1,938,678	\$ 2,052,007	\$ 2,336,802	\$ 2,279,388
Operating Grants and Contributions	268,165	231,502	-	-	268,165	231,502
Capital Grants and Contributions	-	-	447,308	41,288	447,308	41,288
Total Program Revenues	666,289	458,883	2,385,986	2,093,295	3,052,275	2,552,178
General Revenues:						
Property & Income Taxes	2,376,272	2,382,486	-	-	2,376,272	2,382,486
Unrestricted Grants and Entitlements	190,494	241,080	-	-	190,494	241,080
Investment Earnings	7,871	2,695	197	1,569	8,068	4,264
Gain on Sale of Capital Assets	-	-	-	-	-	-
Other	109,530	74,855	44,358	43,876	153,888	118,731
Total General Revenues	2,684,167	2,701,116	44,555	45,445	2,728,722	2,746,561
Total Revenues	3,350,456	3,159,999	2,430,541	2,138,740	5,780,997	5,298,739
Program Expenses						
General Government -						
Legislative and Executive	1,042,300	949,018	-	-	1,042,300	949,018
Security of Persons & Property	748,171	1,929,427	-	-	748,171	1,929,427
Public Health	15,735	18,060	-	-	15,735	18,060
Leisure Time Services	55,649	22,954	-	-	55,649	22,954
Transportation	677,143	622,175	-	-	677,143	622,175
Interest and Fiscal Charges	14,394	9,794	-	-	14,394	9,794
Water	-	-	1,121,696	940,623	1,121,696	940,623
Sewer	-	-	927,387	777,215	927,387	777,215
Total Expenses	2,553,392	3,551,428	2,049,083	1,717,838	4,602,475	5,269,266
Increase (Decrease) in Net Position	797,064	(391,429)	381,458	420,902	1,178,522	29,473
Beginning Net Position	1,356,134	1,747,563	7,157,363	6,736,461	8,513,497	8,484,024
Ending Net Position	\$ 2,153,198	\$ 1,356,134	\$ 7,538,821	\$ 7,157,363	\$ 9,692,019	\$ 8,513,497

Charges for Services and Sales increased primarily due to an increase in fees collected.

Security of Persons and Property expenses decreased due to a decrease in pension and OPEB expenses.

Water and sewer expenses increased due to the increased repairs and maintenance.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

Governmental Activities

Several revenue sources fund governmental activities, with income taxes generally being the biggest contributor. General revenues from property taxes are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 96% 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 \$1,138,408 and had expenses of \$927,387. The water operations generated program revenues of \$1,247,578 and had expenses of \$1,121,696. The Village's goal is to cover the costs of operations as well as build cash balance in these funds. The Village is also generating funds for additional capital expansion to ensure continued capacity and capital 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 \$4,602,385 and expenditures and other financing uses of \$4,604,263. The net change in fund balance for the year in the General Fund decreased \$142,028 due primarily to expenditures and transfers out exceeding revenues in 2019. The Police Fund had a fund balance increase of \$80,618. The Bridge and Street Fund had a fund balance decrease of \$19,297. The Fire Fund had a fund balance increase of \$29,298.

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 \$1,986,567. Actual revenues were higher than final budgeted revenues in the amount of \$318,040 due primarily to higher than expected property and income tax. Original and final budgeted expenditures and other financing uses were \$2,671,994 and \$2,570,536, respectively. Actual budgetary basis expenditures and other financing uses were \$2,356,318, which is lower than the final budgeted expenditures and other financing uses due primarily to less expenditures for legislative and executive.

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year end 2019, the Village had \$11,711,723 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, water and sewer lines, and infrastructure, net of accumulated depreciation. Table 3 shows 2019 balances as compared to the prior year.

Table 3
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 239,268	\$ 239,268	\$ 70,000	\$ 70,000	\$ 309,268	\$ 309,268
Construction in Progress	-	-	1,085,801	455,983	1,085,801	455,983
Land Improvements	174,357	198,851	46,401	52,031	220,758	250,882
Buildings and Improvements	766,884	790,071	6,121,883	6,348,284	6,888,767	7,138,355
Furniture and Equipment	649,463	685,250	83,820	102,362	733,283	787,612
Infrastructure	1,474,194	1,476,638	999,652	917,931	2,473,846	2,394,569
Totals	\$ 3,304,166	\$ 3,390,078	\$ 8,407,557	\$ 7,946,591	\$ 11,711,723	\$ 11,336,669

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

Debt

At December 31, 2019, the Village of Waverly had \$2,156,119 in notes, loans, and compensated absences outstanding with \$407,135 due within one year.

Table 4
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	Total
	2019	2018	2019	2018	2019	2018
Compensated Absences	\$ 45,010	\$ 52,864	\$ 27,203	\$ 25,360	\$ 72,213	\$ 78,224
Long Term Notes and Loans	294,245	405,122	27,008	115,814	321,253	520,936
O.W.D.A. Loans	-	-	1,484,704	1,267,260	1,484,704	1,267,260
O.P.W.C. Loans	72,589	78,566	205,360	219,170	277,949	297,736
Total	\$ 411,844	\$ 536,552	\$ 1,744,275	\$ 1,627,604	\$ 2,156,119	\$ 2,164,156

The Village's overall legal debt margin was \$7,999,920 at December 31, 2019.

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

Village of Waverly
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The Future

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

As described in Note 19 of this report, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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.

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 Debra Whaley, Village Auditor, 201 W. North Street, Waverly, Ohio 45690, (740) 947-9555.

Village of Waverly
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,450,396	\$ 497,338	\$ 1,947,734
Receivables:			
Taxes	1,328,305	-	1,328,305
Accounts	10,938	1,572,173	1,583,111
Prepaid Items	40,969	19,696	60,665
Due from Other Governments	214,223	-	214,223
Due from Other Funds	12,321	-	12,321
Non-Depreciable Capital Assets	239,268	1,155,801	1,395,069
Depreciable Capital Assets, Net	3,064,898	7,251,756	10,316,654
<i>Total Assets</i>	<u>6,361,318</u>	<u>10,496,764</u>	<u>16,858,082</u>
DEFERRED OUTFLOW OF RESOURCES:			
Pension	1,280,457	282,520	1,562,977
OPEB	390,397	37,592	427,989
<i>Total Deferred Inflows of Resources</i>	<u>1,670,854</u>	<u>320,112</u>	<u>1,990,966</u>
LIABILITIES:			
Accounts Payable	51,949	29,936	81,885
Accrued Wages and Benefits	32,616	12,438	45,054
Contracts Payable	-	57,730	57,730
Due to Other Governments	55,985	22,224	78,209
Long-Term Liabilities:			
Due Within One Year	103,275	303,860	407,135
Due in More Than One Year:			
Net Pension Liability (See Note 9)	3,636,750	926,428	4,563,178
Net OPEB Liability (See Note 10)	920,210	424,478	1,344,688
Other Amounts Due in More than One Year	308,569	1,440,415	1,748,984
<i>Total Liabilities</i>	<u>5,109,354</u>	<u>3,217,509</u>	<u>8,326,863</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Not Levied to Finance Current Year Operations	626,955	-	626,955
Pension	55,359	40,536	95,895
OPEB	87,306	20,010	107,316
<i>Total Deferred Inflows of Resources</i>	<u>769,620</u>	<u>60,546</u>	<u>830,166</u>
NET POSITION:			
Net Investment in Capital Assets	2,937,332	6,632,755	9,570,087
Restricted for:			
Capital Projects	41,905	-	41,905
Police	202,905	-	202,905
Bridge and Street	240,492	-	240,492
Fire	181,018	-	181,018
Permissive Tax	121,971	-	121,971
Waverly South Central	88,139	-	88,139
Other Purposes	147,666	-	147,666
Unrestricted (Deficit)	<u>(1,808,230)</u>	<u>906,066</u>	<u>(902,164)</u>
<i>Total Net Position</i>	<u>\$ 2,153,198</u>	<u>\$ 7,538,821</u>	<u>\$ 9,692,019</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government:							
Legislative and Executive	\$ 1,042,300	\$ 24,925	\$ -	\$ -	\$ (1,017,375)	\$ -	\$ (1,017,375)
Security of Persons and Property	748,171	330,882	196,662	-	(220,627)	-	(220,627)
Public Health	15,735	409	-	-	(15,326)	-	(15,326)
Leisure Time Services	55,649	1,423	-	-	(54,226)	-	(54,226)
Transportation	677,143	39,735	70,095	-	(567,313)	-	(567,313)
Interest and Fiscal Charges	14,394	750	1,408	-	(12,236)	-	(12,236)
<i>Total Governmental Activities</i>	<u>2,553,392</u>	<u>398,124</u>	<u>268,165</u>	<u>-</u>	<u>(1,887,103)</u>	<u>-</u>	<u>(1,887,103)</u>
Business-Type Activities:							
Sewer	927,387	1,131,100	-	7,308	-	211,021	211,021
Water	1,121,696	807,578	-	440,000	-	125,882	125,882
<i>Total Business-Type Activities</i>	<u>2,049,083</u>	<u>1,938,678</u>	<u>-</u>	<u>447,308</u>	<u>-</u>	<u>336,903</u>	<u>336,903</u>
Totals	<u>\$ 4,602,475</u>	<u>\$ 2,336,802</u>	<u>\$ 268,165</u>	<u>\$ 447,308</u>	<u>(1,887,103)</u>	<u>336,903</u>	<u>(1,550,200)</u>
General Revenues:							
Taxes:							
Property Taxes - General Purposes					111,761	-	111,761
Property Taxes - Other Purposes					494,946	-	494,946
Income Taxes					1,769,565	-	1,769,565
Grants and Entitlements not Restricted to Specific Programs					190,494	-	190,494
Investment Earnings					7,871	197	8,068
Miscellaneous					109,530	44,358	153,888
<i>Total General Revenues</i>					<u>2,684,167</u>	<u>44,555</u>	<u>2,728,722</u>
<i>Change in Net Position</i>					<u>797,064</u>	<u>381,458</u>	<u>1,178,522</u>
<i>Net Position Beginning of Year</i>					<u>1,356,134</u>	<u>7,157,363</u>	<u>8,513,497</u>
<i>Net Position End of Year</i>					<u>\$ 2,153,198</u>	<u>\$ 7,538,821</u>	<u>\$ 9,692,019</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Balance Sheet
Governmental Funds
December 31, 2019

	General	Bridge and Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 559,468	\$ 156,009	\$ 188,422	\$ 188,155	\$ 358,342	\$ 1,450,396
Receivables:						
Taxes	710,875	74,860	127,520	415,050	-	1,328,305
Accounts	10,310	-	-	-	628	10,938
Due from Other Governments	62,879	99,467	5,911	18,856	27,110	214,223
Prepaid Items	7,091	10,242	3,939	19,697	-	40,969
Due from Other Funds	12,321	-	-	-	13,450	25,771
<i>Total Assets</i>	<u>1,362,944</u>	<u>340,578</u>	<u>325,792</u>	<u>641,758</u>	<u>399,530</u>	<u>3,070,602</u>
LIABILITIES:						
Accounts Payable	46,426	3,735	-	1,788	-	51,949
Accrued Wages and Benefits	7,012	6,733	2,605	16,266	-	32,616
Due to Other Funds	-	13,450	-	-	-	13,450
Due to Other Governments	13,458	9,267	7,579	25,408	273	55,985
<i>Total Liabilities</i>	<u>66,896</u>	<u>33,185</u>	<u>10,184</u>	<u>43,462</u>	<u>273</u>	<u>154,000</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue						
Delinquent Taxes	6,642	5,096	2,744	24,530	-	39,012
Income Taxes	416,262	-	-	-	-	416,262
Other	15,242	-	-	-	-	15,242
Property Taxes Not Levied to Finance Current						
Year Operations	55,620	67,888	122,032	381,415	-	626,955
Grants	40,225	60,980	5,911	18,856	21,189	147,161
<i>Total Deferred Inflows of Resources</i>	<u>533,991</u>	<u>133,964</u>	<u>130,687</u>	<u>424,801</u>	<u>21,189</u>	<u>1,244,632</u>
FUND BALANCES:						
Nonspendable	15,124	10,242	3,939	19,697	-	49,002
Restricted	-	163,187	180,982	153,798	289,137	787,104
Committed	153,693	-	-	-	88,931	242,624
Assigned	393,278	-	-	-	-	393,278
Unassigned	199,962	-	-	-	-	199,962
<i>Total Fund Balances</i>	<u>762,057</u>	<u>173,429</u>	<u>184,921</u>	<u>173,495</u>	<u>378,068</u>	<u>1,671,970</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 1,362,944</u>	<u>\$ 340,578</u>	<u>\$ 325,792</u>	<u>\$ 641,758</u>	<u>\$ 399,530</u>	<u>\$ 3,070,602</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, 2019*

Total Governmental Fund Balances	\$	1,671,970
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,304,166
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Certain receivables reported as revenues on the statement of activities are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.

Taxes	470,516	
Intergovernmental	147,161	
Total		617,677

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

Deferred Outflows - Pension	1,280,457	
Deferred Outflows - OPEB	390,397	
Deferred Inflows - Pension	(55,359)	
Deferred Inflows - OPEB	(87,306)	
Net Pension Liability	(3,636,750)	
Net OPEB Liability	(920,210)	
Total		(3,028,771)

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	(45,010)	
General Obligation Notes and Loans Payable	(366,834)	
Total		(411,844)

Net Position of Governmental Activities	\$	<u><u>2,153,198</u></u>
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See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Bridge and Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 1,801,795	\$ 61,813	\$ 97,329	\$ 312,454	\$ -	\$ 2,273,391
Intergovernmental	145,560	205,530	13,140	44,025	55,075	463,330
Interest	6,887	145	-	-	839	7,871
Charges for Services	1,395	-	26,070	115,683	-	143,148
Fees, Licenses and Permits	6,660	-	-	-	-	6,660
Fines and Forfeitures	247,317	-	-	-	999	248,316
Other	17,695	3,537	26,567	40,957	20,774	109,530
<i>Total Revenues</i>	<u>2,227,309</u>	<u>271,025</u>	<u>163,106</u>	<u>513,119</u>	<u>77,687</u>	<u>3,252,246</u>
EXPENDITURES:						
Current:						
General Government:						
Legislative and Executive	822,543	-	-	-	18,244	840,787
Security of Persons and Property	78,064	-	299,506	1,182,501	-	1,560,071
Public Health	15,735	-	-	-	-	15,735
Leisure Time Services	54,771	-	-	-	-	54,771
Transportation	-	521,490	-	-	9,912	531,402
Capital Outlay	107,881	12,229	-	-	-	120,110
Debt Service:						
Principal	-	51,916	27,376	-	97,358	176,650
Interest and Fiscal Charges	-	3,753	6,926	-	3,715	14,394
<i>Total Expenditures</i>	<u>1,078,994</u>	<u>589,388</u>	<u>333,808</u>	<u>1,182,501</u>	<u>129,229</u>	<u>3,313,920</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>1,148,315</u>	<u>(318,363)</u>	<u>(170,702)</u>	<u>(669,382)</u>	<u>(51,542)</u>	<u>(61,674)</u>
OTHER FINANCING SOURCES AND USES:						
Issuance of Loans	-	14,066	-	-	45,730	59,796
Transfers In	-	285,000	200,000	750,000	55,343	1,290,343
Transfers Out	(1,290,343)	-	-	-	-	(1,290,343)
<i>Total Other Financing Sources and Uses</i>	<u>(1,290,343)</u>	<u>299,066</u>	<u>200,000</u>	<u>750,000</u>	<u>101,073</u>	<u>59,796</u>
<i>Net Change in Fund Balances</i>	<u>(142,028)</u>	<u>(19,297)</u>	<u>29,298</u>	<u>80,618</u>	<u>49,531</u>	<u>(1,878)</u>
<i>Fund Balances at Beginning of Year</i>	<u>904,085</u>	<u>192,726</u>	<u>155,623</u>	<u>92,877</u>	<u>328,537</u>	<u>1,673,848</u>
<i>Fund Balances at End of Year</i>	<u>\$ 762,057</u>	<u>\$ 173,429</u>	<u>\$ 184,921</u>	<u>\$ 173,495</u>	<u>\$ 378,068</u>	<u>\$ 1,671,970</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, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$	(1,878)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded additions in the current period.		
Capital Asset Additions	137,867	
Current Year Depreciation	<u>(223,779)</u>	
Total		(85,912)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(4,671)	
Taxes	<u>102,881</u>	
Total		98,210
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.		
		176,650
Issuance of 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.		
		(59,796)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences		7,854
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		238,592
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>423,344</u>
Net Change in Net Position of Governmental Activities	\$	<u>797,064</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$ 96,649	\$ 96,649	\$ 141,706	\$ 45,057
Income Taxes	1,487,400	1,487,400	1,753,084	265,684
Intergovernmental	142,868	142,868	142,425	(443)
Interest	1,500	1,500	6,770	5,270
Fees, Licenses and Permits	7,650	7,650	6,860	(790)
Fines and Forfeitures	240,000	240,000	231,762	(8,238)
Other	10,500	10,500	22,000	11,500
Total Revenues	<u>1,986,567</u>	<u>1,986,567</u>	<u>2,304,607</u>	<u>318,040</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	970,400	948,926	802,653	146,273
Security of Persons and Property	90,000	90,000	77,131	12,869
Public Health	1,500	15,735	15,735	-
Leisure Time Activities	91,000	86,000	60,824	25,176
Capital Outlay	125,000	135,781	107,881	27,900
Total Expenditures	<u>1,277,900</u>	<u>1,276,442</u>	<u>1,064,224</u>	<u>212,218</u>
Excess of Revenues Over Expenditures	<u>708,667</u>	<u>710,125</u>	<u>1,240,383</u>	<u>530,258</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(1,394,094)</u>	<u>(1,294,094)</u>	<u>(1,292,094)</u>	<u>2,000</u>
Total Other Financing Sources (Uses)	<u>(1,394,094)</u>	<u>(1,294,094)</u>	<u>(1,292,094)</u>	<u>2,000</u>
Net Change in Fund Balance	(685,427)	(583,969)	(51,711)	532,258
Fund Balance at Beginning of Year	533,119	533,119	533,119	-
Prior Year Encumbrances Appropriated	<u>18,611</u>	<u>18,611</u>	<u>18,611</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (133,697)</u>	<u>\$ (32,239)</u>	<u>\$ 500,019</u>	<u>\$ 532,258</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, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 64,293	\$ 64,293	\$ 64,477	\$ 184
Intergovernmental	165,625	165,625	193,616	27,991
Interest	50	50	145	95
Other	5,500	5,500	3,662	(1,838)
Total Revenues	<u>235,468</u>	<u>235,468</u>	<u>261,900</u>	<u>26,432</u>
EXPENDITURES:				
Current:				
Transportation	511,525	571,170	522,176	48,994
Capital Outlay	10,000	12,231	12,229	2
Debt Service:				
Principal	13,450	55,868	51,916	3,952
Interest and Fiscal Charges	-	-	3,753	(3,753)
Total Expenditures	<u>534,975</u>	<u>639,269</u>	<u>590,074</u>	<u>49,195</u>
Deficiency of Revenues Under Expenditures	<u>(299,507)</u>	<u>(403,801)</u>	<u>(328,174)</u>	<u>75,627</u>
OTHER FINANCING SOURCES:				
Proceeds from Notes	38,893	38,893	14,066	(24,827)
Transfers In	285,000	285,000	285,000	-
Total Other Financing Sources	<u>323,893</u>	<u>323,893</u>	<u>299,066</u>	<u>(24,827)</u>
Net Change in Fund Balance	24,386	(79,908)	(29,108)	50,800
Fund Balance at Beginning of Year	174,084	174,084	174,084	-
Prior Year Encumbrances Appropriated	11,032	11,032	11,032	-
Fund Balance at End of Year	<u>\$ 209,502</u>	<u>\$ 105,208</u>	<u>\$ 156,008</u>	<u>\$ 50,800</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, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 68,156	\$ 68,156	\$ 101,211	\$ 33,055
Intergovernmental	24,705	24,705	13,140	(11,565)
Charges for Services	25,000	25,000	26,070	1,070
Other	25,000	25,000	26,692	1,692
Total Revenues	142,861	142,861	167,113	24,252
EXPENDITURES:				
Current:				
Security of Persons and Property	342,500	343,784	300,449	43,335
Debt Service:				
Principal	35,000	34,500	27,376	7,124
Interest and Fiscal Charges	-	-	6,926	(6,926)
Total Expenditures	377,500	378,284	334,751	43,533
Deficiency of Revenues Under Expenditures	(234,639)	(235,423)	(167,638)	67,785
OTHER FINANCING SOURCES:				
Transfers In	200,000	200,000	200,000	-
Total Other Financing Sources	200,000	200,000	200,000	-
Net Change in Fund Balance	(34,639)	(35,423)	32,362	67,785
Fund Balance at Beginning of Year	153,239	153,239	153,239	-
Prior Year Encumbrances Appropriated	2,821	2,821	2,821	-
Fund Balance at End of Year	\$ 121,421	\$ 120,637	\$ 188,422	\$ 67,785

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, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 293,074	\$ 293,074	\$ 325,683	\$ 32,609
Intergovernmental	37,850	37,850	44,025	6,175
Charges for Services	50,000	50,000	115,683	65,683
Other	10,500	10,500	48,749	38,249
Total Revenues	<u>391,424</u>	<u>391,424</u>	<u>534,140</u>	<u>142,716</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	1,243,750	1,223,380	1,180,232	43,148
Total Expenditures	<u>1,243,750</u>	<u>1,223,380</u>	<u>1,180,232</u>	<u>43,148</u>
Deficiency of Revenues Under Expenditures	<u>(852,326)</u>	<u>(831,956)</u>	<u>(646,092)</u>	<u>185,864</u>
OTHER FINANCING SOURCES:				
Transfers In	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Total Other Financing Sources	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Net Change in Fund Balance	(102,326)	(81,956)	103,908	185,864
Fund Balance at Beginning of Year	83,775	83,775	83,775	-
Prior Year Encumbrances Appropriated	<u>471</u>	<u>471</u>	<u>471</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (18,080)</u>	<u>\$ 2,290</u>	<u>\$ 188,154</u>	<u>\$ 185,864</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Enterprise Funds		
	Water	Sewer	Totals
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 172,129	\$ 325,209	\$ 497,338
Prepaid Items	10,242	9,454	19,696
Accounts Receivable	215,977	1,356,196	1,572,173
<i>Total Current Assets</i>	<u>398,348</u>	<u>1,690,859</u>	<u>2,089,207</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	1,085,598	70,203	1,155,801
Depreciable Capital Assets, Net	3,023,988	4,227,768	7,251,756
<i>Total Noncurrent Assets</i>	<u>4,109,586</u>	<u>4,297,971</u>	<u>8,407,557</u>
<i>Total Assets</i>	<u>4,507,934</u>	<u>5,988,830</u>	<u>10,496,764</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	142,452	140,068	282,520
OPEB	17,247	20,345	37,592
<i>Total Deferred Outflows of Resources</i>	<u>159,699</u>	<u>160,413</u>	<u>320,112</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	23,359	6,577	29,936
Accrued Wages and Benefits	6,554	5,884	12,438
Contracts Payable	57,730	-	57,730
Due to Other Governments	10,873	11,351	22,224
Loans Payable	27,008	-	27,008
OPWC Loans Payable	5,477	8,333	13,810
OWDA Loans Payable	33,340	229,702	263,042
<i>Total Current Liabilities</i>	<u>164,341</u>	<u>261,847</u>	<u>426,188</u>
Noncurrent Liabilities:			
Compensated Absences Payable	15,384	11,819	27,203
OPWC Loans Payable	8,216	183,334	191,550
OWDA Loans Payable	486,066	735,596	1,221,662
Net Pension Liability	479,968	446,460	926,428
Net OPEB Liability	219,916	204,562	424,478
<i>Total Noncurrent Liabilities</i>	<u>1,209,550</u>	<u>1,581,771</u>	<u>2,791,321</u>
<i>Total Liabilities</i>	<u>1,373,891</u>	<u>1,843,618</u>	<u>3,217,509</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension	24,964	15,572	40,536
OPEB	12,865	7,145	20,010
<i>Total Deferred Inflows of Resources</i>	<u>37,829</u>	<u>22,717</u>	<u>60,546</u>
NET POSITION:			
Net Investment in Capital Assets	3,491,749	3,141,006	6,632,755
Unrestricted	(235,836)	1,141,902	906,066
<i>Total Net Position</i>	<u>\$ 3,255,913</u>	<u>\$ 4,282,908</u>	<u>\$ 7,538,821</u>

Village of Waverly
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES:			
Charges for Services	\$ 803,760	\$ 1,131,100	\$ 1,934,860
Tap-In Fees	3,818	-	3,818
Other	40,650	-	40,650
<i>Total Operating Revenues</i>	<u>848,228</u>	<u>1,131,100</u>	<u>1,979,328</u>
OPERATING EXPENSES:			
Salaries and Wages	272,540	239,306	511,846
Fringe Benefits	256,028	222,367	478,395
Contractual Services	345,031	243,711	588,742
Materials and Supplies	59,594	47,787	107,381
Other	45,468	5,484	50,952
Depreciation	138,442	143,021	281,463
<i>Total Operating Expenses</i>	<u>1,117,103</u>	<u>901,676</u>	<u>2,018,779</u>
<i>Operating Income (Loss)</i>	<u>(268,875)</u>	<u>229,424</u>	<u>(39,451)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	197	-	197
Other Non-Operating Revenues	-	3,708	3,708
Interest and Fiscal Charges	(4,593)	(25,711)	(30,304)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(4,396)</u>	<u>(22,003)</u>	<u>(26,399)</u>
<i>Income Before Capital Contributions</i>	(273,271)	207,421	(65,850)
Capital Contributions - Intergovernmental	440,000	7,308	447,308
<i>Change in Net Position</i>	166,729	214,729	381,458
<i>Net Position at Beginning of Year</i>	<u>3,089,184</u>	<u>4,068,179</u>	<u>7,157,363</u>
<i>Net Position at End of Year</i>	<u>\$ 3,255,913</u>	<u>\$ 4,282,908</u>	<u>\$ 7,538,821</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise		
	Water	Sewer	Total
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$ 824,912	\$ 871,329	\$ 1,696,241
Cash Payments to Suppliers for Goods and Services	(664,134)	(290,280)	(954,414)
Cash Payments to Employees for Services and Benefits	(439,930)	(378,646)	(818,576)
Cash Received for Other Operating Receipts	23,308	-	23,308
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(255,844)</u>	<u>202,403</u>	<u>(53,441)</u>
<i>Cash Flows from Noncapital Financing Activities:</i>			
Other Non-Operating Receipts	-	3,708	3,708
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Capital Grants	440,000	7,308	447,308
Proceeds from Debt Issuance	1,246,074	-	1,246,074
Acquisition of Capital Assets	(626,793)	(115,636)	(742,429)
Principal Payments	(890,977)	(240,269)	(1,131,246)
Interest Payments	(4,593)	(25,711)	(30,304)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>163,711</u>	<u>(374,308)</u>	<u>(210,597)</u>
<i>Cash Flows from Investing Activities:</i>			
Interest on Investments	197	-	197
Net Decrease in Cash and Cash Equivalents	(91,936)	(168,197)	(260,133)
Cash and Cash Equivalents at Beginning of Year	264,065	493,406	757,471
Cash and Cash Equivalents at End of Year	<u>\$ 172,129</u>	<u>\$ 325,209</u>	<u>\$ 497,338</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>			
Operating Income (Loss)	\$ (268,875)	\$ 229,424	\$ (39,451)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i>			
Depreciation	138,442	143,021	281,463
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	747	(259,646)	(258,899)
Decrease in Deferred Outflows Related to Pension	106,601	99,980	206,581
Decrease in Deferred Outflows Related to OPEB	11,588	10,883	22,471
(Increase)/Decrease in Prepaid Items	5,814	(2,000)	3,814
Increase in Accounts Payable	20,386	6,577	26,963
Increase in Accrued Wages and Benefits	1,026	1,170	2,196
Increase in Compensated Absences Payable	1,372	471	1,843
Decrease in Contracts Payable	(235,270)	-	(235,270)
Increase in Due to Other Governments	1,840	2,481	4,321
Decrease in Deferred Inflows Related to Pension	(36,793)	(28,757)	(65,550)
Decrease in Deferred Inflows Related to OPEB	(7,109)	(3,446)	(10,555)
Decrease in Net Pension Liability	(2,864)	(4,903)	(7,767)
Increase in OPEB Liability	7,251	7,148	14,399
Total Adjustments	<u>13,031</u>	<u>(27,021)</u>	<u>(13,990)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (255,844)</u>	<u>\$ 202,403</u>	<u>\$ (53,441)</u>

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2019

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 103
Cash and Cash Equivalents in Segregated Accounts	11,378
Accounts Receivable	<u>943</u>
<i>Total Assets</i>	<u><u>\$ 12,424</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Other Funds	\$ 12,321
Undistributed Monies	<u>103</u>
<i>Total Liabilities</i>	<u><u>\$ 12,424</u></u>

See accompanying notes to the basic financial statements.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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/OPEB liabilities, and the recording of net pension/OPEB 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 pensions and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 9 and Note 10, respectively.

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, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 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, other revenue, 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 and OPEB are reported on the government-wide statement of net position. (See Note 9 and Note 10).

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 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/OPEB, 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 2019.

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, 2019

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 acquisition 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, 2019

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

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 2019 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			
	<u>General</u>	<u>Bridge and Street</u>	<u>Fire</u>	<u>Police</u>
GAAP Basis	\$ (142,028)	\$ (19,297)	\$ 29,298	\$ 80,618
Increases (Decreases) Due To:				
Revenue Accruals	77,318	(9,125)	4,007	21,021
Expenditure Accruals	13,564	(686)	(943)	2,269
Encumbrances	(545)	-	-	-
Funds Included for GAAP Purposes but Excluded for Budgetary Reporting	(20)	-	-	-
Budget Basis	<u>\$ (51,711)</u>	<u>\$ (29,108)</u>	<u>\$ 32,362</u>	<u>\$ 103,908</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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village Auditor or, if the securities are not represented by 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".

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that in the event of 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 \$2,082,760 was either covered by FDIC or collateralized by its financial institution in the manner described below.

The Village does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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 2019, revenue from the income tax amounted to \$1,769,565. 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 2019 for real and public utility property taxes represents collections of 2018.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, 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. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019 and are collected in 2020 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2019, was \$15.30 per \$1,000 of assessed value. The assessed values of real property upon which 2019 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$ 72,345,050
Public Utility Property	7,338,320
Total Property Taxes	<u>\$ 79,683,370</u>

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 6 – PROPERTY TAX (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing Villages 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, 2019, 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 2019 operations. The receivable is offset by deferred inflow of resources.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2019, 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:

<u>Fund/Description of Receivable</u>	<u>Amount</u>
General Fund	
Local Government	\$ 56,147
Homestead, Rollback, and Exemption	<u>6,732</u>
Total General Fund	<u>62,879</u>
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	<u>5,911</u>
Total Fire Major Special Revenue Fund	<u>5,911</u>
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	<u>18,856</u>
Total Police Major Special Revenue Fund	<u>18,856</u>
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax and Cents Per Gallon Tax	80,045
Motor Vehicle License Tax	15,405
Homestead, Rollback, and Exemption	<u>4,017</u>
Total Bridge and Street Fund	<u>99,467</u>
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax and Cents Per Gallon Tax	6,490
Motor Vehicle License Tax	<u>1,249</u>
Total Inter-City Highway Fund	<u>7,739</u>
Village Permissive Non-major Special Revenue Fund	
Permissive Motor vehicle License Taxes	<u>19,371</u>
Total Permissive Fund	<u>19,371</u>
Total Nonmajor Special Revenue Funds	<u>27,110</u>
Total Governmental Activities	<u>\$ 214,223</u>

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019:

	Beginning Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/2019</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 239,268	\$ -	\$ -	\$ 239,268
Total Capital Assets, Not Being Depreciated	<u>239,268</u>	<u>-</u>	<u>-</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	768,611	-	-	768,611
Buildings and Improvements	1,408,689	-	-	1,408,689
Furniture and Equipment	3,056,096	82,867	-	3,138,963
Infrastructure	<u>2,684,415</u>	<u>55,000</u>	-	<u>2,739,415</u>
Total Capital Assets Being Depreciated	7,917,811	137,867	-	8,055,678
Less Accumulated Depreciation				
Land Improvements	(569,760)	(24,494)	-	(594,254)
Buildings and Improvements	(618,618)	(23,187)	-	(641,805)
Furniture and Equipment	(2,370,846)	(118,654)	-	(2,489,500)
Infrastructure	<u>(1,207,777)</u>	<u>(57,444)</u>	-	<u>(1,265,221)</u>
Total Accumulated Depreciation	<u>(4,767,001)</u>	<u>(223,779)</u>	<u>-</u>	<u>(4,990,780)</u>
Total Capital Assets Being Depreciated, Net	<u>3,150,810</u>	<u>(85,912)</u>	<u>-</u>	<u>3,064,898</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,390,078</u>	<u>\$ (85,912)</u>	<u>\$ -</u>	<u>\$ 3,304,166</u>

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$101,034
Security of Persons & Property	69,498
Leisure Time Activities	878
Transportation	<u>52,369</u>
Total Depreciation Expense	<u>\$223,779</u>

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 8 – CAPITAL ASSETS (Continued)

	Ending Balance 12/31/2018	Additions	Deletions	Ending Balance 12/31/2019
<u>Business Type Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Construction in Progress	455,983	742,429	(112,611)	1,085,801
Total Capital Assets, Not Being Depreciated	<u>525,983</u>	<u>742,429</u>	<u>(112,611)</u>	<u>1,155,801</u>
Capital Assets Being Depreciated				
Land Improvements	253,083	-	-	253,083
Buildings and Improvements	11,673,336	-	-	11,673,336
Mechanical Equipment	401,296	-	-	401,296
Infrastructure	5,368,863	112,611	-	5,481,474
Total Capital Assets Being Depreciated	<u>17,696,578</u>	<u>112,611</u>	<u>-</u>	<u>17,809,189</u>
Less Accumulated Depreciation				
Land Improvements	(201,052)	(5,630)	-	(206,682)
Buildings and Improvements	(5,325,052)	(226,401)	-	(5,551,453)
Mechanical Equipment	(298,934)	(18,542)	-	(317,476)
Infrastructure	(4,450,932)	(30,890)	-	(4,481,822)
Total Accumulated Depreciation	<u>(10,275,970)</u>	<u>(281,463)</u>	<u>-</u>	<u>(10,557,433)</u>
Total Capital Assets Being Depreciated, Net	<u>7,420,608</u>	<u>(168,852)</u>	<u>-</u>	<u>7,251,756</u>
Business Type Activities Capital Assets, Net	<u>\$ 7,946,591</u>	<u>\$ 573,577</u>	<u>\$(112,611)</u>	<u>\$ 8,407,557</u>

NOTE 9- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Substantially all Village employees are covered by one of two pension plans Ohio Police and Fire Pension Fund (OP&F) or Ohio Public Employees Retirement System (OPERS).

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, 2019

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

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

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 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 %.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 % each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
 Employee	 10.0 %

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

The Village’s contractually required contribution was \$176,314 for 2019. Of this amount, \$25,366 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at 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 OP&F may retire and receive a lifetime monthly pension. OP&F 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. (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OP&F) (continued)

Under the COLA method, retired members who are at least 55 years old and have been receiving OP&F 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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
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 OP&F was \$126,706 for 2019. Of this amount \$16,721 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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:

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0088020%	0.0263700%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0085600%</u>	<u>0.0266050%</u>	
Change in Proportionate Share Proportion of the Net Pension Liability	<u>0.0002420%</u>	<u>-0.0002350%</u>	
Liability	\$2,410,689	\$2,152,489	\$4,563,178
Pension Expense	\$529,304	\$352,071	\$881,375

At December 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual economic experience	\$111	\$88,437	\$88,548
Changes of assumptions	209,856	57,065	266,921
Net difference between projected and actual earnings on pension plan investments	327,198	265,184	592,382
Changes in proportion and differences between Village contributions and proportionate share of contributions	39,823	272,283	312,106
Village contributions subsequent to the measurement date	176,314	126,706	303,020
Total	<u>\$753,302</u>	<u>\$809,675</u>	<u>\$1,562,977</u>
Deferred Inflows of Resources			
Differences between expected and actual economic experience	\$31,653	\$2,010	\$33,663
Changes in proportion and differences between Village contributions and proportionate share of contributions	46,752	15,480	62,232
Total	<u>\$78,405</u>	<u>\$17,490</u>	<u>\$95,895</u>

\$303,020 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, 2020. 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&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$197,453	\$195,998	\$393,451
2021	118,604	138,009	256,613
2022	30,354	146,303	176,657
2023	152,172	167,260	319,432
2024	<u>0</u>	<u>17,909</u>	<u>17,909</u>
Total	<u>\$498,583</u>	<u>\$665,479</u>	<u>\$1,164,062</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 was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

Valuation date	December 31, 2018
Experience study	5 year period ended December 31, 2015
Actuarial cost method	Individual entry age
Actuarial assumptions:	
Investment rate of return	7.20 percent
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (including wage inflation of 3.25%)
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00 percent, simple Post 1/7/2013 retirees: 3.00 percent, simple through 2018, then 2.15% simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 2018 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 (Arithmetic)</u>
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.20% for the Traditional Pension Plan. 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 contractually required rates, as actuarially determined. 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 7.20 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 (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Village's proportionate share of the net pension liability	\$3,561,289	\$2,410,689	\$1,454,531

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019 (December 31, 2018 measurement date), is based on the results of an actuarial valuation date of January 1, 2018, rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial cost method	Entry age normal
Investment rate of return	8.00 percent
Projected salary increases	3.75 percent to 10.50 percent
Payroll growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Cost of living adjustments	3.00 percent simple; 2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent

Healthy Mortality For the January 1, 2018, valuation, mortality for non-disabled participants is based on the RP- 2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68 - 77	105%	87%
78 and up	115%	120%

Disabled Mortality Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60 - 69	60%	45%
70 - 79	75%	70%
80 and up	100%	90%

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F’s prior actuary and the assumptions were effective January 1, 2017.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

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 OP&F’s Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnership	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
Total	120.00%	

Note: Assumptions are geometric
 *levered 2x

OP&F’s Board of Trustees has incorporated the “risk parity” concept into OP&F’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 1.20 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 8.00 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Village's proportionate share of the net pension liability	\$2,829,298	\$2,152,489	\$1,586,917

NOTE 10 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Village’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the Village does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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 - The Ohio Public Employees Retirement System (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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See 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, Ohio 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 postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2019. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the Member-Directed health care accounts for 2019 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2019.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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 Government Accounting Standards Board (GASB) Statement No. 75.

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 health care 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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

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 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care 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 contractually required contribution to OP&F was \$3,329 for 2019. Of this amount, \$439 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The Village's proportion of the net OPEB liability was based on the Village's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability - Prior Year	0.0082600%	0.0266050%	
Proportionate Share of the Net OPEB Liability - Current Year	<u>0.0084720%</u>	<u>0.0263700%</u>	
Change in Proportionate Share	<u>0.0002120%</u>	<u>-0.0002350%</u>	
Proportion of the Net OPEB Liability	\$1,104,549	\$240,139	\$1,344,688
OPEB Expense	\$85,483	\$0	\$85,483
OPEB (Revenue)	\$0	(\$1,162,866)	(\$1,162,866)

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	OPERS	OPF	Total
Differences between expected and actual economic experience	\$374	\$0	\$374
Changes of assumptions	35,612	124,477	160,089
Net difference between projected and actual earnings on pension plan investments	50,637	8,129	58,766
Changes in proportion and differences between Village contributions and proportionate share of contributions	22,591	182,840	205,431
Village contributions subsequent to the measurement date	0	3,329	3,329
Total	\$109,214	\$318,775	\$427,989
Deferred Inflows of Resources	OPERS	OPF	Total
Differences between expected and actual economic experience	\$2,997	\$6,434	\$9,431
Changes of assumptions	0	66,482	66,482
Changes in proportion and differences between Village contributions and proportionate share of contributions	31,403	0	31,403
Total	\$34,400	\$72,916	\$107,316

\$3,329 reported as deferred outflows of resources related to OPEB resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	\$24,976	\$41,966	\$66,942
2021	15,754	41,966	57,720
2022	8,574	41,967	50,541
2023	25,510	44,426	69,936
2024	0	40,549	40,549
Thereafter	0	31,656	31,656
Total	\$74,814	\$242,530	\$317,344

NOTE 10 – DEFINED BENEFIT OPEB 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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Cost Method	Individual Entry Age
Single Discount Rate	3.96 Percent
Investment Rate of Return	6.00 Percent
Municipal Bond Rate	3.71 Percent
Wage Inflation	3.25 Percent
Future Salary Increases	3.25 Percent to 10.75 Percent (including wage inflation of 3.25 percent)
Health Care Cost Trend Rate	10.00 initial, 3.25 percent ultimate in 2029

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and healthcare-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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 (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan’s fiduciary net position and future contributions were sufficient to finance the health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Village’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	<u>1% Decrease (2.96%)</u>	<u>Current Discount Rate (3.96%)</u>	<u>1% Increase (4.96%)</u>
Village's proportionate share of the OPEB liability	\$1,413,130	\$1,104,549	\$859,146

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (continued)

Sensitivity of the Village’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Village's proportionate share of the net OPEB liability	\$1,061,711	\$1,104,549	\$1,153,886

Changes Since Prior Measurement Date and to Report Date In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Healthy Mortality Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Disabled Mortality Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB 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 expected. 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.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnership	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
Total	120.00%	

Note: Assumptions are geometric
 *levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 the 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 OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the Village's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
Village's proportionate share of the net OPEB liability	\$292,555	\$240,139	\$196,141

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The net OPEB liability for OP&F is sensitive to changes in the healthcare cost trend rate because it is based on a medical benefit that is a flat dollar amount.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

Changes since prior Measurement Date and to Report Date

Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

NOTE 11 – EMPLOYEE BENEFITS

A. 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.

B. INSURANCE BENEFITS

The Village provides life insurance through Fort Dearborn Life and health insurance through the United Health Care Insurance Company. Dental insurance is provided through MetLife and vision insurance through Vision Service Plan of Ohio.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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, 2019, were as follows:

<u>Fund Type / Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Funds:		
General	\$ 1,290,343	\$ -
Bridge and Street	-	285,000
Fire	-	200,000
Police	-	750,000
Total Major Funds	<u>1,290,343</u>	<u>1,235,000</u>
Nonmajor Funds:		
Levee	-	49,366
Depot Str. Improvement	-	2,644
Hillside Ave. Storm System	-	3,333
Total Nonmajor Funds	<u>-</u>	<u>55,343</u>
Total All Funds	<u>\$ 1,290,343</u>	<u>\$ 1,290,343</u>

Interfund balances at December 31, 2019, consist of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
<i>Major Funds:</i>		
General Fund	\$12,321	\$ -
Bridge and Street Fund	-	13,450
<i>Total Major Funds</i>	<u>12,321</u>	<u>13,450</u>
<i>Nonmajor Special Revenue Fund:</i>		
Permissive Tax Fund	13,450	-
<i>Total Nonmajor Special Revenue Fund</i>	<u>13,450</u>	<u>-</u>
<i>Agency Fund:</i>		
Mayor's Court	-	12,321
Total All Funds	<u>\$25,771</u>	<u>\$25,771</u>

The Agency Fund balance results from monies collected by the Mayor's Court in December of 2019 that were not paid into the General Fund until January of 2020.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2019, was as follows:

Issue	Balance 12/31/18	Issued	Retired	Balance 12/31/19	Due in One Year
Governmental Activities					
Compensated Absences	\$ 52,864	\$ 107,872	\$ 115,726	\$ 45,010	\$ 9,336
2003 - 0% OPWC Depot Street Reconstruction Loan	11,899	-	2,644	9,255	2,644
4% Green Acres Levee Improvements Note	91,381	45,730	91,381	45,730	45,730
2008 - 0% OPWC Hillside Avenue Storm System Loan	66,667	-	3,333	63,334	3,333
3.75% Ford Truck Note	27,714	14,066	27,714	14,066	14,066
2016 - 2.9% Fire Pumper Truck	236,116	-	27,376	208,740	28,166
2017 - 3.07% Backhoe Loan	49,911	-	24,202	25,709	-
Net Pension Liability:					
OPERS	807,178	677,083	-	1,484,261	-
OP&F	1,632,872	519,617	-	2,152,489	-
Total Net Pension Liability	<u>2,440,050</u>	<u>1,196,700</u>	<u>-</u>	<u>3,636,750</u>	<u>-</u>
Net OPEB Liability :					
OPERS	539,146	140,925	-	680,071	-
OP&F	1,507,402	-	1,267,263	240,139	-
Total Net OPEB Liability	<u>2,046,548</u>	<u>140,925</u>	<u>1,267,263</u>	<u>920,210</u>	<u>-</u>
Total Governmental Activities	<u>\$ 5,023,150</u>	<u>\$ 1,505,293</u>	<u>\$ 1,559,639</u>	<u>\$ 4,968,804</u>	<u>\$ 103,275</u>

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2019, was as follows:

Issue	Balance 12/31/18	Issued	Retired	Balance 12/31/19	Due in One Year
Business-Type Activities					
Compensated Absences	\$ 25,360	\$ 47,943	\$ 46,100	\$ 27,203	\$ -
2001 - 2% OWDA Wastewater Treatment Plant Loan	1,174,481	-	224,731	949,750	229,702
2013 - 0% OPWC Bridge Street Sanitation S	200,000	-	8,333	191,667	8,333
2013 - 1% OWDA Bridge Street Sanitation Sewer Main Rehab Loan	22,753	-	7,205	15,548	-
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	66,023	-	32,683	33,340	33,340
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	19,170	-	5,477	13,693	5,477
2018 - 0% OWDA Loan Water Well Construction-Design	4,003	293,000	297,003	-	-
2018 - 4% Water Well Property	60,025	-	60,025	-	-
4% Sludge Lagoon Note	55,789	27,008	55,789	27,008	27,008
2019 - 0% OWDA Loan	-	926,066	440,000	486,066	-
Net Pension Liability - OPERS:					
Water	290,188	189,780	-	479,968	-
Sewer	245,532	200,928	-	446,460	-
Total Net Pension Liability - OPERS	<u>535,720</u>	<u>390,708</u>	<u>-</u>	<u>926,428</u>	<u>-</u>
Net OPEB Liability - OPERS:					
Water	193,828	26,088	-	219,916	-
Sewer	164,001	40,561	-	204,562	-
Total Net OPEB Liability - OPERS	<u>357,829</u>	<u>66,649</u>	<u>-</u>	<u>424,478</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 2,521,153</u>	<u>\$ 1,751,374</u>	<u>\$ 1,177,346</u>	<u>\$ 3,095,181</u>	<u>\$ 303,860</u>

The Village's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,999,920 with an unvoted debt margin of \$4,015,751 at December 31, 2019.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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

	OPWC Loans		OWDA Loans	
	Principal		Principal	Interest
2020	\$ 13,810		\$ 263,042	\$ 20,139
2021	13,810		234,784	14,557
2022	11,072		239,977	9,363
2023	8,333		245,287	4,054
2024	8,333		-	-
2025-2029	41,665		-	-
2030-2034	41,665		-	-
2035-2039	41,665		-	-
2040-2042	25,007		-	-
	\$ 205,360		\$ 983,090	\$ 48,113

The OWDA amortization does not match the schedule above because the 2013 1% OWDA Loan and the 2019 OWDA Loan amortization schedules were not available.

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans		Fire Pumper Truck		Backhoe Loan	
	Principal		Principal	Interest	Principal	Interest
2020	\$ 5,977		\$ 28,166	\$ 6,136	\$ -	\$ -
2021	5,977		29,001	5,301	12,661	789
2022	5,978		29,860	4,442	13,048	400
2023	4,655		30,745	3,557	-	-
2024	3,333		31,656	2,646	-	-
2025-2029	16,665		59,312	9,292	-	-
2030-2034	16,665		-	-	-	-
2035-2038	13,339		-	-	-	-
	\$ 72,589		\$ 208,740	\$ 31,374	\$ 25,709	\$ 1,189

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 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.

The Sludge Lagoon Note was issued in 2018 in the amount of \$55,789 for the purpose of sludge removal from the water treatment plant. This note matured on September 7, 2019 and the Village paid \$28,781 from the Water Fund against the note and refinanced the remaining \$27,008 into a new note. This new note will mature on September 4, 2020. Therefore, no amortization schedule is shown on the previous page for this note.

In December 2018, the Village issued a Water Well Note in the amount of \$60,025, with a 4% interest rate. This note matured on June 19, 2019 and was paid from the Water Fund.

In October 2018, the Village issued an OWDA Loan in the amount of \$297,003 for the purpose of well construction design. During 2019, this loan was paid off with the issuance of new OWDA Loan in March of 2019.

In March 2019, the Village issued an OWDA Loan in the amount of \$1,330,812. This loan was issued for the purpose of well construction and to pay off the previously issued OWDA Loan. As of December 31, 2019, \$926,066 has been drawn down on the loan. This loan will be paid from the Water Fund.

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

The Green Acres Levee Improvement note was issued on July 28, 2018 in the amount of \$91,381 and was for the purpose of repaying a previously issued note used for repairs to the levee. This note matured on July 28, 2019 and the Village paid \$45,651 from the Levee Improvement Fund against the note and refinanced the remaining \$45,730 into a new note. This new note will mature on July 27, 2020. 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.

In July of 2018, the Village obtained note in the amount of \$27,714 for the purpose of repaying a previously issued note to purchase a Ford F-550 truck. This note matured on July 28, 2019 the Village paid \$13,648 from the Bridge and Street fund against the note and refinanced the remaining \$14,066 into a new note. This new note will mature on July 27, 2020. Therefore, no amortization schedule is shown on the previous page for this note. The note was secured by the truck as pledged collateral.

In January 2017, the Village issued a loan in the amount of \$61,474 for the purpose of purchasing a backhoe. This loan was secured by the backhoe as pledged collateral. The loan is being paid from the Bridge and Street Fund.

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 is being 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.

NOTE 14 – RISK MANAGEMENT

The Village uses United Healthcare 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 is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity’s) policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

During 2019 the Village made no significant changes to coverage from the prior year.

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, 2019, if applicable, cannot be determined at this time.

Litigation

The Village is currently party to legal proceedings. Management does not believe the impact, if any, would significant to the financial statements.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 17 – 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
Nonspendable						
Unclaimed Monies	\$ 8,033	\$ -	\$ -	\$ -	\$ -	\$ 8,033
Prepaid Items	7,091	10,242	3,939	19,697	-	40,969
Total Nonspendable	<u>15,124</u>	<u>10,242</u>	<u>3,939</u>	<u>19,697</u>	<u>-</u>	<u>49,002</u>
Restricted for						
Bridge & Street	-	168,415	-	-	-	168,415
Other Purposes	-	-	-	-	18,594	18,594
Fire	-	-	180,982	-	-	180,982
Police	-	-	-	153,798	-	153,798
Inner-City Highway	-	-	-	-	54,061	54,061
Mayor's Crt Computer	-	-	-	-	55,614	55,614
Law Drug	-	-	-	-	14,778	14,778
Permissive Tax	-	-	-	-	105,401	105,401
Capital Improvements	-	-	-	-	41,113	41,113
Total Restricted	<u>-</u>	<u>168,415</u>	<u>180,982</u>	<u>153,798</u>	<u>289,561</u>	<u>792,756</u>
Committed to						
Other Purposes	<u>153,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,931</u>	<u>242,624</u>
Assigned to						
Other Purposes	<u>393,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,278</u>
Unassigned						
	<u>194,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,310</u>
Total Fund Balances	<u>\$ 756,405</u>	<u>\$ 178,657</u>	<u>\$ 184,921</u>	<u>\$ 173,495</u>	<u>\$ 378,492</u>	<u>\$ 1,671,970</u>

NOTE 18 – NEW ACCOUNTING PRINCIPLES

For fiscal year 2019, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Village.

GASB Statement No. 88 improves the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 affected the Village's debt schedule and noncurrent liabilities disclosure, as presented in Note 14.

Village of Waverly
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 18 – NEW ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Village.

NOTE 19 - SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Village’s investments of the pension and other employee benefit plan in which the Village participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

NOTE 20 – RELATED PARTY TRANSACTIONS

A Village Council member relative is owner of a KC Landscaping which the Village contracted with for mowing services. The Village paid \$29,500 to KC Landscaping during the year.

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

	2019	2018	2017	2016	2015	2014
Total plan pension liability	\$ 108,264,577,647	\$ 102,273,912,351	\$ 99,811,932,954	\$ 91,534,580,978	\$ 89,017,348,266	\$ 86,407,229,435
Plan net position	80,876,605,054	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	27,387,972,593	15,688,061,327	22,702,299,469	17,321,260,626	12,061,117,624	11,788,697,166
Village's proportion of the net pension liability	0.008802%	0.008560%	0.009256%	0.008963%	0.008811%	0.008811%
Village's proportionate share of the net pension liability	\$ 2,410,689	\$ 1,342,898	\$ 2,101,325	\$ 1,552,505	\$ 1,062,705	\$ 1,038,702
Village's covered payroll	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875	\$ 1,151,725	\$ 1,115,908	\$ 1,131,900
Village's proportionate share of the net pension liability as a percentage of its covered payroll	196.14%	114.78%	170.03%	134.80%	95.23%	91.77%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	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 Six Years

	2019	2018	2017	2016	2015 *	2014 *
Total plan pension liability	\$ 22,103,699,175	\$ 21,101,065,550	\$ 20,016,288,888	\$ 19,357,013,332	\$ 18,761,561,462	\$ 18,152,090,344
Plan net position	13,941,056,807	14,963,614,004	13,682,389,240	12,923,943,156	13,453,447,836	13,166,077,870
Net pension liability	8,162,642,368	6,137,451,546	6,333,899,648	6,433,070,176	5,308,113,626	4,986,012,474
Village's proportion of the net pension liability	0.0263700%	0.0266050%	0.0214340%	0.0192410%	0.0188531%	0.0188531%
Village's proportionate share of the net pension liability	\$ 2,152,489	\$ 1,632,872	\$ 1,357,611	\$ 1,237,787	\$ 1,000,744	\$ 940,018
Village's covered payroll	\$ 643,816	\$ 627,005	\$ 496,237	\$ 433,284	\$ 404,626	\$ 794,081
Village's proportionate share of the net pension liability as a percentage of its covered payroll	334.30%	260.40%	273.60%	285.70%	247.30%	118.40%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	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 the Village's Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 176,314	\$ 172,073	\$ 152,099	\$ 148,305	\$ 138,207	\$ 133,909	\$ 147,147	\$ 169,156	\$ 183,321	\$ 185,928
Contributions in relation to the contractually required contribution	(176,314)	(172,073)	(152,099)	(148,305)	(138,207)	(133,909)	(147,147)	(169,156)	(183,321)	(185,928)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 1,259,386	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875	\$ 1,151,725	\$ 1,115,908	\$ 1,131,900	\$ 1,691,560	\$ 1,833,210	\$ 2,124,891
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%

Notes to Required Supplementary Information - Pension

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

Changes of Assumptions (OPERS): During the plan year ended December 31, 2018, there were changes to assumptions for OPERS. The investment rate of return decreased from 7.50% to 7.20%.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 126,706	\$ 122,325	\$ 119,131	\$ 94,285	\$ 82,324	\$ 76,879	\$ 126,100	\$ 119,252	\$ 87,080	\$ 90,033
Contributions in relation to the contractually required contribution	(126,706)	(122,325)	(119,131)	(94,285)	(82,324)	(76,879)	(126,100)	(119,252)	(87,080)	(90,033)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 666,874	\$ 643,816	\$ 627,005	\$ 496,237	\$ 433,284	\$ 404,626	\$ 794,081	\$ 935,310	\$ 682,980	\$ 706,141
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	15.88%	12.75%	12.75%	12.75%

Changes to Benefit Terms: There were no changes in benefit terms affecting the Ohio Police & Fire Pension System plan for the plan year ended December 31, 2018.

Changes of Assumptions (OPERS): There were no changes in assumptions affecting the Ohio Police & Fire Pension System plan for the plan year ended December 31, 2018.

Village of Waverly
Required Supplementary Information
Schedule of the Village's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Three Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total plan OPEB liability	\$ 24,290,625,123	\$ 23,678,097,060	\$ 21,980,827,536
Plan net position	<u>11,252,985,702</u>	<u>12,818,833,665</u>	<u>11,880,487,863</u>
Net OPEB liability	13,037,639,421	10,859,263,395	10,100,339,673
Village's proportion of the net OPEB liability	0.00847200%	0.00826000%	0.00894000%
Village's proportionate share of the net OPEB liability	\$ 1,104,549	\$ 896,975	\$ 902,970
Village's covered payroll	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875
Village's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.87%	76.67%	73.06%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 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 OPEB Liability
Ohio Police and Fire Pension System
Last Three Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total plan OPEB liability	\$ 1,704,439,395	\$ 6,597,947,735	\$ 5,648,428,827
Plan net position	<u>793,785,996</u>	<u>932,087,789</u>	<u>901,653,715</u>
Net OPEB liability	910,653,399	5,665,859,946	4,746,775,112
Village's proportion of the net OPEB liability	0.02637000%	0.02660500%	0.02143400%
Village's proportionate share of the net OPEB liability	\$ 240,139	\$ 1,507,402	\$ 1,017,424
Village's covered payroll	\$ 649,079	\$ 627,005	\$ 496,237
Village's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.00%	240.41%	205.03%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	15.96%

(1) Information prior to 2017 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 OPEB Contributions
Ohio Public Employees Retirement System
Last Four Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ 11,695	\$ 24,726
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>(11,695)</u>	<u>(24,726)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village covered payroll	\$ 1,259,386	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

Changes of Assumptions (OPERS): The single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% , the municipal bond rate changed from 3.31% to 3.71% and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

Village of Waverly
Required Supplementary Information
Schedule of the Village's OPEB Contributions
Ohio Police and Fire Pension System
Last Four Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,329	\$ 3,214	\$ 3,130	\$ 2,477
Contributions in relation to the contractually required contribution	<u>(3,329)</u>	<u>(3,214)</u>	<u>(3,130)</u>	<u>(2,477)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village covered payroll	\$ 666,874	\$ 649,079	\$ 627,005	\$ 496,237
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPF plan for the plan year ended December 31, 2018

Changes of Assumptions (OPF): There were no changes in assumptions affecting the OPF plan for the year ended December 31, 2018

OHIO AUDITOR OF STATE KEITH FABER



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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, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 16, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 2019-001 through 2019-003 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.



Keith Faber
Auditor of State
Columbus, Ohio
November 16, 2020

**VILLAGE OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019**

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

FINDING NUMBER 2019-001

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.

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.

Opinion Unit	Capital Assets Amount (net of related depreciations)	Percentage of Total Assets
Governmental Activities	\$ 3,304,166	51.9%
Business-Type Activities	8,548,978	80.4%
Major Water Fund	4,251,007	91.4%
Major Sewer Fund	4,297,971	71.8%

Opinion Unit	Depreciation Expense	Percentage of Total Expense
Governmental Activities	\$ 223,779	8.8%
Business-Type Activities	281,463	12.3%
Major Water Fund	138,442	10.2%
Major Sewer Fund	143,021	15.4%

**FINDING NUMBER 2019-001
(Continued)**

The Village should 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 of 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:

The Village did not respond to this finding.

FINDING NUMBER 2019-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to deficiencies in the Village's financial statement monitoring and review process, the following conditions were noted related to the Village's financial statements:

- OWDA on-behalf payments were not recorded by the Village during the year. As a result, year to date activity was used during the GAAP conversion to include these amounts on the financial statements causing an overstatement of \$60,000 in Other Revenue; overstatement of \$315,080 in Capital Contributions – Intergovernmental; overstatement of \$231,866 in Contractual Services; overstatement of \$1,793 in Other Expense in the Water Fund on the Statement of Revenues, Expense and Changes in Fund Net Position – Proprietary Funds and overstatement of \$141,421 in Capital Assets in the Water Fund on the Statement of Fund Net Position Statement – Proprietary Funds.

**FINDING NUMBER 2019-002
(Continued)**

- On the Cash Flows Statement reconciliation, the change for deferred outflows (pension) was understated by \$106,601 in the Water fund and by \$99,980 in the Sewer fund; the change for deferred outflows (OPEB) was understated by \$11,587 in the Water fund and by \$10,883 in the Sewer fund; the change in net pension liability was understated by \$7,251 in the Water fund and \$7,148 in the Sewer fund; the change in net OPEB liability was understated by \$2,864 in the Water fund and \$4,903 in the Sewer fund; the change for deferred inflows (pension) was understated by \$36,793 in the Water fund and by \$28,757 in the Sewer fund; the change for deferred inflows (OPEB) was understated by \$7,109 in the Water fund and by \$3,446 in the Sewer fund; and pension expense was overstated by \$78,674 in the Water fund and by \$80,905 in the Sewer fund.
- Other Revenue was overstated and Proceeds from OWDA Loans was understated in the amount of \$60,000 in the Water fund on the Statement of Cash Flows.

The Village corrected the financial statements and accounting records, where appropriate.

We also identified additional immaterial errors in multiple funds ranging from \$88 to \$6,674. These Village errors were caused mainly by inaccurate accrual entries and posting transactions to the incorrect transaction line item. The Village corrected the financial statements and accounting records, where appropriate due to fund balance effect.

We also identified additional immaterial errors in multiple funds ranging from \$1,000 to \$33,086. These Village errors were caused mainly by inaccurate accrual entries and posting transactions to the incorrect transaction line item. The Village did not correct the financial statements for these errors.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

The Village should accurately record financial transactions.

Officials' Response:

The Village did not respond to this finding.

FINDING NUMBER 2019-003

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

FINDING NUMBER 2019-003
(Continued)

We identified the following conditions:

Fund	Estimated Resources per Final Official Certificate	Estimated Resources Posted to the Accounting System and presented on the Budgetary Statements	Variance
Fire	342,861	377,566	(34,705)

Fund	Estimated Resources per Final Official Certificate	Estimated Resources Posted to the Accounting System	Variance
Water	1,256,180	866,590	389,590

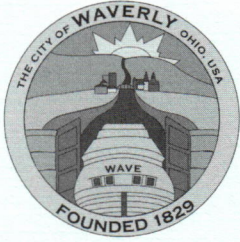
The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not accurately posted to the accounting system.

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should accurately post to the ledgers, on a timely basis, estimated resources as certified by the budget commission. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources have been properly posted to the ledgers.

Officials' Response:

The Village did not respond to this finding.



OFFICE OF THE AUDITOR

City of Waverly

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Inaccurate Capital Assets Listing	Not Corrected	Reissued as 2019-001
2018-002	Inaccurate Recording of Transactions	Not Corrected	Reissued as 2019-002
2018-003	Budgetary Information incorrectly put into system	Not Corrected	Reissued as 2019-003

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WAVERLY

PIKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/5/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov