



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF WATERVILLE
LUCAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Waterville (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Waterville
Lucas County
Report of Independent Accountants
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This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 18, 2001

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$2,188,298	\$15,824		\$479,157	\$2,683,279
Special Assessments				9,623	9,623
Intergovernmental Receipts	408,280	157,856			566,136
Charges for Services	68,672			9,063	77,735
Fines, Licenses, and Permits	101,918	1,826			103,744
Earnings on Investments	186,309			62,578	248,887
Miscellaneous	33,632	42,234			75,866
	<u>2,987,109</u>	<u>217,740</u>		<u>560,421</u>	<u>3,765,270</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,309,992	22,519		39,061	1,371,572
Public Health Services	17,889				17,889
Leisure Time Activities	78,515				78,515
Community Environment	37,158	33,403			70,561
Basic Utility Services	148,155				148,155
Transportation		140,275			140,275
General Government	876,884				876,884
Debt Service:					
Principal Payments			\$30,000	25,130	55,130
Interest Payments			26,550	326	26,876
Capital Outlay		52,074		2,722,493	2,774,567
	<u>2,468,593</u>	<u>248,271</u>	<u>56,550</u>	<u>2,787,010</u>	<u>5,560,424</u>
Total Receipts Over/(Under) Disbursements	<u>518,516</u>	<u>(30,531)</u>	<u>(56,550)</u>	<u>(2,226,589)</u>	<u>(1,795,154)</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes				1,825,000	1,825,000
Transfers-In	32,471	45,039	58,181	743,997	879,688
Transfers-Out	(789,036)			(155,885)	(944,921)
	<u>(756,565)</u>	<u>45,039</u>	<u>58,181</u>	<u>2,413,112</u>	<u>1,759,767</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(238,049)	14,508	1,631	186,523	(35,387)
Fund Cash Balances, January 1	730,926	133,063	35,284	1,894,006	2,793,279
Fund Cash Balances, December 31	<u>\$492,877</u>	<u>\$147,571</u>	<u>\$36,915</u>	<u>\$2,080,529</u>	<u>\$2,757,892</u>
Reserves for Encumbrances, December 31	<u>\$217,251</u>	<u>\$23,123</u>	<u>\$402,089</u>	<u>\$642,463</u>	

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,021,104		\$1,021,104
Miscellaneous	7,042		7,042
Total Operating Cash Receipts	<u>1,028,146</u>		<u>1,028,146</u>
Operating Cash Disbursements:			
Personal Services	309,138		309,138
Travel Transportation	2,199		2,199
Contractual Services	458,878		458,878
Supplies and Materials	42,905		42,905
Capital Outlay	13,762		13,762
Total Operating Cash Disbursements	<u>826,882</u>		<u>826,882</u>
Operating Income	<u>201,264</u>		<u>201,264</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	91	\$2,142	2,233
Total Non-Operating Cash Receipts	<u>91</u>	<u>2,142</u>	<u>2,233</u>
Non-Operating Cash Disbursements:			
Debt Service	181,654		181,654
Other Non-Operating Cash Disbursements		2,816	2,816
Total Non-Operating Cash Disbursements	<u>181,654</u>	<u>2,816</u>	<u>184,470</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	19,701	(674)	19,027
Transfers-In	<u>65,233</u>		<u>65,233</u>
Net Receipts Over/(Under) Disbursements	84,934	(674)	84,260
Fund Cash Balances, January 1	<u>524,311</u>	<u>816</u>	<u>525,127</u>
Fund Cash Balances, December 31	<u>\$609,245</u>	<u>\$142</u>	<u>\$609,387</u>
Reserve for Encumbrances, December 31	<u>\$134,135</u>	<u>\$142</u>	<u>\$134,277</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$2,105,806	\$22,587		\$462,009	\$2,590,402
Special Assessments				21,351	21,351
Intergovernmental Receipts	134,573	157,376		166,694	458,643
Charges for Services	24,352			12,972	37,324
Fines, Licenses, and Permits	82,891	1,305			84,196
Earnings on Investments	161,920				161,920
Miscellaneous	56,061	74,079			130,140
	<u>2,565,603</u>	<u>255,347</u>		<u>663,026</u>	<u>3,483,976</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,105,250	29,631			1,134,881
Public Health Services	19,759				19,759
Leisure Time Activities	50,506				50,506
Community Environment	39,663	30,394			70,057
Basic Utility Services	151,522				151,522
Transportation		76,438			76,438
General Government	769,865	35,215	\$500	4,215	809,795
Debt Service:					
Principal Payments			30,000	13,232	43,232
Interest Payments			28,763	439	29,202
Capital Outlay		88,752		714,930	803,682
	<u>2,136,565</u>	<u>260,430</u>	<u>59,263</u>	<u>732,816</u>	<u>3,189,074</u>
Total Receipts Over/(Under) Disbursements	<u>429,038</u>	<u>(5,083)</u>	<u>(59,263)</u>	<u>(69,790)</u>	<u>294,902</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	101,758	85,394	69,800	222,923	479,875
Advances-In				33,784	33,784
Transfers-Out	(308,317)			(171,558)	(479,875)
Advances-Out		(33,784)			(33,784)
	<u>(206,559)</u>	<u>51,610</u>	<u>69,800</u>	<u>85,149</u>	
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	222,479	46,527	10,537	15,359	294,902
Fund Cash Balances, January 1	508,447	86,536	24,747	1,878,647	2,498,377
Fund Cash Balances, December 31	<u>\$730,926</u>	<u>\$133,063</u>	<u>\$35,284</u>	<u>\$1,894,006</u>	<u>\$2,793,279</u>
Reserves for Encumbrances, December 31	<u>\$250,526</u>	<u>\$33,918</u>		<u>\$436</u>	<u>\$284,880</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,143,743		\$1,143,743
Miscellaneous	8,977		8,977
Total Operating Cash Receipts	<u>1,152,720</u>		<u>1,152,720</u>
Operating Cash Disbursements:			
Personal Services	271,717		271,717
Travel Transportation	1,884		1,884
Contractual Services	431,267		431,267
Supplies and Materials	34,538		34,538
Capital Outlay	253,863		253,863
Total Operating Cash Disbursements	<u>993,269</u>		<u>993,269</u>
Operating Income	<u>159,451</u>		<u>159,451</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	1,079	\$5,573	6,652
Total Non-Operating Cash Receipts	<u>1,079</u>	<u>5,573</u>	<u>6,652</u>
Non-Operating Cash Disbursements:			
Debt Service	175,032		175,032
Other Non-Operating Cash Disbursements		4,911	4,911
Total Non-Operating Cash Disbursements	<u>175,032</u>	<u>4,911</u>	<u>179,943</u>
Excess of Receipts Over/(Under) Disbursements	(14,502)	662	(13,840)
Fund Cash Balances, January 1	538,813	154	538,967
Fund Cash Balances, December 31	<u>\$524,311</u>	<u>\$816</u>	<u>\$525,127</u>
Reserve for Encumbrances, December 31	<u>\$27,321</u>	<u>\$816</u>	<u>\$28,137</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Waterville, Lucas County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and Mayor. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), police and fire services.

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

B. Basis of Accounting

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit, and U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Repurchase agreements, held in conjunction with the checking account, are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Parks and Green Space Fund - This fund receives fees from cable franchise agreements and developers green space requirements to fund maintenance of the Park.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

General Obligation Bond Fund - The Village utilizes this fund to account for the payment of a general obligation bond.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Fire Station Construction Fund - This fund receives proceeds of bond anticipation notes. The proceeds are being used to construct a new fire station.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Agency Funds)

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

Browning Sewer Tap Fund - This fund receives tap fees and expenses them as reimbursements to the Browning Masonic Complex for a trunk line it purchased.

E. Budgetary Process

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$136,043	\$87,418
Certificates of deposit	<u>450,000</u>	<u>450,000</u>
Total deposits	<u>586,043</u>	<u>537,418</u>

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

	<u>2000</u>	<u>1999</u>
Treasury Notes	149,931	149,931
Repurchase Agreement	1,136,752	1,019,057
STAR Ohio	<u>1,494,553</u>	<u>1,612,000</u>
Total investments	<u>2,781,236</u>	<u>2,780,988</u>
Total deposits and investments	<u>\$3,367,279</u>	<u>\$3,318,406</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,064,070	\$3,019,580	(\$44,490)
Special Revenue	298,257	262,779	(35,478)
Debt Service	58,181	58,181	
Capital Projects	3,321,964	3,129,418	(192,546)
Enterprise	1,105,324	1,093,470	(11,854)
Fiduciary	3,051	2,142	(909)
Total	<u>\$7,850,847</u>	<u>\$7,565,570</u>	<u>(\$285,277)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,564,456	\$3,474,880	\$89,576
Special Revenue	288,568	271,394	17,174
Debt Service	56,581	56,550	31
Capital Projects	4,428,860	3,344,984	1,083,876
Enterprise	1,178,540	1,142,671	35,869
Fiduciary	3,866	2,958	908
Total	<u>\$9,520,871</u>	<u>\$8,293,437</u>	<u>\$1,227,434</u>

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,717,211	\$2,667,361	(\$49,850)
Special Revenue	416,888	340,741	(76,147)
Debt Service	69,800	69,800	
Capital Projects	1,160,700	885,949	(274,751)
Enterprise	1,102,050	1,153,799	51,749
Fiduciary	5,574	5,573	(1)
Total	<u>\$5,472,223</u>	<u>\$5,123,223</u>	<u>(\$349,000)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,104,116	\$2,695,408	\$408,708
Special Revenue	435,130	294,348	140,782
Debt Service	59,300	59,263	37
Capital Projects	1,479,709	904,810	574,899
Enterprise	1,286,751	1,195,622	91,129
Fiduciary	5,729	5,727	2
Total	<u>\$6,370,735</u>	<u>\$5,155,178</u>	<u>\$1,215,557</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$450,001	4.48%
General Obligation Bonds	330,000	7.38%
Ohio Public Works Commission	650,202	0.00%
Land Obligation Note	3,000	8.50%
Bond Anticipation Note	1,825,000	4.35%
Total	\$3,258,203	

The Ohio Water Development Authority (OWDA) loan relates to a water system expansion project. The OWDA has approved up to \$920,613 in loans to the Village for this project. The loans will be repaid in semiannual installments over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village issued General Obligations of \$600,000 at 7.375% interest, payable semiannually over twenty years for the construction of a Municipal and Maintenance buildings.

The Ohio Public Works Commission (OPWC) loans totaled \$813,134, were for Sewer Improvements of \$422,489 and Road Improvements of \$390,645. These loans are non-interest bearing payable semiannually over a twenty-year period.

A note was issued for the purchase of land adjacent to the administration payable over ten-years.

A Bond Anticipation Note was issued for the construction of a fire station.

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

Year ending December 31:	OWDA Loans	General Obligation Bond	OPWC Loans	Land Obligation Note	Bond Anticipation Note
2001	\$86,669	\$54,338	\$48,607	\$1,546	\$1,903,946
2002	43,752	52,125	52,292	1,433	
2003	43,752	49,913	52,292	341	
2004	43,752	47,700	52,292		
2005	43,752	45,488	52,292		
Subsequent	393,768	226,463	392,428		
Total	\$655,445	\$476,027	\$650,203	\$3,320	\$1,903,946

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% and 24.0%, respectively, for police officers and firefighters. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health and life insurance and dental and vision coverage to full-time employees through a private carrier.

8. CONTRACTUAL COMMITMENTS

In 1973, the Village entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Waste Treatment Plant. In 1996, the Plant was expanded. The Village is to pay a portion of the construction cost of the plant to Lucas County over a period of 40 years. As of December 31, 2000, the Village owed Lucas County \$1,127,775 in principal and interest.

The annual requirements to amortize this commitment is as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2001	\$73,275
2002	73,275
2003	73,275
2004	73,275
2005	73,275
Subsequent	<u>761,400</u>
Total	<u><u>\$1,127,775</u></u>

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

9. CONTINGENT LIABILITIES

The Village is defendant in two lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. SUBSEQUENT EVENTS

On March 7, 2001, the Village rolled over the \$1,825,000 in bond anticipation notes for the fire station. The notes have an interest rate of 3.50 percent and mature on March 7, 2002.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Waterville (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated September 18, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 18, 2001.

Village of Waterville
Lucas County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF WATERVILLE

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 11, 2001**