



**Auditor of State
Betty Montgomery**

**CITY OF WAVERLY
PIKE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Waverly, Pike County, Ohio (the City), as of and for the years ended December 31, 2002 and 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Waverly, Pike County, as of December 31, 2002 and 2001, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2001, as described in Note 20 to the general purpose financial statements, the City adopted Governmental Accounting Statement Nos. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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Betty Montgomery
Auditor of State

November 21, 2003

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CITY OF WAVERLY, OHIO
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2002

	Governmental Fund Types		
	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>
<u>Assets and Other Debits</u>			
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$112,535	\$618,372	\$393,084
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Receivables:			
Taxes	488,766	975,258	0
Accounts	160	61	180,000
Special Assessments	0	0	397
Interfund	110,000	0	0
Loans	0	5,965	0
Due from Other Funds	12,447	0	0
Due from Other Governments	101,768	95,816	25,610
Prepaid Items	6,293	7,051	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0
<u>Other Debits</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$831,969	\$1,702,523	\$599,091

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<i>Enterprise</i>	<i>Agency</i>			
\$672,618	\$103	\$0	\$0	\$1,796,712
0	15,862	0	0	15,862
0	0	0	0	1,464,024
292,919	0	0	0	473,140
0	0	0	0	397
0	0	0	0	110,000
0	0	0	0	5,965
0	0	0	0	12,447
0	0	0	0	223,194
9,297	0	0	0	22,641
6,806,626	0	3,920,388	0	10,727,014
0	0	0	524,903	524,903
<u>\$7,781,460</u>	<u>\$15,965</u>	<u>\$3,920,388</u>	<u>\$524,903</u>	<u>\$15,376,299</u>

(continued)

CITY OF WAVERLY, OHIO
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2002
 (Continued)

	Governmental Fund Types		
	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>
<u>Liabilities, Fund Equity and Other Credits</u>			
<u>Liabilities</u>			
Accounts Payable	\$11,864	\$17,221	\$159
Contracts Payable	0	0	204,744
Retainage Payable	0	0	36,230
Accrued Wages	942	3,217	0
Compensated Absences Payable	43	2,865	0
Interfund Payable	0	110,000	0
Due to Other Funds	0	0	0
Due to Other Governments	31,356	83,668	0
Deferred Revenue	521,263	1,058,702	181,397
Undistributed Monies	0	0	0
Accrued Interest Payable	0	277	6,402
Notes Payable	0	19,527	430,000
OWDA Loans Payable	0	0	0
OPWC Loans Payable	0	0	0
Total Liabilities	<u>565,468</u>	<u>1,295,477</u>	<u>858,932</u>
<u>Fund Equity and Other Credits</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	10,000	7,935	10,870
Reserved for Loans Receivable	0	5,965	0
Unreserved:			
Undesignated (Deficit)	<u>256,501</u>	<u>393,146</u>	<u>(270,711)</u>
Total Fund Equity and Other Credits (Deficit)	<u>266,501</u>	<u>407,046</u>	<u>(259,841)</u>
Total Liabilities, Fund Equity and Other Credits	<u><u>\$831,969</u></u>	<u><u>\$1,702,523</u></u>	<u><u>\$599,091</u></u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<i>Enterprise</i>	<i>Agency</i>			
\$10,392	\$0	\$0	\$0	\$39,636
303,635	0	0	0	508,379
148,398	0	0	0	184,628
0	0	0	0	4,159
18,294	0	0	44,166	65,368
0	0	0	0	110,000
0	12,447	0	0	12,447
40,543	3,415	0	48,702	207,684
0	0	0	0	1,761,362
0	103	0	0	103
0	0	0	0	6,679
0	0	0	429,017	878,544
3,492,206	0	0	0	3,492,206
134,716	0	0	3,018	137,734
<u>4,148,184</u>	<u>15,965</u>	<u>0</u>	<u>524,903</u>	<u>7,408,929</u>
0	0	3,920,388	0	3,920,388
295,985	0	0	0	295,985
3,337,291	0	0	0	3,337,291
0	0	0	0	28,805
0	0	0	0	5,965
0	0	0	0	378,936
<u>3,633,276</u>	<u>0</u>	<u>3,920,388</u>	<u>0</u>	<u>7,967,370</u>
<u>\$7,781,460</u>	<u>\$15,965</u>	<u>\$3,920,388</u>	<u>\$524,903</u>	<u>\$15,376,299</u>

CITY OF WAVERLY, OHIO
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2001

	Governmental Fund Types		
	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>
<u>Assets and Other Debits</u>			
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$148,939	\$641,997	\$447,675
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Receivables:			
Taxes	512,804	903,462	0
Accounts	0	364	240,000
Special Assessments	0	0	4,837
Interfund	110,000	0	0
Accrued Interest	1,440	0	0
Loans	0	9,674	0
Due from Other Funds	11,056	0	0
Due from Other Governments	134,114	125,569	15,258
Prepaid Items	4,499	4,965	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0
<u>Other Debits</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$922,852	\$1,686,031	\$707,770

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<i>Enterprise</i>	<i>Agency</i>			
\$729,505	\$103	\$0	\$0	\$1,968,219
0	14,687	0	0	14,687
0	0	0	0	1,416,266
261,088	0	0	0	501,452
0	0	0	0	4,837
0	0	0	0	110,000
0	0	0	0	1,440
0	0	0	0	9,674
0	0	0	0	11,056
53,683	0	0	0	328,624
5,758	0	0	0	15,222
3,903,518	0	2,969,609	0	6,873,127
0	0	0	409,904	409,904
<u>\$4,953,552</u>	<u>\$14,790</u>	<u>\$2,969,609</u>	<u>\$409,904</u>	<u>\$11,664,508</u>

(continued)

CITY OF WAVERLY, OHIO
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2001
 (Continued)

	Governmental Fund Types		
	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>
<u>Liabilities, Fund Equity and Other Credits</u>			
<u>Liabilities</u>			
Accounts Payable	\$19,497	\$28,894	\$5,567
Contracts Payable	0	0	39,221
Retainage Payable	0	0	0
Accrued Wages	783	2,429	0
Compensated Absences Payable	100	277	0
Interfund Payable	0	110,000	0
Due to Other Funds	0	0	0
Due to Other Governments	16,739	64,670	0
Deferred Revenue	564,253	1,016,543	260,095
Undistributed Monies	0	0	0
Notes Payable	0	0	0
OWDA Loans Payable	0	0	0
OPWC Loans Payable	0	0	0
Total Liabilities	601,372	1,222,813	304,883
<u>Fund Equity and Other Credits</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	7,059	0	24,810
Reserved for Loans Receivable	0	9,674	0
Unreserved:			
Undesignated (Deficit)	314,421	453,544	378,077
Total Fund Equity and Other Credits (Deficit)	321,480	463,218	402,887
Total Liabilities, Fund Equity and Other Credits	\$922,852	\$1,686,031	\$707,770

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<i>Enterprise</i>	<i>Agency</i>			
\$34,477	\$0	\$0	\$0	\$88,435
815,049	0	0	0	854,270
44,040	0	0	0	44,040
0	0	0	0	3,212
18,646	0	0	41,183	60,206
0	0	0	0	110,000
0	11,056	0	0	11,056
40,224	3,307	0	46,908	171,848
0	0	0	0	1,840,891
0	427	0	0	427
0	0	0	321,813	321,813
480,541	0	0	0	480,541
68,221	0	0	0	68,221
<u>1,501,198</u>	<u>14,790</u>	<u>0</u>	<u>409,904</u>	<u>4,054,960</u>
0	0	2,969,609	0	2,969,609
295,985	0	0	0	295,985
3,156,369	0	0	0	3,156,369
0	0	0	0	31,869
0	0	0	0	9,674
0	0	0	0	1,146,042
<u>3,452,354</u>	<u>0</u>	<u>2,969,609</u>	<u>0</u>	<u>7,609,548</u>
<u>\$4,953,552</u>	<u>\$14,790</u>	<u>\$2,969,609</u>	<u>\$409,904</u>	<u>\$11,664,508</u>

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2002

	Governmental Fund Types			<i>Totals (Memorandum Only)</i>
	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>	
<u>Revenues:</u>				
Property Taxes	\$85,742	\$713,938	\$0	\$799,680
Municipal Income Taxes	825,428	0	0	825,428
Revenue in Lieu of Taxes	0	0	60,000	60,000
Charges for Services	37,148	1,615	0	38,763
Fines, Licenses, and Permits	186,863	31,885	0	218,748
Intergovernmental	258,621	234,185	586,414	1,079,220
Interest	26,506	2,481	0	28,987
Other	29,899	53,823	97,924	181,646
Total Revenues	<u>1,450,207</u>	<u>1,037,927</u>	<u>744,338</u>	<u>3,232,472</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	72,290	1,243,893	0	1,316,183
Public Health Services	1,470	0	0	1,470
Leisure Time Activities	26,609	0	0	26,609
Community Environment	0	5,821	0	5,821
Transportation	33,722	434,689	0	468,411
General Government	614,721	0	0	614,721
Capital Outlay	35,925	23,624	1,602,729	1,662,278
Debt Service:				
Principal Retirement	0	42,796	0	42,796
Interest and Fiscal Charges	0	14,660	6,402	21,062
Total Expenditures	<u>784,737</u>	<u>1,765,483</u>	<u>1,609,131</u>	<u>4,159,351</u>
Excess of Revenues Over (Under) Expenditures	<u>665,470</u>	<u>(727,556)</u>	<u>(864,793)</u>	<u>(926,879)</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds of Notes	0	150,000	0	150,000
Proceeds of Loans	0	0	3,018	3,018
Operating Transfers - In	0	521,384	199,047	720,431
Operating Transfers - Out	(720,449)	0	0	(720,449)
Total Other Financing Sources (Uses)	<u>(720,449)</u>	<u>671,384</u>	<u>202,065</u>	<u>153,000</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	<u>(54,979)</u>	<u>(56,172)</u>	<u>(662,728)</u>	<u>(773,879)</u>
Fund Balances at Beginning of Year	<u>321,480</u>	<u>463,218</u>	<u>402,887</u>	<u>1,187,585</u>
Fund Balances (Deficit) at End of Year	<u>\$266,501</u>	<u>\$407,046</u>	<u>(\$259,841)</u>	<u>\$413,706</u>

See Accompanying Notes to the General Purpose Financial Statements

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2001

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<u>Revenues:</u>				
Property Taxes	\$121,721	\$735,353	\$0	\$857,074
Municipal Income Taxes	934,029	0	0	934,029
Revenue in Lieu of Taxes	0	0	60,000	60,000
Charges for Services	5,993	23,210	0	29,203
Fines, Licenses, and Permits	109,450	65,396	0	174,846
Intergovernmental	154,581	210,264	61,470	426,315
Interest	49,481	3,488	0	52,969
Other	25,796	42,660	5,575	74,031
Total Revenues	<u>1,401,051</u>	<u>1,080,371</u>	<u>127,045</u>	<u>2,608,467</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	64,400	1,259,507	0	1,323,907
Leisure Time Activities	38,229	0	0	38,229
Community Environment	0	1,300	0	1,300
Transportation	106,269	508,231	0	614,500
General Government	608,359	0	0	608,359
Capital Outlay	163,820	9,800	152,951	326,571
Debt Service:				
Principal Retirement	0	33,588	0	33,588
Interest and Fiscal Charges	0	13,911	0	13,911
Total Expenditures	<u>981,077</u>	<u>1,826,337</u>	<u>152,951</u>	<u>2,960,365</u>
Excess of Revenues Over (Under) Expenditures	<u>419,974</u>	<u>(745,966)</u>	<u>(25,906)</u>	<u>(351,898)</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds of Notes	0	45,143	0	45,143
Proceeds from Sale of Assets	80,000	0	0	80,000
Operating Transfers - In	0	690,000	122,197	812,197
Operating Transfers - Out	(812,197)	0	0	(812,197)
Total Other Financing Sources (Uses)	<u>(732,197)</u>	<u>735,143</u>	<u>122,197</u>	<u>125,143</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	<u>(312,223)</u>	<u>(10,823)</u>	<u>96,291</u>	<u>(226,755)</u>
Fund Balances at Beginning of Year - Restated (Note 20)	633,703	474,041	306,596	1,414,340
Fund Balances (Deficit) at End of Year	<u>\$321,480</u>	<u>\$463,218</u>	<u>\$402,887</u>	<u>\$1,187,585</u>

See Accompanying Notes to the General Purpose Financial Statements

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended Decemebr 31, 2002

	General			Special Revenue		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues:						
Property Taxes	\$205,500	\$85,742	(\$119,758)	\$528,500	\$713,938	\$185,438
Municipal Income Taxes	900,000	824,617	(75,383)	0	0	0
Revenue in Lieu of Taxes	0	0	0	0	0	0
Charges for Services	35,000	36,805	1,805	1,200	1,615	415
Fines, Licenses and Permits	125,000	185,816	60,816	1,500	32,055	30,555
Intergovernmental	301,400	271,721	(29,679)	291,192	234,089	(57,103)
Interest	0	27,961	27,961	2,300	2,481	181
Other	49,800	29,899	(19,901)	170,240	57,877	(112,363)
Total Revenues	1,616,700	1,462,561	(154,139)	994,932	1,042,055	47,123
Expenditures:						
Current:						
Security of Persons and Property	74,518	72,290	2,228	1,366,471	1,246,539	119,932
Public Health Services	1,470	1,470	0	0	0	0
Leisure Time Activities	33,005	26,609	6,396	0	0	0
Community Environment	0	0	0	63,100	5,821	57,279
Transportation	33,722	33,722	0	541,031	434,520	106,511
General Government	655,406	619,429	35,977	0	0	0
Capital Outlay	35,925	35,925	0	0	23,624	(23,624)
Debt Service:						
Principal Retirement	0	0	0	42,796	42,796	0
Interest and Fiscal Charges	0	0	0	14,383	14,383	0
Total Expenditures	834,046	789,445	44,601	2,027,781	1,767,683	260,098
Excess of Revenues Over (Under) Expenditures	782,654	673,116	(109,538)	(1,032,849)	(725,628)	307,221
Other Financing Sources (Uses):						
Proceeds of Notes	0	0	0	0	169,527	169,527
Proceeds of Loans	0	0	0	0	0	0
Advances-In	0	39,753	39,753	0	0	0
Advances-Out	0	(39,753)	(39,753)	0	0	0
Operating Transfers - In	0	0	0	830,600	521,384	(309,216)
Operating Transfers - Out	(981,477)	(720,449)	261,028	0	0	0
Total Other Financing Sources (Uses)	(981,477)	(720,449)	261,028	830,600	690,911	(139,689)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(198,823)	(47,333)	151,490	(202,249)	(34,717)	167,532
Fund Balances at Beginning of Year	121,968	121,968	0	638,791	638,791	0
Prior Year Encumbrances Appropriated	14,317	14,317	0	3,206	3,206	0
Fund Balances (Deficit) at End of Year	(\$62,538)	\$88,952	\$151,490	\$439,748	\$607,280	\$167,532

See Accompanying Notes to the General Purpose Financial Statements

Capital Projects			Totals (Memorandum Only)		
<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$0	\$0	\$0	\$734,000	\$799,680	\$65,680
0	0	0	900,000	824,617	(75,383)
60,000	60,000	0	60,000	60,000	0
0	0	0	36,200	38,420	2,220
0	0	0	126,500	217,871	91,371
107,242	561,804	454,562	699,834	1,067,614	367,780
0	0	0	2,300	30,442	28,142
836,750	97,924	(738,826)	1,056,790	185,700	(871,090)
<u>1,003,992</u>	<u>719,728</u>	<u>(284,264)</u>	<u>3,615,624</u>	<u>3,224,344</u>	<u>(391,280)</u>
0	0	0	1,440,989	1,318,829	122,160
0	0	0	1,470	1,470	0
0	0	0	33,005	26,609	6,396
0	0	0	63,100	5,821	57,279
0	0	0	574,753	468,242	106,511
0	0	0	655,406	619,429	35,977
1,957,070	1,417,873	539,197	1,992,995	1,477,422	515,573
0	0	0	42,796	42,796	0
0	0	0	14,383	14,383	0
<u>1,957,070</u>	<u>1,417,873</u>	<u>539,197</u>	<u>4,818,897</u>	<u>3,975,001</u>	<u>843,896</u>
<u>(953,078)</u>	<u>(698,145)</u>	<u>254,933</u>	<u>(1,203,273)</u>	<u>(750,657)</u>	<u>452,616</u>
430,015	430,000	(15)	430,015	599,527	169,512
0	3,018	3,018	0	3,018	3,018
0	39,753	39,753	0	79,506	79,506
0	(39,753)	(39,753)	0	(79,506)	(79,506)
94,766	199,047	104,281	925,366	720,431	(204,935)
0	0	0	(981,477)	(720,449)	261,028
<u>524,781</u>	<u>632,065</u>	<u>107,284</u>	<u>373,904</u>	<u>602,527</u>	<u>228,623</u>
(428,297)	(66,080)	362,217	(829,369)	(148,130)	681,239
392,504	392,504	0	1,153,263	1,153,263	0
55,171	55,171	0	72,694	72,694	0
<u>\$19,378</u>	<u>\$381,595</u>	<u>\$362,217</u>	<u>\$396,588</u>	<u>\$1,077,827</u>	<u>\$681,239</u>

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended Decemebr 31, 2001

	General			Special Revenue		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues:						
Property Taxes	\$206,819	\$132,593	(\$74,226)	\$658,800	\$735,353	\$76,553
Municipal Income Taxes	938,159	925,320	(12,839)	0	0	0
Revenue in Lieu of Taxes	0	0	0	0	0	0
Charges for Services	3,907	2,867	(1,040)	58,393	23,210	(35,183)
Fines, Licenses and Permits	177,443	111,895	(65,548)	15,332	65,816	50,484
Intergovernmental	177,588	175,158	(2,430)	689,001	210,846	(478,155)
Interest	51,604	50,898	(706)	5,814	3,488	(2,326)
Other	107,264	25,796	(81,468)	208,295	44,193	(164,102)
Total Revenues	1,662,784	1,424,527	(238,257)	1,635,635	1,082,906	(552,729)
Expenditures:						
Current:						
Security of Persons and Property	90,300	67,734	22,566	1,278,984	1,248,069	30,915
Leisure Time Activities	57,800	42,934	14,866	0	0	0
Community Environment	0	0	0	79,000	1,300	77,700
Transportation	150,000	109,981	40,019	508,240	506,098	2,142
General Government	655,583	602,660	52,923	0	0	0
Capital Outlay	164,784	163,820	964	0	0	0
Debt Service:						
Principal Retirement	0	0	0	51,088	51,088	0
Interest and Fiscal Charges	0	0	0	13,911	13,911	0
Total Expenditures	1,118,467	987,129	131,338	1,931,223	1,820,466	110,757
Excess of Revenues Over (Under) Expenditures	544,317	437,398	(106,919)	(295,588)	(737,560)	(441,972)
Other Financing Sources (Uses):						
Proceeds of Notes	0	0	0	0	45,143	45,143
Proceeds from Sale of Assets	0	80,000	80,000	0	0	0
Advances-In	0	0	0	0	110,000	110,000
Advances-Out	(110,000)	(110,000)	0	0	0	0
Operating Transfers - In	0	0	0	2,500	690,000	687,500
Operating Transfers - Out	(877,197)	(812,197)	65,000	0	0	0
Total Other Financing Sources (Uses)	(987,197)	(842,197)	145,000	2,500	845,143	842,643
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(442,880)	(404,799)	38,081	(293,088)	107,583	400,671
Fund Balances at Beginning of Year	526,039	526,039	0	527,521	527,521	0
Prior Year Encumbrances Appropriated	728	728	0	3,687	3,687	0
Fund Balances (Deficit) at End of Year	\$83,887	\$121,968	\$38,081	\$238,120	\$638,791	\$400,671

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects			Totals (Memorandum Only)		
<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$0	\$0	\$0	\$0	\$0	\$0	\$865,619	\$867,946	\$2,327
0	0	0	0	0	0	938,159	925,320	(12,839)
0	0	0	60,000	60,000	0	60,000	60,000	0
0	0	0	0	0	0	62,300	26,077	(36,223)
0	0	0	0	0	0	192,775	177,711	(15,064)
0	0	0	167,190	61,470	(105,720)	1,033,779	447,474	(586,305)
0	0	0	0	0	0	57,418	54,386	(3,032)
100,000	0	(100,000)	167,998	5,575	(162,423)	583,557	75,564	(507,993)
100,000	0	(100,000)	395,188	127,045	(268,143)	3,793,607	2,634,478	(1,159,129)
0	0	0	0	0	0	1,369,284	1,315,803	53,481
0	0	0	0	0	0	57,800	42,934	14,866
0	0	0	0	0	0	79,000	1,300	77,700
0	0	0	0	0	0	658,240	616,079	42,161
0	0	0	0	0	0	655,583	602,660	52,923
0	0	0	373,596	163,334	210,262	538,380	327,154	211,226
0	0	0	0	0	0	51,088	51,088	0
0	0	0	0	0	0	13,911	13,911	0
0	0	0	373,596	163,334	210,262	3,423,286	2,970,929	452,357
100,000	0	(100,000)	21,592	(36,289)	(57,881)	370,321	(336,451)	(706,772)
0	0	0	0	0	0	0	45,143	45,143
0	0	0	0	0	0	0	80,000	80,000
0	0	0	0	0	0	0	110,000	110,000
0	0	0	0	0	0	(110,000)	(110,000)	0
0	0	0	7,000	122,197	115,197	9,500	812,197	802,697
0	0	0	0	0	0	(877,197)	(812,197)	65,000
0	0	0	7,000	122,197	115,197	(977,697)	125,143	1,102,840
100,000	0	(100,000)	28,592	85,908	57,316	(607,376)	(211,308)	396,068
0	0	0	306,596	306,596	0	1,360,156	1,360,156	0
0	0	0	0	0	0	4,415	4,415	0
100,000	0	(100,000)	335,188	392,504	57,316	757,195	1,153,263	396,068

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenses
 And Changes in Fund Equity
 Proprietary Fund Type
 For the Year Ended December 31, 2002

	<i>Enterprise</i>
<u>Operating Revenues:</u>	
Charges for Services	\$1,308,145
Other Operating Revenues	24,175
Total Operating Revenues	1,332,320
<u>Operating Expenses:</u>	
Personal Services	535,259
Contractual Services	64,233
Materials and Supplies	492,500
Depreciation	72,194
Total Operating Expenses	1,164,186
Operating Income	168,134
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	1,106
Interest and Fiscal Charges	(10,538)
Operating Grants	22,202
Total Non-Operating Revenues (Expenses)	12,770
Income Before Operating Transfers	180,904
Operating Transfers-In	18
Net Income	180,922
Retained Earnings at Beginning of Year	3,156,369
Retained Earnings at End of Year	3,337,291
Contributed Capital at Beginning and End of Year	295,985
Total Fund Equity at End of Year	\$3,633,276

See Accompanying Notes to the General Purpose Financial Statements

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenses
 And Changes in Fund Equity
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	<i>Enterprise</i>
<u>Operating Revenues:</u>	
Charges for Services	\$1,213,156
Other Operating Revenues	16,903
Total Operating Revenues	1,230,059
<u>Operating Expenses:</u>	
Personal Services	568,985
Contractual Services	19,308
Materials and Supplies	484,916
Depreciation	53,842
Total Operating Expenses	1,127,051
Operating Income	103,008
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	1,767
Interest and Fiscal Charges	(11,637)
Operating Grants	479,874
Other Non-Operating Expenses	(74,539)
Total Non-Operating Revenues (Expenses)	395,465
Net Income	498,473
Retained Earnings at Beginning of Year - Restated (Note 20)	2,657,896
Retained Earnings at End of Year	3,156,369
Contributed Capital at Beginning and End of Year - Restated (Note 20)	295,985
Total Fund Equity at End of Year	\$3,452,354

See Accompanying Notes to the General Purpose Financial Statements

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Year Ended December 31, 2002

	Enterprise		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues:			
Charges for Services	\$1,246,000	\$1,276,314	\$30,314
Interest Income	1,000	1,106	106
Proceeds of Loans	0	3,106,126	3,106,126
Other Operating Revenues	70,000	100,060	30,060
Total Revenues	<u>1,317,000</u>	<u>4,483,606</u>	<u>3,166,606</u>
Expenses:			
Personal Services	587,257	530,942	56,315
Contractual Services	91,873	71,352	20,521
Materials and Supplies	539,188	478,626	60,562
Capital Outlay	509,993	3,433,837	(2,923,844)
Debt Service:			
Principal Retirement	45,944	27,966	17,978
Interest and Fiscal Charges	14,000	10,538	3,462
Total Expenses	<u>1,788,255</u>	<u>4,553,261</u>	<u>(2,765,006)</u>
Excess of Revenues Over (Under) Expenses Before Transfers	(471,255)	(69,655)	401,600
Operating Transfers-In	<u>0</u>	<u>18</u>	<u>18</u>
Excess of Revenues Over (Under) Expenses and Transfers	(471,255)	(69,637)	401,618
Fund Equity Beginning of Year	688,162	688,162	0
Prior Year Encumbrances Appropriated	<u>41,343</u>	<u>41,343</u>	<u>0</u>
Fund Equity at End of Year	<u>\$258,250</u>	<u>\$659,868</u>	<u>\$401,618</u>

See Accompanying Notes to the General Purpose Financial Statements

CITY OF WAVERLY, OHIO
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	Enterprise		<i>Variance Favorable (Unfavorable)</i>
	<i>Revised Budget</i>	<i>Actual</i>	
Revenues:			
Charges for Services	\$1,134,242	\$1,209,703	\$75,461
Interest Income	1,541	1,767	226
Intergovernmental	1,306,419	447,765	(858,654)
Proceeds of Loans	0	426,768	426,768
Other Operating Revenues	16,903	16,903	0
Total Revenues	2,459,105	2,102,906	(356,199)
Expenses:			
Personal Services	592,831	559,715	33,116
Contractual Services	15,000	13,273	1,727
Materials and Supplies	627,822	453,059	174,763
Capital Outlay	398,057	1,078,667	(680,610)
Other Expenses	98,180	80,243	17,937
Debt Service:			
Principal Retirement	32,608	32,608	0
Interest and Fiscal Charges	27,336	11,637	15,699
Total Expenses	1,791,834	2,229,202	(437,368)
Excess of Revenues Under Expenses	667,271	(126,296)	(793,567)
Fund Equity Beginning of Year	731,748	731,748	0
Prior Year Encumbrances Appropriated	82,710	82,710	0
Fund Equity at End of Year	\$1,481,729	\$688,162	(\$793,567)

See Accompanying Notes to the General Purpose Financial Statements

CITY OF WAVERLY, OHIO
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2002

<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	<u>Enterprise</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Charges for Services	\$1,276,314
Cash Received from Other Operating Sources	24,175
Cash Payments to Suppliers for Goods and Services	(1,046,438)
Cash Payments to Employees for Services	(530,942)
Net Cash Used for Operating Activities	<u>(276,891)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Transfers-In	18
Operating Grants Received	75,885
Net Cash Provided by Noncapital Financing Activities	<u>75,903</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds of Loans	3,106,126
Aquisition of Capital Assets	(2,924,627)
Principal paid on Bonds and Notes	(27,966)
Interest paid on Bonds and Notes	(10,538)
Net Cash Used for Capital and Related Financing Activities	<u>142,995</u>
 <u>Cash Flows from Investing Activities:</u>	
Interest Income	<u>1,106</u>
Net Decrease in Cash and Cash Equivalents	(56,887)
Cash and Cash Equivalents at Beginning of Year	<u>729,505</u>
Cash and Cash Equivalents at End of Year	<u><u>\$672,618</u></u>
 <u>Reconciliation of Operating Income to Net</u>	
<u>Cash Used for Operating Activities:</u>	
Operating Income	<u>\$168,134</u>
 <u>Adjustments to Reconcile Operating Income</u>	
<u>to Net Cash Used for Operating Activities</u>	
Depreciation	72,194
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(31,831)
Decrease in Intergovernmental Receivable	53,683
Increase in Prepaid Items	(3,539)
Decrease in Accounts Payable	(24,085)
Decrease in Contracts Payable	(511,414)
Decrease in Compensated Absences Payable	(352)
Increase in Intergovernmental Payable	319
Total Adjustments	<u>(445,025)</u>
Net Cash Used for Operating Activities	<u><u>(\$276,891)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

CITY OF WAVERLY, OHIO
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2001

<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	<u>Enterprise</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Charges for Services	\$1,209,703
Cash Received from Other Operating Sources	16,903
Cash Payments to Suppliers for Goods and Services	(320,879)
Cash Payments to Employees for Services	(559,715)
Cash Payments for Other Non-Operating Expenses	(74,539)
Net Cash Used for Operating Activities	<u>271,473</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	<u>447,765</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds of Loans	426,768
Aquisition of Capital Assets	(1,188,481)
Principal paid on Bonds and Notes	(32,608)
Interest paid on Bonds and Notes	(11,637)
Net Cash Used for Capital and Related Financing Activities	<u>(805,958)</u>
 <u>Cash Flows from Investing Activities:</u>	
Interest Income	<u>1,767</u>
Net Decrease in Cash and Cash Equivalents	(84,953)
Cash and Cash Equivalents at Beginning of Year	<u>814,458</u>
Cash and Cash Equivalents at End of Year	<u><u>\$729,505</u></u>
 <u>Reconciliation of Operating Income to Net Cash Used for Operating Activities:</u>	
Operating Income	<u>\$103,008</u>
 <u>Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities</u>	
Depreciation	53,842
Non-Operating Expenses	(74,539)
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(3,453)
Increase in Prepaid Items	(2,891)
Decrease in Accounts Payable	14,423
Decrease in Contracts Payable	170,863
Decrease in Compensated Absences Payable	1,472
Increase in Intergovernmental Payable	8,748
Total Adjustments	<u>168,465</u>
Net Cash Used for Operating Activities	<u><u>\$271,473</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002**

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

REPORTING ENTITY

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

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

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

The Waverly Evergreen Union Cemetery board of trustees consists of two members appointed by the City and Pee Pee Township, respectively, and one member appointed jointly. The board possesses its own contracting and budgetary authority and hires and fires personnel. The Waverly Evergreen Union Cemetery is a jointly governed organization of the City (See Note 19).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waverly have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standard Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities unless they conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to City functions and activities.

A fund is defined as a fiscal and accounting entity with self-balancing set of accounts recording cash and other financing resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

GENERAL FUND

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

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

CAPITAL PROJECTS FUNDS

The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing activities which are similar to those often found in the private sector. The following is the City's proprietary fund type:

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

ENTERPRISE FUNDS

The enterprise funds are used to account for the City's water and sewer operations. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds.

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The General Long-Term Obligations Account Group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

B. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 31 days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year the income was earned; property taxes are recognized in the year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income and other local taxes, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures, and reimbursements due from federal and state funded projects for which corresponding expenditures are made.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001 and December 31, 2002, but which were levied to finance 2001 and 2002 operations respectively, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables not collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

TAX BUDGET

A tax budget of estimated revenue and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted.

ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the City Auditor determines that revenue to be collected will be greater than or less than the prior estimates, and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

APPROPRIATIONS

A temporary appropriation measure to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. The annual appropriation ordinance must be passed by April 1 or each year for the period January 1 to December 31. Appropriations may not exceed estimated resources as established in the amended certificate of estimated resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations passed during the year. Several supplemental appropriation measures were legally enacted during 2001 and 2002 by Council.

BUDGETED LEVEL OF EXPENDITURE

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. For all funds, Council appropriations are budgeted to the fund level. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriations set by Council remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within Council's appropriated amount.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and is not re-approved.

D. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

The Waverly Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the combined balance sheet as "Cash and Cash Equivalents In Segregated Accounts."

During the year, investments were limited to certificates of deposit, which are reported at cost.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less, and investments from the City's cash management pool are considered to be cash equivalents.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$49,481, which includes \$42,137 assigned from other funds. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$26,506, which includes \$23,222 assigned from other funds.

E. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2001 and December 31, 2002 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FIXED ASSETS

All purchased fixed assets are valued at cost when historical records are available and estimated historical cost where no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at their estimated fair market value on the date received. The City has established \$1,000 as the threshold for which fixed assets are to be reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost.

GENERAL FIXED ASSETS

General fixed assets (fixed assets used in governmental fund operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Assets in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

PROPRIETARY FUND FIXED ASSETS

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the estimated useful life of each asset. The assets of the enterprise funds are depreciated on the following basis:

	<u>Years</u>
Buildings and Building Improvements	20-50
Machinery, Equipment, Furniture and Fixtures	6-15
Vehicles	5
Sewer And Water Lines	20

G. 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 City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 31 days after year-end are generally considered not to have been paid with current available financial resources. Long-term notes and loans are recognized as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

I. RESERVES OF FUND EQUITY

Reserves of fund equity indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances have been reserved for encumbrances and loans receivable.

J. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables" or "Interfund Payables."

L. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to 2001 that is not subject to repayment. These assets are recorded at their fair value on the date donated. After the year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

Because, prior to 1998, the City had not prepared its financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior to 1998 cannot be determined. Only those amounts that could be specifically identified have been classified as contributed capital in the accompanying general purpose financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

N. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the General Purpose Financial Statements Overview are captioned “Totals (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. ACCOUNTABILITY

The Second Street Improvement Capital Projects Fund has a deficit fund balance of \$273,231 at December 31, 2002. This deficit is due to adjustments for debt obligations which generate expenditures that are greater than those recognized on a cash basis. Also, the Police Special Revenue Fund and the Depot Street Improvement and Green Acres Subdivision Capital Projects Funds have deficit fund balances of \$6,731, \$54,767 and \$13,872, respectively, at December 31, 2002. These deficits are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The general fund is liable for the deficit and provides operating transfers when cash is required, not when accruals occur.

B. COMPLIANCE

The following funds had appropriations in excess of estimated revenues and available fund balances for the year ended December 31, 2002:

<u>Fund Type / Name</u>	<u>Estimated Revenues and Available Fund Balances</u>	<u>Appropriations</u>	<u>Excess</u>
Capital Project Fund:			
School Access Road	11,148	36,148	(\$25,000)
Enterprise Fund:			
Water Tower Improvement	\$0	\$50,171	(\$50,171)

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

The following funds had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2002:

<u>Fund Type / Name</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Enterprise Funds:			
Sewer	\$927,199	\$3,684,072	(\$2,756,873)
Water Tower Improvement	50,171	52,192	(\$2,021)
U.S. 23 Waterline Extensions	7,437	75,903	(\$68,466)

The following funds had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2001:

<u>Fund Type / Name</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds:			
Bridge and Street	\$466,832	\$477,993	(\$11,161)
Emergency Siren	2,720	3,003	(283)
Capital Project Funds:			
Natureworks Park	\$0	\$22,014	(\$22,014)
School District Access Road	0	18,055	(18,055)
Green Acres Subdivision	0	18,033	(18,033)
Enterprise Fund:			
Water	\$788,632	\$1,108,943	(\$320,311)
Water Tower Improvement	0	321,524	(321,524)
US 23 Waterline Extension	0	121,152	(121,152)

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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, appropriations and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year-end encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure in proprietary fund type (GAAP basis).
- (d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) Principal payments on debt obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for 2002 on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

	Excess Of Revenues And Other Financing Sources Under Expenditures And Other Financing Uses All Governmental Fund Types		
	General	Special Revenue	Capital Projects
GAAP Basis	(\$54,979)	(\$56,172)	(\$662,728)
Increases (Decreases) Due To:			
Revenue Accruals	13,283	4,128	(24,610)
Expenditure Accruals	5,292	8,892	202,747
Encumbrances	(10,000)	(11,092)	(11,489)
Unrecorded Cash	(929)	0	0
Note Proceeds	0	19,527	430,000
Budget Basis	(\$47,333)	(\$34,717)	(\$66,080)

Net Income/Excess of Revenues Under Expenses and Transfers
Proprietary Fund Type

	Enterprise
Net Income	\$180,922
Increases (Decreases) Due To:	
Revenue Accruals	21,852
Expense Accruals	(218,657)
Proceeds of Loans	3,106,126
Depreciation Expense	72,194
Debt Principal Retirement	(27,966)
Acquisition of Fixed Assets	(3,191,358)
Encumbrances	(12,750)
Budget Basis	(\$69,637)

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for 2001 on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

	Excess Of Revenues And Other Financing Sources Under Expenditures And Other Financing Uses All Governmental Fund Types		
	General	Special Revenue	Capital Projects
GAAP Basis	(\$312,223)	(\$10,823)	\$96,291
Increases (Decreases) Due To:			
Revenue Accruals	23,476	2,535	0
Expenditure Accruals	8,265	26,577	44,788
Encumbrances	(14,317)	(3,206)	(55,171)
Debt Principal Retirement	0	(17,500)	0
Advances	(110,000)	110,000	0
Budget Basis	(\$404,799)	\$107,583	\$85,908

Net Income/Excess of Revenues Under Expenses and Transfers
Proprietary Fund Type

	Enterprise
Net Income	\$498,473
Increases (Decreases) Due To:	
Revenue Accruals	(35,562)
Expense Accruals	192,615
Proceeds of Loans	426,768
Depreciation Expense	53,842
Debt Principal Retirement	(32,608)
Acquisition of Fixed Assets	(1,188,481)
Encumbrances	(41,343)
Budget Basis	(\$126,296)

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 5 – 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.

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

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

1. United States Treasury notes, bills, bonds, 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, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; or
3. Obligations of the City.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

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

At December 31, 2002, the carrying amount of the City's deposits was \$1,812,506 and the bank balance was \$1,963,345. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining amounts were collateralized in the amount of \$1,863,345. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

At December 31, 2001, the carrying amount of the City's deposits was \$1,982,906 and the bank balance was \$2,039,124. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining amounts were collateralized in the amount of \$1,939,124. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City had no investments at either year-end.

NOTE 6 – MUNICIPAL INCOME TAX

The City levies and collects an income tax of one-half percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2001 and 2002, proceeds of the income tax amounted to \$934,029 and \$825,428, respectively. All proceeds go to the General Fund.

NOTE 7 – PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes were collected in and intended to finance 2003..

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

December 31, 2001, are levied after October 1, 2002 and are collected in 2003 with real property taxes.

NOTE 7 – PROPERTY TAX (Continued)

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2002, was \$15.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$51,654,020
Public Utility Property	4,279,600
Tangible Personal	23,596,599
Total Property Taxes	<u><u>\$79,530,219</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Waverly. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002, 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 2002 operations. The receivable is offset by deferred revenue.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2001 and 2002, consisted of taxes, accounts, special assessments, interfund, accrued interest, loans, due from other funds, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible.

The loans receivable on the balance sheet represent loans given to eligible residents of Pike County from the Department of Community Development to rehabilitate their residences.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 8 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Fund Type / Fund	2002 Amount	2001 Amount
General Fund		
Estate Tax	\$5,371	\$24,088
Local Government	87,851	89,117
Homestead, Rollback, and Exemption	7,608	20,909
Liquor Permit Fees	938	0
Total General Fund	101,768	134,114
Special Revenue Funds:		
Bridge and Street Fund		
Gasoline Excise Tax	14,624	15,230
Cents Per Gallon Tax	29,261	30,242
Motor Vehicle License Tax	22,443	21,287
Homestead, Rollback, and Exemption	3,148	7,356
Total Bridge and Street Fund	69,476	74,115
Inter-City Highway Fund		
Gasoline Excise Tax	1,361	1,411
Cents Per Gallon Tax	2,373	2,452
Motor Vehicle License Tax	1,816	1,723
Total Inter-City Highway Fund	5,550	5,586
City Permissive MVL Fund		
Permissive Motor Vehicle License Taxes	1,690	1,610
Fire		
Public Employees Retirement System Refund	1,064	0
Homestead, Rollback, and Exemption	4,270	10,576
Total Fire Fund	5,334	10,576
Police		
Immobilization Fees	119	0
Homestead, Rollback, and Exemption	13,647	33,451
Total Police Fund	13,766	33,451
Law Education		
Court Fines	0	231
Total Special Revenue Funds	\$95,816	\$125,569

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 8 – RECEIVABLES (Continued)

<u>Fund Type / Fund</u>	<u>2002 Amount</u>	<u>2001 Amount</u>
Capital Project Funds:		
Depot Street Improvement Fund		
Ohio Public Works Commission Grant	<u>\$24,610</u>	<u>\$0</u>
U.S. 23 Embankment Beautification Fund		
Ohio Arts Council Grant	<u>1,000</u>	<u>0</u>
Natureworks Fund		
Natureworks Grant	<u>0</u>	<u>869</u>
School District Access Road Fund		
Governor's Office of Appalachia Grant	<u>0</u>	<u>4,829</u>
Green Acres Sub-Division Fund		
Ohio Public Works Commission Grant	<u>0</u>	<u>9,560</u>
Total Capital Project Funds	<u>25,610</u>	<u>15,258</u>
Enterprise Fund:		
U.S. 23 Waterline Extension Fund		
Governor's Office of Appalachia Grant	<u>0</u>	<u>53,683</u>
Total Intergovernmental Receivables	<u><u>\$223,194</u></u>	<u><u>\$328,624</u></u>

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 9 - FIXED ASSETS (Continued)

A. GENERAL FIXED ASSETS

Changes in general fixed assets during 2001 were as follows:

<u>Asset Category</u>	<u>Balance as of 12/31/2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of 12/31/2001</u>
Land and Improvements	\$545,273	\$3,000	\$0	\$548,273
Building and				
Building Improvements	889,562	9,800	0	899,362
Machinery, Equipment,				
Furniture and Fixtures	581,349	76,881	0	658,230
Vehicles	851,960	109,946	103,890	858,016
Construction in Progress	<u>0</u>	<u>5,728</u>	<u>0</u>	<u>5,728</u>
Total General Fixed Assets	<u>\$2,868,144</u>	<u>\$205,355</u>	<u>\$103,890</u>	<u>\$2,969,609</u>

Changes in general fixed assets during 2002 were as follows:

<u>Asset Category</u>	<u>Balance as of 12/31/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of 12/31/2002</u>
Land and Improvements	\$548,273	\$667,450	\$0	\$1,215,723
Building and				
Building Improvements	899,362	108,983	0	1,008,345
Machinery, Equipment,				
Furniture and Fixtures	658,230	47,666	0	705,896
Vehicles	858,016	0	0	858,016
Construction in Progress	<u>5,728</u>	<u>132,408</u>	<u>5,728</u>	<u>132,408</u>
Total General Fixed Assets	<u>\$2,969,609</u>	<u>\$956,507</u>	<u>\$5,728</u>	<u>\$3,920,388</u>

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 9 - FIXED ASSETS (Continued)

B. FUND FIXED ASSETS

All fund fixed assets relate to the water and sewer enterprise funds. The balances as of December 31, 2001, were as follows:

<u>Asset Category</u>	<u>Water</u>	<u>Sewer</u>	<u>Balance as of 12/31/2001</u>
Land and Improvements	\$133,893	\$4,778	\$138,671
Building and Building Improvements	262,079	153,140	415,219
Machinery, Equipment, Furniture and Fixtures	426,347	110,359	536,706
Vehicles	13,295	86,104	99,399
Sewer and Water Lines	1,109,430	2,906,077	4,015,507
Construction in Progress	<u>1,087,921</u>	<u>1,198,435</u>	<u>2,286,356</u>
 Total	 3,032,965	 4,458,893	 7,491,858
 Less: Accumulated Depreciation	 <u>(776,661)</u>	 <u>(2,811,679)</u>	 <u>(3,588,340)</u>
 Total Fund Fixed Assets (net of Accumulated Depreciation)	 <u><u>\$2,256,304</u></u>	 <u><u>\$1,647,214</u></u>	 <u><u>\$3,903,518</u></u>

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 9 - FIXED ASSETS (Continued)

B. FUND FIXED ASSETS

All fund fixed assets relate to the water and sewer enterprise funds. The balances as of December 31, 2002, were as follows:

<u>Asset Category</u>	<u>Water</u>	<u>Sewer</u>	<u>Balance as of 12/31/2002</u>
Land and Improvements	\$133,893	\$4,778	\$138,671
Building and			
Building Improvements	1,158,044	153,140	1,311,184
Machinery, Equipment,			
Furniture and Fixtures	471,677	120,612	592,289
Vehicles	13,295	86,104	99,399
Sewer and Water Lines	1,308,799	3,063,829	4,372,628
Construction in Progress	0	3,952,989	3,952,989
Total	3,085,708	7,381,452	10,467,160
Less: Accumulated Depreciation	(819,233)	(2,841,301)	(3,660,534)
Total Fund Fixed Assets (net of Accumulated Depreciation)	<u>\$2,266,475</u>	<u>\$4,540,151</u>	<u>\$6,806,626</u>

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, a decrease from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$93,149, \$113,854, and \$53,399, respectively. The full amount has been contributed for 2001 and 2000. The amount contributed for 2002 was 73.40 percent with the remainder being reported as a fund liability and within the general long-term obligations account group.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. OHIO POLICE AND FIRE PENSION FUND

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. For 2001, the City contributions were 12 percent for police and 16.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for the years ended December 31, 2002, 2001, and 2000 were \$56,574, \$59,817, and \$64,836, respectively, equal to the required contributions for each year. The full amount has been contributed for 2001 and 2000. The amount contributed for 2002 was 75 percent, with the remainder being reported as a fund liability and within the general long-term obligations account group.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System of Ohio (OPERS) or the Ohio Police and Fire Pension Fund (OP&F) have an option to choose Social Security. As of December 31, 2002, sixteen members of the fire department, five members of the City Council, and the City Auditor have elected Social Security. The Council's liability is 6.2 percent of wages paid.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The City's actual contributions for 2001 and 2002 which were used to fund postemployment benefits were \$52,297 and \$54,473, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001, the percent used to fund healthcare was 7.5 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 and 2002 that were used to fund postemployment benefits were \$29,536 and \$29,146, respectively, for police and \$5,709 and \$5,907, respectively, for fire. The OP&F's total health care expense for the year ended December 31, 2001, (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 12 – EMPLOYEE BENEFITS

A. DEFERRED COMPENSATION PLAN

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

B. COMPENSATED ABSENCES

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

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

Unpaid compensated absences of \$377 at December 31, 2001, were reported as an accrued liability in the governmental funds. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$41,183 at December 31, 2001. The liability for compensated absences in the proprietary funds at December 31, 2001, was \$18,646, with \$163 representing the current liability and \$18,483 the noncurrent portion of accrued benefits.

Unpaid compensated absences of \$2,908 at December 31, 2002, were reported as an accrued liability in the governmental funds. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$44,166 at December 31, 2002. The liability for compensated absences in the proprietary funds at December 31, 2002, was \$18,294, with \$236 representing the current liability and \$18,058 the noncurrent portion of accrued benefits.

C. INSURANCE BENEFITS

The City provides life insurance through Anthem Blue Shield and health insurance through United Health Care. Dental insurance is provided through Guardian and vision insurance through Vision Service Plan of Ohio.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2001, was as follows:

Types / Issues	Balance 12/30/2000	Issued	Retired	Balance 12/30/2001
<i>Enterprise Fund Obligations:</i>				
OWDA Sewer Improvement Bonds 1978 6.25%	\$7,840	\$0	\$7,840	\$0
OWDA Elevated Water Storage Tank Loan 2001 2.0%	\$115,000	\$388,384	\$22,843	\$480,541
Total OWDA Loans	122,840	388,384	30,683	480,541
OPWC Wastewater Treatment Plant Loans 1997 0%	31,762	0	1,925	29,837
OPWC Elevated Water Storage Tank Loan 2001 0%	0	38,384	0	38,384
Total OPWC Loans	31,762	38,384	1,925	68,221
Total Enterprise Fund Obligations	\$154,602	\$426,768	\$32,608	\$548,762
<i>General Long-Term Obligations:</i>				
Fire Truck Note 1998 4.0%	\$310,258	\$0	\$33,588	\$276,670
Backhoe Note 2001 5.2%	0	45,143	0	45,143
Total Notes	310,258	45,143	33,588	321,813
Compensated Absences	51,532	0	10,349	41,183
Pension Obligation	40,002	46,908	40,002	46,908
Total General Long-Term Obligations	\$401,792	\$92,051	\$83,939	\$409,904

The City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,363,955 at December 31, 2001.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

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, 2002, was as follows:

Types / Issues	Balance 12/30/2001	Issued	Retired	Balance 12/30/2002
<i>Enterprise Fund Obligations:</i>				
OWDA Elevated Water Storage Tank Loan 2001 2.0%	\$480,541	\$52,192	\$23,302	\$509,431
OWDA Wastewater Treatment Plant Loan 2001 2.2%	0	2,982,775	0	2,982,775
Total OWDA Loans	<u>480,541</u>	<u>3,034,967</u>	<u>23,302</u>	<u>3,492,206</u>
OPWC Wastewater Treatment Plant Loans 1997 0%	29,837	0	1,925	27,912
OPWC Elevated Water Storage Tank Loan 2001 0%	38,384	71,159	2,739	106,804
Total OPWC Loans	<u>68,221</u>	<u>71,159</u>	<u>4,664</u>	<u>134,716</u>
<i>Total Enterprise Fund Obligations</i>	<u><u>\$548,762</u></u>	<u><u>\$3,106,126</u></u>	<u><u>\$27,966</u></u>	<u><u>\$3,626,922</u></u>
<i>General Long-Term Obligations:</i>				
Fire Truck Note 1998 4.0%	\$276,670	\$0	\$34,659	\$242,011
Backhoe Note 2001 5.2%	45,143	0	8,137	37,006
Police Department Renovations Note 2002 3.90%	0	150,000	0	150,000
Total Notes	<u>321,813</u>	<u>150,000</u>	<u>42,796</u>	<u>429,017</u>
OPWC Green Acres Paving and Drainage Loan 2002 0%	0	3,018	0	3,018
Compensated Absences	41,183	2,983	0	44,166
Pension Obligation	46,908	48,702	46,908	48,702
<i>Total General Long-Term Obligations</i>	<u><u>\$409,904</u></u>	<u><u>\$204,703</u></u>	<u><u>\$89,704</u></u>	<u><u>\$524,903</u></u>

The City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,469,111 with an unvoted debt margin of \$3,492,600 at December 31, 2002.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

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

Annual debt service requirements to maturity for general long-term obligations including interest of \$48,939 are:

Year	Fire Truck Note	Backhoe Note	Police Renovations Note	Totals
2003	\$46,693	\$10,485	\$155,851	\$213,029
2004	46,694	10,485	0	57,179
2005	46,694	10,484	0	57,178
2006	46,694	10,484	0	57,178
2007	46,696	0	0	46,696
2008-2012	46,696	0	0	46,696
Total	<u>\$280,167</u>	<u>\$41,938</u>	<u>\$155,851</u>	<u>\$477,956</u>

Annual debt service requirements to maturity for Enterprise Fund Obligations including interest of \$99,707 are:

Year	OWDA Elevated Water Storage Tank Loans	OPWC Wastewater Treatment Plant Loans	OPWC Elevated Water Storage Tank Loans	Totals
2003	\$33,841	\$1,925	\$5,478	\$41,244
2004	33,841	1,925	5,478	41,244
2005	33,841	1,925	5,478	41,244
2006	33,841	1,925	5,478	41,244
2007	33,841	1,925	5,478	41,244
2008-2012	169,205	9,625	27,390	206,220
2013-2017	169,205	8,662	27,390	205,257
2018-2022	101,523	0	24,634	126,157
Total	<u>\$609,138</u>	<u>\$27,912</u>	<u>\$106,804</u>	<u>\$743,854</u>

The OWDA Elevated Water Storage Tank Loan was issued in 2001 in the amount of \$555,576 for the purpose of constructing a new water tower. This loan will be repaid from the water fund by January 1, 2021.

The OWDA Wastewater Treatment Plant Loan was issued for the purpose of constructing a new sewage treatment facility. The work has not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule is not available. The loan will be repaid from the Sewer Fund.

The OPWC Wastewater Treatment Plant Loans were issued in 1997 in the amount of \$38,500 for the purpose of improving the wastewater treatment plant digester. These loans will be repaid from the Sewer Fund by July 1, 2017.

The OPWC Elevated Water Storage Tank Loan was issued in 2001 in the amount of \$109,543 for the purpose of constructing a new water tower. This loan will be repaid from the water fund by July 1, 2022.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

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

The Fire Truck Note was issued in 1998 in the amount of \$372,216 for the purpose of purchasing a new fire truck. This note will be repaid from the Fire Special Revenue Fund by November, 2008.

The Backhoe Note was issued in 2001 in the amount of \$45,143 for the purpose of purchasing a backhoe. This note will be repaid from the Bridge and Street Special Revenue Fund by February, 2006.

The Police Department Renovations Note was issued on January 2, 2002 in the amount of \$150,000 and is being used to renovate the police department building. The note matured on January 2, 2003 and was re-issued for another one year term to be repaid by January 2, 2004.

The OPWC Green Acres Paving and Drainage Loan was issued for the improvement of storm drains and to repair curbs and gutters. The work has not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule is not available. The loan will be repaid from the Debt Service Fund.

The compensated absences additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

NOTE 14 – NOTE OBLIGATIONS

NOTES PAID FROM GOVERNMENTAL FUNDS

A summary of the note transactions for the year ended December 31, 2001 follows:

Types / Issues	Balance 12/30/2000	Issued	Retired	Balance 12/30/2001
Fire Vehicle 2000 4.60%	\$17,500	\$0	\$17,500	\$0

A summary of the note transactions for the year ended December 31, 2002 follows:

Types / Issues	Balance 12/30/2001	Issued	Retired	Balance 12/30/2002
Special Revenue Funds:				
Bridge and Street Mower Note 2002 4.25%	\$0	\$19,527	\$0	\$19,527
Capital Projects Fund:				
Second Street Improvements Note 2002 4.00%	0	430,000	0	430,000
Total Note Obligations	\$0	\$449,527	\$0	\$449,527

The Bridge and Street Mower Note was issued on August 30, 2002 and was used to purchase a mower for the Bridge and Street Department. The note will mature on August 30, 2003 and will be paid from the Bridge and Street Fund.

The Second Street Improvements Note was issued on August 16, 2002 and was used to construct Pride Road. The note will mature on November 15, 2003 and will be paid from the Second Street Improvements Fund.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 15 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001 and 2002, the City contracted with The Cincinnati Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage; the Bloss and Dillard Company for Law Enforcement Liability; and Auto-Owners Insurance for commercial crime as follows:

Building and Contents-replacement cost (\$250 deductible)	\$11,665,600
Inland Marine Coverage (\$500 deductible)	230,700
Boiler and Machinery (\$250 deductible)	300,000
Automobile Liability (\$250 deductible)	2,000,000
Bodily Injury per occurrence	250,000
Total per year	500,000
Uninsured/Under Insured Motorists Per Occurrence	250,000
Total per year	500,000
Property Damage	100,000
General Liability	
Per occurrence	500,000
Personal & Advertising Injury Limit	500,000
Total per year	1,000,000
Law Enforcement Liability (\$2,500 deductible)	
Per occurrence	1,000,000
Total by year	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

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

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 16 – SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supporting through user fees charged for services to the public. The water and sewer funds account for the City's water and sewer services provided to its residents. Financial segment information as of and for the year ended December 31, 2001, is presented below:

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues	\$592,019	\$638,040	\$1,230,059
Depreciation Expense	28,786	25,056	53,842
Operating Income	26,101	76,907	103,008
Net Non-Operating Revenues (Expenses)	407,752	(12,287)	395,465
Net Income (Loss)	433,853	64,620	498,473
Net Working Capital	261,575	497,546	759,121
Property, Plant, and Equipment Additions	1,106,210	82,271	1,188,481
Total Assets	2,748,444	2,205,108	4,953,552
Loans and Other Long-Term Liabilities			
Payable From Revenues	528,428	38,817	567,245
Total Retained Earnings	1,693,466	1,462,903	3,156,369
Encumbrances Outstanding at December 31, 2002	\$20,728	\$20,615	\$41,343

Financial segment information as of and for the year ended December 31, 2002, is presented below:

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues	\$507,284	\$825,036	\$1,332,320
Depreciation Expense	42,572	29,622	72,194
Operating Income	(104,671)	272,805	168,134
Net Non-Operating Revenues (Expenses)	12,770	0	12,770
Operating Transfers-In	18	0	18
Net Income (Loss)	(91,883)	272,805	180,922
Net Working Capital	228,289	212,168	440,457
Property, Plant, and Equipment Additions	52,743	2,922,559	2,975,302
Total Assets	2,552,196	5,229,264	7,781,460
Loans and Other Long-Term Liabilities			
Payable From Revenues	597,196	3,016,611	3,613,807
Total Retained Earnings	1,601,583	1,735,708	3,337,291
Encumbrances Outstanding at December 31, 2002	\$8,413	\$4,337	\$12,750

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 17 – INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001, consist of the following individual fund receivables and payables:

<u>Fund Type / Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$11,056	\$0	\$110,000	\$0
Special Revenue Fund:				
Police	0	0	0	110,000
Agency Fund:				
Mayor's Court	0	11,056	0	0
Total All Funds	<u>\$11,056</u>	<u>\$11,056</u>	<u>\$110,000</u>	<u>\$110,000</u>

Interfund balances at December 31, 2002, consist of the following individual fund receivables and payables:

<u>Fund Type / Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$12,447	\$0	\$110,000	\$0
Special Revenue Fund:				
Police	0	0	0	110,000
Agency Fund:				
Mayor's Court	0	12,447	0	0
Total All Funds	<u>\$12,447</u>	<u>\$12,447</u>	<u>\$110,000</u>	<u>\$110,000</u>

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 18 – CONTRACTUAL COMMITMENTS

Outstanding contractual commitments at December 31, 2002, consist of the following:

Vendor	Project	Contract Amount	Amount Expended	Balance at 12/31/2002
BBS Corporation	Depot Street Improvements	\$89,000	\$81,285	\$7,715
BBS Corporation	Second Street Connector	69,500	65,726	3,774
BBS Corporation	Wastewater Treatment Plant Improvements	315,000	169,719	145,281
Deskins Concrete	Green Acres Improvements	71,404	0	71,404
George Igel & Company	Depot Street Improvements	452,876	316,423	136,453
George Igel & Company	Second Street Connector	445,800	409,124	36,676
Jones & Henry	Green Acres Improvements	50,800	45,720	5,080
PAE & Associates	Wastewater Treatment Plant Improvements	3,210,422	2,590,415	620,007
Purdom, Kaskey & Associates	Armbruster / Bristol Park	85,500	51,475	34,025
Q.O.B. Electric	Wastewater Treatment Plant Improvements	491,089	207,751	283,338
Total		<u>\$5,281,391</u>	<u>\$3,937,638</u>	<u>\$1,343,753</u>

NOTE 19 – JOINTLY GOVERNED ORGANIZATION

WAVERLY EVERGREEN UNION CEMETERY

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

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR YEAR RESTATEMENTS

For fiscal year 2001, the City has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* and *GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"* which changes how the City recognizes certain types of revenues. GASB Statement No. 33 also requires that, beginning in 2001, capital contributions to proprietary funds be recognized as revenues. Also, during the 2001, there were errors or omissions discovered concerning the workers' compensation liability, compensated absences, and loans payable.

**CITY OF WAVERLY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002
(Continued)**

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR YEAR RESTATEMENTS (Continued)

Changes in fund balances/retained earnings resulted from the implementation of GASB Statement No. 33, the reclassification of the workers' compensation liability, and restatements to compensated absences and loans payable. These corrections resulted in the following restatements of beginning Fund Balance/Retained Earnings:

Fund Type	Balance at 12/31/00	Restatement	Restated Balance at 12/31/00
General Fund	\$632,852	\$851	\$633,703
Special Revenue Funds	519,699	(45,658)	474,041
Enterprise Funds	2,721,784	(63,888)	2,657,896
General Long-Term Obligations	614,130	(212,338)	401,792
Contributed Capital	256,490	39,495	295,985

NOTE 21 – CONTINGENT LIABILITIES

A. LITIGATION

The City of Waverly is not a party to any legal proceedings.

B. FEDERAL AND STATE GRANTS

For the period January 1, 2001 to December 31, 2002, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 22 – SUBSEQUENT EVENTS

On January 2, 2003, the City of Waverly re-issued the Police Department Renovations Note for the amount of \$130,850, which is being used to complete renovations to the police department building. The note will mature on January 2, 2004.

On October 21, 2003, the City Council approved to increase the city income tax by 1/2% to a full 1%.

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**Auditor of State
Betty Montgomery**

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

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Waverly, Pike County, Ohio (the City), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 21, 2003, wherein we noted the City adopted Government Accounting Statement Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated November 21, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-006.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also 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 City in a separate letter dated November 21, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 21, 2003

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2002**

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

Finding Number 2002-001

Noncompliance Citation

Ohio Rev. Code Section 1905.02 states, the provisions of Chapter 1907 of the Revised Code, insofar as they are relevant, apply in proceedings in a mayor's court, if the municipal corporation in which the mayor's court is located is within the jurisdiction of a county court.

The City's Mayor's Court meets this requirement.

Ohio Rev. Code Section 1907.261(B)(1) provides that a county court may determine that, for the efficient operation of the court, additional funds are required to computerize the office of the clerk of the court and, upon that determination, may include in its schedule of fees and costs under section 1907.24 of the Revised Code an additional fee not to exceed ten dollars on the filing of each cause of action or appeal, on the filing, docketing, and endorsing of each certificate of judgment, or on the docketing and indexing of each aid in execution or petition to vacate, revive, or modify a judgment that is equivalent to one described in division (A), (P), (Q), (T), or (U) of section 2303.20 of the Revised Code. Subject to divisions (B)(2) of this section, all moneys collected under division (B)(1) of this section shall be paid to the city treasurer. The treasurer shall place the funds from the fees in a separate fund to be disbursed, upon an order of the county court and subject to an appropriation by the board of county commissioners, in an amount no greater than the actual cost to the court of procuring and maintaining computer systems for the office of the clerk of the county court.

The Court started collecting computer receipts on October 1, 1997. The Court made monthly payments to the City and the City recorded the computer fee receipts in the General Fund instead of the Court Computer Fund. Computer receipts collected by the Mayor's Court and not disbursed into the separate Special Revenue Court Computer Fund from October 1, 1997 through December 31, 2002 were \$92,386.

The financial statements have been adjusted to reflect this adjustment.

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2002
(Continued)**

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

Finding Number 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides that the appropriation from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

At December 31, 2002, the School Access Road Fund had total appropriations which exceeded estimated resources by \$25,000 (224%) and the Water Tower Improvements Fund had appropriations of \$50,171 and there were no estimated resources.

Also, the certificate filed by the County Auditor indicated that the Inner City Highway Fund in 2001 and the Bridge and Street Fund and Inner City Highway Fund in 2002 had appropriations that exceeded estimated resources. There was documentation on file indicating that appropriations in these funds were reduced to the amount of estimated resources, however, a new certificate from the County Auditor was not obtained.

We recommend that appropriations for a fund only be made for an amount equal to or less than the funds' estimated resources. Also, we recommend that when the Certificate of the County Auditor indicates there are funds that have appropriations exceeding estimated resources, appropriations be reduced to the amount of estimated resources or below and a new certificate from the County Auditor be obtained to indicate the appropriations of all funds are within the estimated resources.

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2002
(Continued)**

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

Finding Number 2002-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2001, total disbursements plus encumbrances exceeded total appropriations in the following funds:

	<u>Total Appropriations</u>	<u>Total Disbursements</u>	<u>Variance</u>
<u>Special Revenue Funds:</u>			
Bridge and Street Fund	\$466,832	\$477,993	(\$11,161)
Emergency Siren Fund	2,720	3,003	(283)
<u>Capital Projects Funds:</u>			
Natureworks Park Fund	0	22,014	(22,014)
School District Access Road Fund	0	18,055	(18,055)
Green Acres Subdivision Fund	0	18,033	(18,033)
<u>Enterprise Funds:</u>			
Water Fund	788,632	1,108,943	(320,311)
Water Tower Improvement Fund	0	321,524	(321,524)
US 23 Waterline Extension Fund	0	121,152	(121,152)

At December 31, 2002 total disbursements plus encumbrances exceeded total appropriations in the following funds:

	<u>Total Appropriations</u>	<u>Total Disbursements</u>	<u>Variance</u>
<u>Enterprise Funds:</u>			
Sewer Fund	\$927,199	\$3,684,072	(\$2,756,873)
Water Tower Improvement Fund	50,171	52,192	(2,021)
US 23 Waterline Extension Fund	7,437	75,903	(68,466)

We recommend the City Auditor monitor the appropriations and disbursements of each fund closely to help ensure that the City Council does not authorize disbursements in excess of the appropriations.

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2002-004

Noncompliance Citation

Ohio Rev. Code §5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 (\$3,000 as of April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Eighteen percent of liabilities, contracts, and open purchase commitments greater than \$1,000 were not certified by the Auditor and were not encumbered until the time of payment. These commitments were not subsequently approved by the City Council within the aforementioned 30 day time period via Then and Now Certificates.

We recommend the Auditor certify the availability of funds prior to incurring any obligations or use then and now certificates.

Finding Number 2002-005

Noncompliance Citation

Ohio Rev. Code Section 5705.10 provides that all monies that are paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

A review of fund balances at October 30, 2003 indicated that the General Fund, Police Fund and Emergency Siren Fund had negative fund balances of \$ 238, \$52,572 and \$1,257 respectively. On November 17, 2003 the Police Fund and Emergency Siren Fund had negative fund balances of \$62,774 and \$1257 respectively.

We recommend that City Council and the City Auditor refrain from making unnecessary purchases from these funds until the balances are no longer negative.

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2002
(Continued)**

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

Finding Number 2002-006

Reportable Condition

As of November 19, 2003, the City had estimated resources of \$972,000 for the Police Fund. Through November 19, 2002, the Police Fund has received only \$590,000, including \$240,000 of transfers from the General Fund. The City intends to fund \$260,000 of the \$382,000 still due from General Fund transfers. However, the General Fund does not have sufficient cash to transfer this money and continue to support other General Fund operations. Therefore, the Police Fund's estimate of resources appears to be unrealistic.

We recommend City Council seek alternative ways of financing these obligations, or cut costs in the General Fund and Police Fund to avoid deficits. City Council estimates the income tax increase will generate an additional \$800,000 in 2004. Also, since the tax increase won't be effective until 2004, we recommend City Council consider issuing a tax anticipation note to cover the shortfall.

**CITY OF WAVERLY
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-001	Ohio Rev. Code Section 5705.39 - appropriations exceeded estimated resources in several funds.	No	Not Corrected: Reissued as Finding 2002-002.
2000-002	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations in several funds.	No	Not Corrected: Reissued as Finding 2002-003.



**Auditor of State
Betty Montgomery**

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CITY OF WAVERLY

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2003**