



Dave Yost • Auditor of State



VILLAGE OF WAVERLY  
PIKE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Basis for Qualified Opinion***

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Capital Assets reported in the governmental activities, business-type activities, the major Water Fund and the major Sewer Fund for the year ended December 31, 2012. Amounts reported for Capital Assets represented the following percentages of Total Assets for each opinion unit:

<b>Opinion Units</b>	<b>Capital Asset Amount</b>	<b>Percentage of Total Assets</b>
Governmental Activities	\$3,365,127	55%
Business-Type Activities	\$8,265,458	92%
Major Water Fund	\$3,967,130	91%
Major Sewer Fund	\$4,298,328	92%

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

***Qualified Opinions***

In our opinion, except for the matter described in the *Basis for Qualified Opinion* paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Water major fund and the Sewer major fund of the Village of Waverly, Pike County, Ohio, as of and for the year ended December 31, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Bridge and Street, Fire, Police and Levee major funds and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio, as of and for the year ended as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Bridge and Street, Fire, and Police funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, during the year ended December 31, 2012, the Village adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 17, 2013

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**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

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The discussion and analysis of the Village of Waverly's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net position increased \$630,486. Net position of governmental activities increased \$186,743. Net position of business-type activities increased \$443,743.
- Governmental activities general revenues accounted for \$2,585,649 in revenue or 81.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$596,224 or 18.7 percent of total revenues of \$3,181,873. Business-type activities general revenues accounted for \$49,630 in revenue or 2.5 percent of all revenues. Program specific revenues accounted for \$1,938,971 or 97.5 percent of total revenues of \$1,988,601.
- The Village had \$2,995,130 in expenses related to governmental activities; \$596,224 of these expenses was offset by program specific charges for services and sales, grants and contributions; the remainder of these expenses was partially offset by general revenues. The Village had \$1,544,858 in expenses related to business-type activities; the entire amount was offset by program specific charges for services and sales, grants and contributions.

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

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

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

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

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

While this report contains information about the funds used by the Village to provide services to our citizens, the view of the Village as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

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

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

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

Fund Financial Statements

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

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

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

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2012 compared to the prior year:

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011*	2012	2011	2012	2011*
<b>Assets</b>						
Current and Other Assets	\$ 2,699,263	\$ 2,588,781	\$ 771,132	\$ 542,629	\$ 3,470,395	\$ 3,131,410
Capital Assets, Net	3,365,127	3,693,526	8,265,458	8,294,000	11,630,585	11,987,526
<b>Total Assets</b>	<b>6,064,390</b>	<b>6,282,307</b>	<b>9,036,590</b>	<b>8,836,629</b>	<b>15,100,980</b>	<b>15,118,936</b>
<b>Liabilities</b>						
Current and Other Liabilities	72,753	100,773	60,637	36,531	133,390	137,304
Long-Term Liabilities	658,462	812,429	2,756,639	3,024,527	3,415,101	3,836,956
<b>Total Liabilities</b>	<b>731,215</b>	<b>913,202</b>	<b>2,817,276</b>	<b>3,061,058</b>	<b>3,548,491</b>	<b>3,974,260</b>
<b>Deferred Inflows of Resources</b>						
Taxes	476,343	699,016	-	-	476,343	699,016
<b>Net Position</b>						
Net Investment in Capital Assets	2,757,660	2,936,623	5,527,696	5,293,002	8,285,356	8,229,625
Restricted	952,837	838,916	-	-	952,837	838,916
Unrestricted	1,146,335	894,550	691,618	482,569	1,837,953	1,377,119
<b>Total Net Position</b>	<b>\$ 4,856,832</b>	<b>\$ 4,670,089</b>	<b>\$ 6,219,314</b>	<b>\$ 5,775,571</b>	<b>\$ 11,076,146</b>	<b>\$ 10,445,660</b>

\*Prior year amounts have been reclassified for comparison purposes. These reclassifications had no effect on net position.

Total assets decreased \$17,956. This decrease was due primarily to a decrease in capital assets resulting from depreciation of the assets exceeding current year additions for governmental and business-type activities. This decrease partially offset by an increase in cash of \$271,177 and an increase in due from other governments of \$48,493.

Total liabilities decreased \$425,769. This decrease was due primarily to debt decreases in governmental activities in as a result of current year principal payments.

**Village of Waverly**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2012  
(Unaudited)

Table 2 shows the changes in net position for the year ended December 31, 2012 as compared to the prior year.

Table 2  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2012	2011*	2012	2011	2012	2011*
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$ 158,453	\$ 203,885	\$ 1,684,113	\$ 1,677,572	\$ 1,842,566	\$ 1,881,457
Operating Grants and Contributions	437,771	217,510	-	-	437,771	217,510
Capital Grants and Contributions	-	-	254,858	-	254,858	-
<b>Total Program Revenues</b>	<b>596,224</b>	<b>421,395</b>	<b>1,938,971</b>	<b>1,677,572</b>	<b>2,535,195</b>	<b>2,098,967</b>
General Revenues:						
Property & Income Taxes	2,229,187	1,864,492	-	-	2,229,187	1,864,492
Unrestricted Grants and Entitlements	296,830	599,439	-	-	296,830	599,439
Unrestricted Investment Earnings	791	1,336	20	32	811	1,368
Other	58,841	112,813	49,610	38,515	108,451	151,328
<b>Total General Revenues</b>	<b>2,585,649</b>	<b>2,578,080</b>	<b>49,630</b>	<b>38,547</b>	<b>2,635,279</b>	<b>2,616,627</b>
<b>Total Revenues</b>	<b>3,181,873</b>	<b>2,999,475</b>	<b>1,988,601</b>	<b>1,716,119</b>	<b>5,170,474</b>	<b>4,715,594</b>
<b>Program Expenses</b>						
General Government -						
Legislative and Executive	760,564	809,901	-	-	760,564	809,901
Security of Persons & Property	1,405,212	1,553,455	-	-	1,405,212	1,553,455
Public Health	1,470	1,470	-	-	1,470	1,470
Leisure Time Services	161,349	184,619	-	-	161,349	184,619
Transportation	645,117	615,484	-	-	645,117	615,484
Interest and Fiscal Charges	21,418	32,798	-	-	21,418	32,798
Water	-	-	750,820	835,648	750,820	835,648
Sewer	-	-	794,038	741,108	794,038	741,108
<b>Total Expenses</b>	<b>2,995,130</b>	<b>3,197,727</b>	<b>1,544,858</b>	<b>1,576,756</b>	<b>4,539,988</b>	<b>4,774,483</b>
<b>Increase (Decrease) in Net Position</b>	<b>186,743</b>	<b>(198,252)</b>	<b>443,743</b>	<b>139,363</b>	<b>630,486</b>	<b>(58,889)</b>
<b>Beginning Net Position</b>	<b>4,670,089</b>	<b>4,868,341</b>	<b>5,775,571</b>	<b>5,636,208</b>	<b>10,445,660</b>	<b>10,504,549</b>
<b>Ending Net Position</b>	<b>\$4,856,832</b>	<b>\$4,670,089</b>	<b>\$6,219,314</b>	<b>\$5,775,571</b>	<b>\$11,076,146</b>	<b>\$10,445,660</b>

\*Prior year amounts have been reclassified for comparison purposes. These reclassifications had no effect on net position.

Capital Grants and Contributions increased due to an increase in OPWC intergovernmental revenues. Unrestricted grants and entitlements decreased due to a decrease in homestead and rollback reimbursements which were partially offset by an increase in inheritance tax revenues. Security of persons and property expenditures decreased due to decreased revenues within the Police Fund.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

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**Governmental Activities**

Several revenue sources fund governmental activities, with income taxes generally being the biggest contributor. General revenues from property taxes are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 97% of all general revenues in the governmental activities, the Village monitors each of these revenue sources very closely for fluctuations.

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

**Business-Type Activities**

The Village's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the Village's residents. The sewer operations generated program revenues of \$1,197,105 and had expenses of \$794,038. The water operations generated program revenues of \$741,866 and had expenses of \$750,820. The Village's goal is to cover the costs of operations as well as build cash balance in these funds. The Village is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

**The Village's Funds**

The Village's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financial sources of \$4,484,966 and expenditures and other financing uses of \$4,186,942. The net change in fund balance for the year in the General Fund increased \$180,656 due primarily to reduced expenditures in 2012. The Police Fund had a fund balance increase of \$64,782. The Bridge and Street Fund had a fund balance decrease of \$14,718. The Fire Fund had a fund balance increase of \$49,887, while the Levee Fund had a fund balance of \$12,008 which didn't change from the prior year.

**General Fund Budgeting Highlights**

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

For the General Fund, final budgeted revenues were \$2,143,000. Actual revenues were lower than final budgeted revenues in the amount of \$210,021 due to lower than expected income tax revenue and property tax revenue. Original and final budgeted expenditures and other financing uses were \$2,392,562 and \$1,985,662, respectively. Actual budgetary basis expenditures and other financing uses were \$1,750,384, which is lower than the final budgeted expenditures and other financing uses due primarily to less expenditures for legislative and executive, leisure time activities, and transportation.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2012, the Village had \$11,630,585 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, water and sewer lines, and infrastructure, net of accumulated depreciation. Table 3 shows 2012 balances as compared to the prior year.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

Table 3  
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011*	2012	2011*
Land	\$ 239,268	\$ 239,268	\$ 70,000	\$ 70,000	\$ 309,268	\$ 309,268
Construction in Progress	-	-	323,997	89,187	323,997	89,187
Land Improvements	77,166	114,921	12,270	20,448	89,436	135,369
Furniture and Equipment	389,392	531,185	34,977	55,298	424,369	586,483
Buildings and Improvements	864,119	876,641	7,629,707	7,856,109	8,493,826	8,732,750
Infrastructure	1,795,182	1,931,511	194,507	202,958	1,989,689	2,134,469
Totals	<u>\$ 3,365,127</u>	<u>\$ 3,693,526</u>	<u>\$ 8,265,458</u>	<u>\$ 8,294,000</u>	<u>\$ 11,630,585</u>	<u>\$ 11,987,526</u>

\* Certain reclassifications were made to beginning balance amounts. These reclassifications had no effect on net position.

The decrease noted in total capital assets is due to current year depreciation expense which was partially offset by additions. See Note 8 for additional information on the Village's capital assets.

**Debt**

At December 31, 2012, the Village of Waverly had \$3,415,101 in notes, loans, and compensated absences outstanding with \$630,832 due within one year.

Table 4  
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	Total
	2012	2011	2012	2011	2012	2011
Compensated Absences	\$ 50,995	\$ 55,526	\$ 18,877	\$ 23,529	\$ 69,872	\$ 79,055
Long Term Notes	485,549	620,008	-	38,284	485,549	658,292
O.W.D.A. Loans	-	-	2,673,366	2,894,617	2,673,366	2,894,617
O.P.W.C. Loans	121,918	136,895	64,396	68,097	186,314	204,992
Total	<u>\$ 658,462</u>	<u>\$ 812,429</u>	<u>\$ 2,756,639</u>	<u>\$ 3,024,527</u>	<u>\$ 3,415,101</u>	<u>\$ 3,836,956</u>

The Village's overall legal debt margin was \$7,050,048 at December 31, 2012.

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

**The Future**

The Village continues to work diligently to increase revenues and decrease costs to put the Village on more stable footing.

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

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**Contacting the Village's Finance Department**

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

**Village of Waverly**  
*Statement of Net Position*  
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,148,324	\$ 427,570	\$ 1,575,894
Receivables:			
Taxes	1,328,848	-	1,328,848
Accounts	-	293,249	293,249
Materials and Supplies Inventory	-	9,273	9,273
Due from Other Governments	216,117	41,040	257,157
Due from Other Funds	5,974	-	5,974
Non-Depreciable Capital Assets	239,268	393,997	633,265
Depreciable Capital Assets, Net	3,125,859	7,871,461	10,997,320
<i>Total Assets</i>	<u>6,064,390</u>	<u>9,036,590</u>	<u>15,100,980</u>
<b>LIABILITIES:</b>			
Accounts Payable	26,069	38,733	64,802
Accrued Wages and Benefits	24,580	10,468	35,048
Contracts Payable	-	4,000	4,000
Due to Other Governments	22,104	7,436	29,540
Long-Term Liabilities:			
Due Within One Year	500,735	130,097	630,832
Due in More Than One Year	157,727	2,626,542	2,784,269
<i>Total Liabilities</i>	<u>731,215</u>	<u>2,817,276</u>	<u>3,548,491</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes	476,343	-	476,343
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,757,660	5,527,696	8,285,356
Restricted for:			
Capital Projects	261,749	-	261,749
Police	231,561	-	231,561
Bridge and Street	143,206	-	143,206
Other Purposes	316,321	-	316,321
Unrestricted	1,146,335	691,618	1,837,953
<i>Total Net Position</i>	<u>\$ 4,856,832</u>	<u>\$ 6,219,314</u>	<u>\$ 11,076,146</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Activities*  
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government:							
Legislative and Executive	\$ 760,564	\$ 6,998	\$ -	\$ -	\$ (753,566)	\$ -	\$ (753,566)
Security of Persons and Property	1,405,212	137,413	303,752	-	(964,047)	-	(964,047)
Public Health	1,470	15	-	-	(1,455)	-	(1,455)
Leisure Time Services	161,349	12,182	-	-	(149,167)	-	(149,167)
Transportation	645,117	1,683	132,246	-	(511,188)	-	(511,188)
Interest and Fiscal Charges	21,418	162	1,773	-	(19,483)	-	(19,483)
<i>Total Governmental Activities</i>	<u>2,995,130</u>	<u>158,453</u>	<u>437,771</u>	<u>-</u>	<u>(2,398,906)</u>	<u>-</u>	<u>(2,398,906)</u>
Business-Type Activities:							
Sewer	794,038	942,247	-	254,858	-	403,067	403,067
Water	750,820	741,866	-	-	-	(8,954)	(8,954)
<i>Total Business-Type Activities</i>	<u>1,544,858</u>	<u>1,684,113</u>	<u>-</u>	<u>254,858</u>	<u>-</u>	<u>394,113</u>	<u>394,113</u>
<i>Totals</i>	<u>\$ 4,539,988</u>	<u>\$ 1,842,566</u>	<u>\$ 437,771</u>	<u>\$ 254,858</u>	<u>(2,398,906)</u>	<u>394,113</u>	<u>(2,004,793)</u>
General Revenues:							
Taxes:							
Property Taxes - General Purposes					247,903	-	247,903
Property Taxes - Other Purposes					665,654	-	665,654
Income Taxes					1,315,630	-	1,315,630
Grants and Entitlements not Restricted to Specific Programs					296,830	-	296,830
Investment Earnings					791	20	811
Miscellaneous					58,841	49,610	108,451
<i>Total General Revenues</i>					<u>2,585,649</u>	<u>49,630</u>	<u>2,635,279</u>
<i>Change in Net Position</i>					186,743	443,743	630,486
<i>Net Position Beginning of Year</i>					<u>4,670,089</u>	<u>5,775,571</u>	<u>10,445,660</u>
<i>Net Position End of Year</i>					<u>\$ 4,856,832</u>	<u>\$ 6,219,314</u>	<u>\$ 11,076,146</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2012*

	General	Bridge and Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 437,211	\$ 62,375	\$ 59,697	\$ 119,320	\$ 12,008	\$ 457,713	\$ 1,148,324
Receivables:							
Taxes	637,000	90,603	148,391	452,854	-	-	1,328,848
Due from Other Governments	97,618	84,238	6,333	20,090	-	7,838	216,117
Due from Other Funds	5,974	-	-	-	-	-	5,974
<i>Total Assets</i>	<u>1,177,803</u>	<u>237,216</u>	<u>214,421</u>	<u>592,264</u>	<u>12,008</u>	<u>465,551</u>	<u>2,699,263</u>
<b>LIABILITIES:</b>							
Accounts Payable	10,400	2,873	1,828	5,524	-	5,444	26,069
Accrued Wages and Benefits	6,018	5,377	1,938	11,247	-	-	24,580
Due to Other Governments	6,688	3,850	3,763	7,803	-	-	22,104
<i>Total Liabilities</i>	<u>23,106</u>	<u>12,100</u>	<u>7,529</u>	<u>24,574</u>	<u>-</u>	<u>5,444</u>	<u>72,753</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Taxes	350,344	71,196	106,142	335,847	-	-	863,529
Grants	54,444	56,814	6,333	20,090	-	4,152	141,833
<i>Total Deferred Inflows of Resources</i>	<u>404,788</u>	<u>128,010</u>	<u>112,475</u>	<u>355,937</u>	<u>-</u>	<u>4,152</u>	<u>1,005,362</u>
<b>FUND BALANCES:</b>							
Nonspendable	7,290	-	-	-	-	-	7,290
Restricted	-	97,106	94,417	211,753	12,008	209,911	625,195
Committed	-	-	-	-	-	248,876	248,876
Assigned	16,382	-	-	-	-	-	16,382
Unassigned	726,237	-	-	-	-	(2,832)	723,405
<i>Total Fund Balances</i>	<u>749,909</u>	<u>97,106</u>	<u>94,417</u>	<u>211,753</u>	<u>12,008</u>	<u>455,955</u>	<u>1,621,148</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 1,177,803</u>	<u>\$ 237,216</u>	<u>\$ 214,421</u>	<u>\$ 592,264</u>	<u>\$ 12,008</u>	<u>\$ 465,551</u>	<u>\$ 2,699,263</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2012*

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**Total Governmental Fund Balances** \$ 1,621,148

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,365,127

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

Taxes	387,186	
Intergovernmental	141,833	

Total 529,019

Long-term liabilities, including notes, loans, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences Payable	(50,995)	
General Obligation Notes and Loans Payable	(607,467)	

Total (658,462)

**Net Position of Governmental Activities** \$ 4,856,832

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Bridge and Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 1,483,096	\$ 88,044	\$ 143,383	\$ 436,832	\$ -	\$ -	\$ 2,151,355
Intergovernmental	293,663	245,764	47,253	127,969	-	34,633	749,282
Interest	677	21	-	-	-	93	791
Charges for Services	-	-	40,620	-	-	-	40,620
Fees, Licenses and Permits	9,652	-	-	-	-	-	9,652
Fines and Forfeitures	108,046	-	-	-	-	135	108,181
Other	18,481	1,815	3,738	12,818	-	21,989	58,841
<i>Total Revenues</i>	<u>1,913,615</u>	<u>335,644</u>	<u>234,994</u>	<u>577,619</u>	<u>-</u>	<u>56,850</u>	<u>3,118,722</u>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
<b>General Government:</b>							
Legislative and Executive	672,486	-	-	-	-	-	672,486
Security of Persons and Property	91,425	-	212,543	876,884	-	26,074	1,206,926
Public Health	1,470	-	-	-	-	-	1,470
Leisure Time Services	161,349	-	-	-	-	-	161,349
Transportation	361	545,077	-	-	-	25,359	570,797
Capital Outlay	-	8,849	17,014	10,953	-	-	36,816
<b>Debt Service:</b>							
Principal	-	41,817	173,073	-	366,685	128,237	709,812
Interest and Fiscal Charges	-	739	3,209	-	14,408	3,062	21,418
<i>Total Expenditures</i>	<u>927,091</u>	<u>596,482</u>	<u>405,839</u>	<u>887,837</u>	<u>381,093</u>	<u>182,732</u>	<u>3,381,074</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>986,524</u>	<u>(260,838)</u>	<u>(170,845)</u>	<u>(310,218)</u>	<u>(381,093)</u>	<u>(125,882)</u>	<u>(262,352)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>							
Issuance of Notes and Loans	-	21,120	125,732	-	331,727	81,797	560,376
Transfers In	-	225,000	95,000	375,000	49,366	61,502	805,868
Transfers Out	(805,868)	-	-	-	-	-	(805,868)
<i>Total Other Financing Sources and Uses</i>	<u>(805,868)</u>	<u>246,120</u>	<u>220,732</u>	<u>375,000</u>	<u>381,093</u>	<u>143,299</u>	<u>560,376</u>
<i>Net Change in Fund Balances</i>	180,656	(14,718)	49,887	64,782	-	17,417	298,024
<i>Fund Balances at Beginning of Year</i>	<u>569,253</u>	<u>111,824</u>	<u>44,530</u>	<u>146,971</u>	<u>12,008</u>	<u>438,538</u>	<u>1,323,124</u>
<i>Fund Balances at End of Year</i>	<u>\$ 749,909</u>	<u>\$ 97,106</u>	<u>\$ 94,417</u>	<u>\$ 211,753</u>	<u>\$ 12,008</u>	<u>\$ 455,955</u>	<u>\$ 1,621,148</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 298,024

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded additions in the current period.

Capital Asset Additions	7,520	
Current Year Depreciation	(335,919)	
Total	(328,399)	(328,399)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	(14,681)	
Taxes	77,832	
Total	63,151	63,151

Repayments of note and loan principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

709,812

Issuance of notes and loans in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(560,376)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences		4,531
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**Net Change in Net Position of Governmental Activities** \$ 186,743

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 163,029	\$ 163,029	\$ 141,726	\$ (21,303)
Income Taxes	1,507,710	1,507,710	1,310,701	(197,009)
Intergovernmental	314,288	314,288	273,221	(41,067)
Interest	779	779	677	(102)
Fees, Licenses and Permits	11,103	11,103	9,652	(1,451)
Fines and Forfeitures	125,006	125,006	108,672	(16,334)
Other	21,085	21,085	18,330	(2,755)
Total Revenues	<u>2,143,000</u>	<u>2,143,000</u>	<u>1,862,979</u>	<u>(280,021)</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	877,974	813,574	691,800	121,774
Security of Persons and Property	98,500	92,000	89,186	2,814
Public Health	1,470	1,470	1,470	-
Leisure Time Activities	211,000	201,000	161,699	39,301
Transportation	75,000	50,000	361	49,639
Capital Outlay	20,000	-	-	-
Total Expenditures	<u>1,283,944</u>	<u>1,158,044</u>	<u>944,516</u>	<u>213,528</u>
Excess of Revenues Over Expenditures	<u>859,056</u>	<u>984,956</u>	<u>918,463</u>	<u>(66,493)</u>
OTHER FINANCING SOURCES (USES):				
Advances In	-	-	70,000	70,000
Transfers Out	(1,108,618)	(827,618)	(805,868)	21,750
Total Other Financing Sources (Uses)	<u>(1,108,618)</u>	<u>(827,618)</u>	<u>(735,868)</u>	<u>91,750</u>
Net Change in Fund Balance	(249,562)	157,338	182,595	25,257
Fund Balance at Beginning of Year	165,408	165,408	165,408	-
Prior Year Encumbrances Appropriated	3,354	3,354	3,354	-
Fund Balance at End of Year	<u>\$ (80,800)</u>	<u>\$ 326,100</u>	<u>\$ 351,357</u>	<u>\$ 25,257</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*Bridge and Street Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 91,801	\$ 91,801	\$ 69,796	\$ (22,005)
Intergovernmental	235,378	252,907	178,958	(73,949)
Interest	28	30	21	(9)
Other	2,387	2,565	1,815	(750)
Total Revenues	<u>329,594</u>	<u>347,303</u>	<u>250,590</u>	<u>(96,713)</u>
EXPENDITURES:				
Current:				
Transportation	604,075	572,825	481,402	91,423
Capital Outlay	31,000	25,000	8,849	16,151
Debt Service:				
Principal	68,448	68,448	41,817	26,631
Interest and Fiscal Charges	1,210	1,210	739	471
Total Expenditures	<u>704,733</u>	<u>667,483</u>	<u>532,807</u>	<u>134,676</u>
Deficiency of Revenues Under Expenditures	<u>(375,139)</u>	<u>(320,180)</u>	<u>(282,217)</u>	<u>37,963</u>
OTHER FINANCING SOURCES:				
Proceeds from Loans	27,779	29,847	21,120	(8,727)
Transfers In	295,936	317,975	225,000	(92,975)
Total Other Financing Sources	<u>323,715</u>	<u>347,822</u>	<u>246,120</u>	<u>(101,702)</u>
Net Change in Fund Balance	(51,424)	27,642	(36,097)	(63,739)
Fund Balance at Beginning of Year	<u>98,419</u>	<u>98,419</u>	<u>98,419</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 46,995</u>	<u>\$ 126,061</u>	<u>\$ 62,322</u>	<u>\$ (63,739)</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*Fire Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 95,383	\$ 95,383	\$ 102,821	\$ 7,438
Intergovernmental	43,835	73,070	47,253	(25,817)
Charges for Services	37,681	62,813	40,620	(22,193)
Other	3,468	5,780	3,738	(2,042)
Total Revenues	<u>180,367</u>	<u>237,046</u>	<u>194,432</u>	<u>(42,614)</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	266,935	266,935	227,857	39,078
Capital Outlay	11,000	11,000	13,271	(2,271)
Debt Service:				
Principal	148,796	141,787	173,073	(31,286)
Interest and Fiscal Charges	-	7,009	3,209	3,800
Total Expenditures	<u>426,731</u>	<u>426,731</u>	<u>417,410</u>	<u>9,321</u>
Deficiency of Revenues Under Expenditures	<u>(246,364)</u>	<u>(189,685)</u>	<u>(222,978)</u>	<u>(33,293)</u>
OTHER FINANCING SOURCES:				
Proceeds from Loans	116,636	194,426	125,732	(68,694)
Transfers In	88,127	146,904	95,000	(51,904)
Total Other Financing Sources	<u>204,763</u>	<u>341,330</u>	<u>220,732</u>	<u>(120,598)</u>
Net Change in Fund Balance	(41,601)	151,645	(2,246)	(153,891)
Fund Balance at Beginning of Year	60,758	60,758	60,758	-
Prior Year Encumbrances Appropriated	<u>1,185</u>	<u>1,185</u>	<u>1,185</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 20,342</u>	<u>\$ 213,588</u>	<u>\$ 59,697</u>	<u>\$ (153,891)</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 385,398	\$ 385,398	\$ 325,178	\$ (60,220)
Intergovernmental	151,668	151,668	127,969	(23,699)
Other	15,192	15,192	12,818	(2,374)
<b>Total Revenues</b>	<b>552,258</b>	<b>552,258</b>	<b>465,965</b>	<b>(86,293)</b>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons and Property	1,147,968	1,123,968	897,056	226,912
Capital Outlay	121,000	35,000	10,953	24,047
<b>Total Expenditures</b>	<b>1,268,968</b>	<b>1,158,968</b>	<b>908,009</b>	<b>250,959</b>
Deficiency of Revenues Under Expenditures	(716,710)	(606,710)	(442,044)	164,666
<b>OTHER FINANCING SOURCES:</b>				
Transfers In	444,447	444,447	375,000	(69,447)
<b>Total Other Financing Sources</b>	<b>444,447</b>	<b>444,447</b>	<b>375,000</b>	<b>(69,447)</b>
<b>Net Change in Fund Balance</b>	<b>(272,263)</b>	<b>(162,263)</b>	<b>(67,044)</b>	<b>95,219</b>
Fund Balance at Beginning of Year	182,046	182,046	182,046	-
Prior Year Encumbrances Appropriated	4,318	4,318	4,318	-
<b>Fund Balance at End of Year</b>	<b>\$ (85,899)</b>	<b>\$ 24,101</b>	<b>\$ 119,320</b>	<b>\$ 95,219</b>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2012*

	Enterprise Funds		
	Water	Sewer	Totals
<b>ASSETS:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 228,201	\$ 199,369	\$ 427,570
Materials and Supplies Inventory	9,273	-	9,273
Intergovernmental Receivable	-	41,040	41,040
Accounts Receivable	148,603	144,646	293,249
<i>Total Current Assets</i>	<u>386,077</u>	<u>385,055</u>	<u>771,132</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	70,000	323,997	393,997
Depreciable Capital Assets, Net	3,897,130	3,974,331	7,871,461
<i>Total Noncurrent Assets</i>	<u>3,967,130</u>	<u>4,298,328</u>	<u>8,265,458</u>
<i>Total Assets</i>	<u>4,353,207</u>	<u>4,683,383</u>	<u>9,036,590</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	16,336	22,397	38,733
Accrued Wages and Benefits	5,220	5,248	10,468
Contracts Payable	-	4,000	4,000
Due to Other Governments	3,717	3,719	7,436
Compensated Absences Payable	3,186	7,076	10,262
OPWC Loans Payable	5,477	1,925	7,402
OWDA Loans Payable	14,430	98,003	112,433
<i>Total Current Liabilities</i>	<u>48,366</u>	<u>142,368</u>	<u>190,734</u>
Noncurrent Liabilities:			
Compensated Absences Payable	3,229	5,386	8,615
OPWC Loans Payable	49,294	7,700	56,994
OWDA Loans Payable	234,601	2,326,332	2,560,933
<i>Total Noncurrent Liabilities</i>	<u>287,124</u>	<u>2,339,418</u>	<u>2,626,542</u>
<i>Total Liabilities</i>	<u>335,490</u>	<u>2,481,786</u>	<u>2,817,276</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,663,328	1,864,368	5,527,696
Unrestricted	354,389	337,229	691,618
<i>Total Net Position</i>	<u>\$ 4,017,717</u>	<u>\$ 2,201,597</u>	<u>\$ 6,219,314</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2012*

	Enterprise Funds		
	Water	Sewer	Totals
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 738,188	\$ 922,458	\$ 1,660,646
Tap-In Fees	3,678	19,789	23,467
Other	36,887	-	36,887
<i>Total Operating Revenues</i>	<u>778,753</u>	<u>942,247</u>	<u>1,721,000</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Wages	217,071	241,234	458,305
Fringe Benefits	101,907	121,002	222,909
Contractual Services	123,913	241,568	365,481
Materials and Supplies	137,004	33,882	170,886
Other	31,091	9,188	40,279
Depreciation	134,427	128,925	263,352
<i>Total Operating Expenses</i>	<u>745,413</u>	<u>775,799</u>	<u>1,521,212</u>
<i>Operating Income</i>	<u>33,340</u>	<u>166,448</u>	<u>199,788</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest Income	20	-	20
Other Revenues	-	12,723	12,723
Interest and Fiscal Charges	(5,407)	(18,239)	(23,646)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(5,387)</u>	<u>(5,516)</u>	<u>(10,903)</u>
<i>Income Before Capital Contributions</i>	27,953	160,932	188,885
Capital Contributions - Intergovernmental	-	254,858	254,858
<i>Change in Net Position</i>	27,953	415,790	443,743
<i>Net Position at Beginning of Year</i>	<u>3,989,764</u>	<u>1,785,807</u>	<u>5,775,571</u>
<i>Net Position at End of Year</i>	<u>\$ 4,017,717</u>	<u>\$ 2,201,597</u>	<u>\$ 6,219,314</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2012

	Enterprise		Total
	Water	Sewer	
<b><i>Increase in Cash and Cash Equivalents:</i></b>			
<b><i>Cash Flows from Operating Activities:</i></b>			
Cash Received from Customers	\$ 762,189	\$ 969,537	\$ 1,731,726
Cash Payments to Suppliers for Goods and Services	(284,945)	(264,021)	(548,966)
Cash Payments to Employees for Services and Benefits	(329,321)	(360,203)	(689,524)
Cash Received for Other Operating Receipts	20,487	-	20,487
<i>Net Cash Provided by Operating Activities</i>	<u>168,410</u>	<u>345,313</u>	<u>513,723</u>
<b><i>Cash Flows from Noncapital Financing Activities:</i></b>			
Other Non-Operating Receipts	-	12,723	12,723
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>-</u>	<u>12,723</u>	<u>12,723</u>
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>			
Capital Grants	-	213,818	213,818
Advances-Out	(20,000)	(50,000)	(70,000)
Payments for Capital Acquisitions	-	(234,810)	(234,810)
Principal Payments	(31,172)	(232,064)	(263,236)
Interest Payments	(5,407)	(18,239)	(23,646)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(56,579)</u>	<u>(321,295)</u>	<u>(377,874)</u>
<b><i>Cash Flows from Investing Activities:</i></b>			
Interest on Investments	20	-	20
<i>Net Cash Provided by Investing Activities</i>	<u>20</u>	<u>-</u>	<u>20</u>
Net Increase in Cash and Cash Equivalents	111,851	36,741	148,592
Cash and Cash Equivalents at Beginning of Year	116,350	162,628	278,978
Cash and Cash Equivalents at End of Year	<u>\$ 228,201</u>	<u>\$ 199,369</u>	<u>\$ 427,570</u>
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i></b>			
Operating Income	\$ 33,340	\$ 166,448	\$ 199,788
<b><i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>			
Depreciation	134,427	128,925	263,352
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	3,923	27,290	31,213
(Increase)/Decrease in Supplies Inventory	(3,906)	3,822	(84)
Increase in Accounts Payable	10,969	15,395	26,364
Increase in Contracts Payable	-	4,000	4,000
Decrease in Accrued Wages and Benefits	(1,525)	(686)	(2,211)
Increase/(Decrease) in Compensated Absences Payable	(7,474)	2,822	(4,652)
Decrease in Due to Other Governments	(1,344)	(2,703)	(4,047)
Total Adjustments	<u>135,070</u>	<u>178,865</u>	<u>313,935</u>
Net Cash Provided by Operating Activities	<u>\$ 168,410</u>	<u>\$ 345,313</u>	<u>\$ 513,723</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*December 31, 2012*

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	<u>Agency Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 103
Cash and Cash Equivalents in Segregated Accounts	<u>7,227</u>
<i>Total Assets</i>	<u><u>\$ 7,330</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Due to Other Governments	\$ 1,253
Due to Other Funds	5,974
Undistributed Monies	<u>103</u>
<i>Total Liabilities</i>	<u><u>\$ 7,330</u></u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

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

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

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

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

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

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Village also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. Under the guidelines of GASB 20, the Village has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

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

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

**Governmental Funds**

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

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

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

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

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

Levee Fund - The Levee System Fund is used to for expenditures incurred in the capital construction and maintenance of a levee. The primary source of revenue is debt issuances.

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

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

**Proprietary Funds**

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

**Enterprise Funds**

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

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

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

**Fiduciary Funds**

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

**Basis of Accounting and Measurement Focus:** Basis of accounting determines when transactions are captured in the financial records and reported on the financial statements. Measurement focus refers to what is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured.

Differences in the accrual and the modified accrual bases of accounting arise in the timing of recognition of revenue and the recording of deferred revenue, and in the presentation of expenses versus expenditures. Under the non-GAAP budgetary basis, transactions are recorded when cash is received or disbursed.

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

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

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

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

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

***Revenues-Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Village, available means expected to be received within sixty days of fiscal year end.

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

***Deferred Outflows and Deferred Inflows of Resources*** As more fully described in Note 18 to the basic financial statements, the Village has implemented both GASB Statement No. 63 and GASB Statement No. 65, effective for fiscal year 2012. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Village did not have any deferred outflows as of December 31, 2012. The Village also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Village these amounts consist of income taxes which are not collected in the available period, and intergovernmental receivables which are not collected in the available period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the statement of net position and the balance sheet is due to income taxes and grants and entitlements not received during the available period. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

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

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

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

***Estimated Resources*** The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the Village by October 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Auditor's Office Manager determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2012.

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

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

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

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

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

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

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

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

**Accrued Liabilities and Long-Term Obligations:** All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Notes and loans are recognized as liabilities on the fund financial statements when due.

**Fund Balance:** Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

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

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

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

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

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

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

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

The adjustments necessary to convert the results of operations for 2012 on the GAAP basis to the budget basis for the General, Bridge and Street, Fire, and Police major funds are as follows:

	Net Change in Fund Balances			
	General	Bridge and Street	Fire	Police
GAAP Basis	\$ 180,656	\$ (14,718)	\$ 49,887	\$ 64,782
Increases (Decreases) Due To:				
Revenue Accruals	19,516	(85,054)	(40,562)	(111,654)
Expenditure Accruals	1,780	63,728	(11,571)	(20,172)
Encumbrances	(19,205)	(53)	-	-
Funds Included for GAAP Purposes Purposes but Excluded for				
Budgetary Reporting	(152)	-	-	-
Budget Basis	<u>\$ 182,595</u>	<u>\$ (36,097)</u>	<u>\$ (2,246)</u>	<u>\$ (67,044)</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAROhio);
8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
9. Linked deposits as authorized by ordinance adopted pursuant to Section 135.80 of the Revised Code.

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

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

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village’s bank balance of \$1,699,143 was either covered by the FDIC or collateralized by its financial institution in the manner described below.

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**NOTE 5 – MUNICIPAL INCOME TAX**

The Village levies and collects an income tax of one percent on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2012, revenue from the income tax amounted to \$1,315,630. All proceeds go to the General Fund.

**NOTE 6 – PROPERTY TAX**

Property taxes include amounts levied against all real and public utility located in the Village. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012 and are collected in 2012 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$15.30 per \$1,000 of assessed value. The assessed values of real property upon which 2012 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$ 68,446,550
Public Utility Property	4,482,160
Total Property Taxes	<u>\$ 72,928,710</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.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Waverly. The County Auditor periodically remits to the Village its portion of the taxes. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012, 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 2012 operations. The receivable is offset by deferred inflow of resources.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**NOTE 7 – RECEIVABLES**

Receivables at December 31, 2012, consisted of taxes, interfund, accounts, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

<b>Fund/Description of Receivable</b>	<b>Amount</b>
General Fund	
Local Government	\$ 61,358
Homestead, Rollback, and Exemption	6,745
Estate Tax	29,515
Total General Fund	97,618
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	6,333
Total Fire Major Special Revenue Fund	6,333
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	20,090
Total Police Major Special Revenue Fund	20,090
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax	37,773
Cents Per Gallon Tax	27,853
Motor Vehicle License Tax	14,309
Homestead, Rollback, and Exemption	4,303
Total Bridge and Street Fund	84,238
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax	3,063
Cents Per Gallon Tax	2,259
Motor Vehicle License Tax	1,053
Total Inter-City Highway Fund	6,375
Village Permissive Non-major Special Revenue Fund	
Permissive Motor vehicle License Taxes	1,463
Total Permissive Fund	1,463
Total Nonmajor Special Revenue Funds	7,838
Total Governmental Activities	\$ 216,117

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012:

	Beginning Balance 12/31/2011	Additions	Deletions	Ending Balance 12/31/2012
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated				
Land	\$ 239,268	\$ -	\$ -	\$ 239,268
Total Capital Assets, Not Being Depreciated	<u>239,268</u>	<u>-</u>	<u>-</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	545,673	-	-	545,673
Buildings and Improvements	1,360,706	7,520	-	1,368,226
Furniture and Equipment	2,551,804	-	-	2,551,804
Infrastructure	<u>2,556,837</u>	<u>-</u>	<u>-</u>	<u>2,556,837</u>
Total Capital Assets Being Depreciated	7,015,020	7,520	-	7,022,540
Less Accumulated Depreciation				
Land Improvements	(430,752)	(37,755)	-	(468,507)
Buildings and Improvements	(484,065)	(20,042)	-	(504,107)
Furniture and Equipment	(2,020,619)	(141,793)	-	(2,162,412)
Infrastructure	<u>(625,326)</u>	<u>(136,329)</u>	<u>-</u>	<u>(761,655)</u>
Total Accumulated Depreciation	<u>(3,560,762)</u>	<u>(335,919)</u>	<u>-</u>	<u>(3,896,681)</u>
Total Capital Assets Being Depreciated, Net	<u>3,454,258</u>	<u>(328,399)</u>	<u>-</u>	<u>3,125,859</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,693,526</u>	<u>\$ (328,399)</u>	<u>\$ -</u>	<u>\$ 3,365,127</u>

Depreciation expense was charged to governmental functions as follows:

General Government:

Legislative and Executive	\$ 89,663
Security of Persons & Property	179,662
Transportation	<u>66,594</u>
Total Depreciation Expense	<u>\$ 335,919</u>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

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

	Ending Balance 12/31/2011*	Additions	Deletions	Ending Balance 12/31/2012
<b>Business Type Activities</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Construction in Progress	89,187	234,810	-	323,997
<b>Total Capital Assets, Not Being Depreciated</b>	<b>159,187</b>	<b>234,810</b>	<b>-</b>	<b>393,997</b>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	196,783	-	-	196,783
Buildings and Improvements	11,596,347	-	-	11,596,347
Mechanical Equipment	277,472	-	-	277,472
Infrastructure	4,471,319	-	-	4,471,319
<b>Total Capital Assets Being Depreciated</b>	<b>16,541,921</b>	<b>-</b>	<b>-</b>	<b>16,541,921</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(176,335)	(8,178)	-	(184,513)
Buildings and Improvements	(3,740,238)	(226,402)	-	(3,966,640)
Mechanical Equipment	(222,174)	(20,321)	-	(242,495)
Infrastructure	(4,268,361)	(8,451)	-	(4,276,812)
<b>Total Accumulated Depreciation</b>	<b>(8,407,108)</b>	<b>(263,352)</b>	<b>-</b>	<b>(8,670,460)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>8,134,813</b>	<b>(263,352)</b>	<b>-</b>	<b>7,871,461</b>
<b>Business Type Activities Capital Assets, Net</b>	<b>\$ 8,294,000</b>	<b>\$ (28,542)</b>	<b>\$ -</b>	<b>\$ 8,265,458</b>

\* Certain reclassifications were made to beginning balance amounts. These reclassifications had no effect on net position.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
  - 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/carf.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.
- E. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2012, 2011, and 2010 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications and 11.5% and 12.10%, 11.0% and 11.6%, and 10.5% and 11.1%, respectively for members in public safety and law enforcement. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.0% and 12.6% respectively.

The 2012, 2011, and 2010 employer contribution rates for members in state and local classifications were 14.0%, 14.0%, and 14.0%, respectively, of covered payroll. For both public safety and law enforcement divisions, the employer contribution rates were 18.10%, 18.10%, and 17.87%, respectively.

The Village's contributions to the PERS of Ohio for the years ending December 31, 2012, 2011, and 2010 were \$169,156, \$183,321, and \$185,928. 100% has been contributed for 2012, 2011 and 2010.

**Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters for 2012, 2011, and 2010. The Village's contributions to OP&F for the years ended December 31, 2012, 2011, and 2010 were \$119,252, \$87,080, and \$90,033. 100% has been contributed for 2012, 2011, and 2010.

**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, 2012, twenty-two members of the fire department, three members of the Village Council, and the Village Auditor have elected Social Security. The Village's liability is 6.2 percent of wages paid.

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.1%. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2012 and 2011, the employer contributions allocated to the health care for members in the Traditional was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. For 2010, the employer contributions allocated to the health care plan from January 1 through February 28, 2010 and March 1 through December 31, 2010 were 5.5% and 5.0%, respectively. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$67,662 for 2012, \$73,328 for 2011, and \$67,530 for 2010. 100% of the employer contributions have been made for 2012, 2011 and 2010.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

**Ohio Police and Fire Pension Fund**

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

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

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

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

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00%, of covered payroll for police and fire employers, for 2012, 2011, and 2010, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2012, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The number of participants eligible to receive health care benefits as of December 31, 2011, (the latest information available) was 15,572 for Police and 11,506 for Firefighters. The Village's actual contributions for 2012, 2011, and 2010 that were used to fund postemployment benefits were \$29,456, \$22,932, and \$23,203, respectively, for Police, and \$9,607, \$5,859, and \$6,469, respectively, for Firefighters. 100% of the Village's contributions have been made for 2012, 2011 and 2010. The Fund's total health care expenses for the year ended December 31, 2011 (the latest information available) were \$113,812,105, which was net of member contributions of \$62,528,377.

**NOTE 11 – EMPLOYEE BENEFITS**

**A. DEFERRED COMPENSATION PLAN**

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

**B. COMPENSATED ABSENCES**

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

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

**C. INSURANCE BENEFITS**

The Village provides life insurance through Fort Dearborn Life and health insurance through the Ohio Plan Healthcare Consortium. Dental insurance is provided through Guardian and vision insurance through Vision Service Plan of Ohio.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

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**NOTE 12 – INTERFUND TRANSACTIONS**

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

Transfers made during the year ended December 31, 2012, were as follows:

<u>Fund Type / Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Major Funds:</b>		
General	\$ 805,868	\$ -
Bridge and Street	-	225,000
Fire	-	95,000
Police	-	375,000
Levee	-	49,366
Total Major Funds	<u>805,868</u>	<u>744,366</u>
<b>Nonmajor Capital Projects Funds:</b>		
Emergency Siren	-	12,000
Depot Str. Improvement	-	2,644
Recreational Complex	-	34,525
Hillside Ave. Storm System	-	3,333
Green Acres	-	9,000
Total Nonmajor Capital Projects	<u>-</u>	<u>61,502</u>
Total All Funds	<u>\$ 805,868</u>	<u>\$ 805,868</u>

Interfund balances at December 31, 2012, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Fund:</i>		
General Fund	\$ 5,974	\$ -
<i>Agency Fund:</i>		
Mayor's Court	-	5,974
Total All Funds	<u>\$ 5,974</u>	<u>\$ 5,974</u>

The above balance results from monies collected by the Mayor's Court in December of 2012 that were not paid into the General Fund until January of 2013.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2012, was as follows:

Issue	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Due in One Year
<b>Business-Type Activities</b>					
Compensated Absences	\$ 23,529	\$ 43,139	\$ 47,791	\$ 18,877	\$ 10,262
2001 - 2% OWDA Wastewater Treatment Plant Loan	2,617,153	-	192,818	2,424,335	98,003
2011 - 3% Sewer Flush Truck Note	38,284	-	38,284	-	-
1997 - 0% OPWC Wastewater Treatment Plant Loan	10,587	-	962	9,625	1,925
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	277,464	-	28,433	249,031	14,430
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	57,510	-	2,739	54,771	5,477
<b>Total Business-Type Activities</b>	<b>\$ 3,024,527</b>	<b>\$ 43,139</b>	<b>\$ 311,027</b>	<b>\$ 2,756,639</b>	<b>\$ 130,097</b>
<b>Governmental Activities</b>					
Compensated Absences	\$ 55,526	\$ 113,731	\$ 118,262	\$ 50,995	\$ 4,711
2002 - 0% OPWC Green Acres Paving & Drainage Project Loan	13,498	-	9,000	4,498	4,498
2003 - 0% OPWC Depot Street Reconstruction Loan	31,730	-	2,644	29,086	2,644
2011/2012 -4.05% Fire Truck Note	98,246	125,732	173,073	50,905	50,905
2011/2012 - 4% Green Acres Levee Improvements Note	366,685	331,727	366,685	331,727	331,727
2011/2012 - 2.75% Bristol Park Note	113,260	81,797	113,260	81,797	81,797
2008 0% OPWC Hillside Avenue Storm System Loan	91,667	-	3,333	88,334	3,333
2011/2012 - 3.5% Truck Note	41,817	21,120	41,817	21,120	21,120
<b>Total Governmental Activities</b>	<b>\$ 812,429</b>	<b>\$ 674,107</b>	<b>\$ 828,074</b>	<b>\$ 658,462</b>	<b>\$ 500,735</b>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

The Village’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,050,048 with an unvoted debt margin of \$3,403,612 at December 31, 2012.

Annual debt service requirements to maturity for enterprise obligations are:

	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2013	\$ 7,402	\$ 112,433	\$ 29,158
2014	7,402	228,545	54,636
2015	7,402	233,542	49,639
2016	7,402	238,648	44,533
2017	7,402	243,865	39,316
2018-2022	27,386	1,250,404	114,742
2023-2025	-	365,929	8,080
Total	\$ 64,396	\$ 2,673,366	\$ 340,104

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans
	Principal
2013	\$ 10,477
2014	5,977
2015	5,977
2016	5,977
2017	5,977
2018-2022	29,887
2023-2027	19,311
2028-2032	16,667
2033-2037	16,667
2038	5,001
	\$ 121,918

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 in 2001 for the purpose of constructing a new sewage treatment facility. 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 Tank and Line Treatment Plant Loan was issued in 2001 in the amount of \$109,543 for the purpose of constructing a new water tower. This loan will be repaid from the Water Fund by July 1, 2022.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

The OPWC Green Acres Paving and Drainage Loan was issued in the amount of \$89,997 for the improvement of storm drains and to repair curbs and gutters. The loan will be repaid from the Green Acres Capital Projects Fund.

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

The Flush Truck note was issued on July 7, 2011 in the amount of \$38,284 and was for the purpose of repaying a previously issued note used to purchase a pump truck. This note was repaid from the Bridge and Street Fund during 2012.

The Bristol Park note was issued on April 7 2011 in the amount of \$113,260 and was for the purpose of repaying a previously issued note used to complete the Bristol Park project. This note matured on March 28, 2012 and the Village paid \$31,462 from the Recreational Complex Fund against the note and refinanced the remaining \$81,797 into a new note. The new note will mature on March 28, 2013. This note was paid in full on March 20, 2013.

The Fire Truck note was issued on for the purpose of refinancing the note from a previously purchased fire truck. A Fire Truck note was issued on August 11, 2011 for the purpose of refinancing the note from a previously purchased fire truck in the amount of \$98,246. This note matured on February 10, 2012 and the Village paid \$23,419 from the Fire Fund against the note and refinanced the remaining \$74,827 into a new note. This note matured on August 8, 2012 and the Village paid \$23,922 from the Fire Fund against the note and refinanced the remaining \$50,905 into a new note. This note will mature on February 4, 2013.

The Truck note was issued on August 5, 2011 in the amount of \$41,817 and was issued for the purpose of repaying a previously issued note used for the purchase of a street sweeper. This note matured on August 4, 2012 and the Village paid \$20,697 from the Recreational Complex Fund against the note and refinanced the remaining \$21,120 into a new note. The new note will mature on August 4, 2013. This note was paid from the Bridge and Street Fund.

The Green Acres Levee Improvement note was issued on August 30, 2011 in the amount of \$366,685 and was for the purpose of repaying a previously issued note used for repairs to the levee. This note matured on August 23, 2012 and the Village paid \$34,958 from the Levee Improvement Fund against the note and refinanced the remaining \$331,727 into a new note. The new note will mature on August 23, 2013.

The 2008 OPWC loan was issued in the amount of \$100,000 for the purpose of improving the Hillside Avenue storm system.

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**NOTE 14 – RISK MANAGEMENT**

The Village belongs to the Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

As authorized by Section 9.833 of the Ohio Revised Code, the OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 92 and 74 members as of December 31, 2012 and 2011 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2012 and 2011:

	<b>2012</b>	<b>2011</b>
	<b>OPHC</b>	<b>OPHC</b>
Assets	\$ 1,152,610	\$ 1,459,791
Liabilities	(1,615,537)	(1,283,527)
Members' Equity	\$ (462,927)	\$ 176,264

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

Building and Contents-replacement cost (\$5,000 deductible)	\$ 32,118,300
Miscellaneous Property and Inland Marine Coverage (\$1,000 deductible)	1,007,047
Electronic Data Processing Equip Coverage (\$1,000 deductible)	48,171
Automobile Vehicle Liability (\$0 deductible)	2,000,000
Uninsured/Under Insured Motorists Per Occurrence	100,000
Medical Expenses	1,000
Wrongful Acts Coverage (\$2,500 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Employee Benefits (\$1,000 deductible)	1,000,000
Medical Expense (other than auto)	5,000
Law Enforcement Liability (\$2,000 deductible)	
Per occurrence	2,000,000

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government's share of these unpaid claims collectible in future years is approximately \$76,045.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

**Contributions to PEP**

<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
\$ 88,424	\$ 77,097	\$ 76,765

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

**NOTE 15 – JOINTLY GOVERNED ORGANIZATION**

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

**NOTE 16 – CONTINGENT LIABILITIES**

**Grants**

The Village received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Village at December 31, 2012, if applicable, cannot be determined at this time.

**Litigation**

The Village is not party to any legal proceedings.

**NOTE 17 – ACCOUNTABILITY AND COMPLIANCE**

At December 31, 2012, the Mayor's Court Computer Special Revenue Fund had a deficit fund balance of \$2,832, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Ohio Revised Code Section 5705.41(D)(1): The Village did not properly encumber all purchase commitments.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2012 the Village implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

**NOTE 19 – FUND BALANCES**

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

Fund Balances	General	Bridge & Street	Fire	Police	Levee	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Unclaimed Monies	\$ 7,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,290
<b>Restricted for</b>							
Bridge & Street	-	97,106	-	-	-	-	97,106
Other Purposes	-	-	-	-	-	17,718	17,718
Fire	-	-	94,417	-	-	-	94,417
Police	-	-	-	211,753	-	-	211,753
Levee	-	-	-	-	12,008	-	12,008
Inner-City Highway	-	-	-	-	-	56,009	56,009
Permissive Tax	-	-	-	-	-	47,829	47,829
Capital Improvements	-	-	-	-	-	88,355	88,355
Total Restricted	<u>-</u>	<u>97,106</u>	<u>94,417</u>	<u>211,753</u>	<u>12,008</u>	<u>209,911</u>	<u>625,195</u>
<b>Committed to</b>							
Other Purposes	-	-	-	-	-	248,876	248,876
<b>Assigned to</b>							
Other Purposes	16,382	-	-	-	-	-	16,382
<b>Unassigned (Deficit)</b>	<u>726,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,832)</u>	<u>723,405</u>
Total Fund Balances	<u>\$ 749,909</u>	<u>\$ 97,106</u>	<u>\$ 94,417</u>	<u>\$ 211,753</u>	<u>\$12,008</u>	<u>\$ 455,955</u>	<u>\$ 1,621,148</u>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**NOTE 20 – SUBSEQUENT EVENTS**

The Fire Truck note matured on February 4, 2013. The remaining balance of \$26,560 was reissued to mature on July 30, 2013.

On January 9, 2013 the Village entered into an agreement with OWDA for a loan of \$150,000. This loan is to fund the Bridge Street Sanitation projects. The interest rate is 1%.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 17, 2013 wherein we noted there was a lack of sufficient competent evidential matter to gain the necessary assurances regarding the accuracy, completeness, existence and valuation of the capital assets reported in the governmental activities, business-type activities, major Water Fund, and major Sewer Fund for the year ended December 31, 2012. We also noted the Village adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

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

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Finding 2012-02 described in the accompanying Schedule of Findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2012-01.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 17, 2013

VILLAGE OF WAVERLY  
PIKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012

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

FINDING NUMBER 2012-01

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

**1. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village Auditor did not certify the availability of funds prior to making commitments for 50% of the disbursements tested for 2012. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-01 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village Auditor certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village Auditor certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village Auditor should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Village Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. We recommend that the Village Auditor close all super blankets at year end.

**FINDING NUMBER 2012-02**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring adequate security of assets and records as well as verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Prior to 2004, the Village did not have a comprehensive listing of all of its capital assets detailing individual assets purchased, the cost of the assets, location, date of acquisition, etc. During the preparation of the 2004 financial statements, the Village obtained a Capital Assets Inventory System and developed a listing of the Village's Capital Assets.

Audit testing revealed that the department heads developed this listing, with each listing the assets their department had, along with estimates of the values and acquisition dates. There was no supporting documentation for the estimated values and acquisition dates. Also, there were significant variances between the audited December 31, 2003 amounts and the restated beginning January 1, 2004 amounts due to the Village using estimates in preparing its Capital Assets Inventory System listing in 2004. Testing further revealed that the amounts reported for 2004 and 2005 capital assets additions were also estimates of values.

During 2006, the Village contracted with an appraisal firm to perform an appraisal of the Village's capital assets. The appraisal firm based values included in the appraisal report primarily on information provided by the Village, which consisted mostly of estimates of values and acquisition dates. We tested these estimates in the audit of the Village's 2004 and 2005 financial statements and determined them to be inaccurate, or at least unsupported.

VILLAGE OF WAVERLY  
PIKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012  
(Continued)

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

FINDING NUMBER 2012-02 (Continued)

**Material Weakness (Continued)**

We also noted several of the Village's capital assets, including Water Department items and fire trucks, that were excluded from the appraisal prepared during 2006, even though the governmental activities capital assets were restated by an increase of \$37,954 and the business-type activities capital assets were restated by an increase of \$2,286,176. In addition, the appraisal incorrectly noted \$0 for vehicles in governmental activities at January 1, 2006. The appraisal also incorrectly removed the vehicles category in the business-type activities.

GASB 34 requires asset additions be recorded by the fund and function from which they were purchased. Such information must be available to properly record information such as the loss on the disposal of assets, depreciation, etc. Using estimated information, rather than vouchers listing account codes assets were purchased from, does not enable the Village to identify and record this information.

We were unable to find documents to support the amounts included in the appraisal as noted above and based on the issues described above, we could not effectively gain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Village's Capital Assets.

In the years following the 2006 appraisal, there have been various other inaccuracies such as Capital Asset Change Transmittal Forms not being accurate as compared to the resulting additions and deletions on the appraisal company's reports, additions were purchased prior to the audit period and the capitalized cost on one of them did not agree to the actual cost of the asset and unrecorded additions on the appraisal report. Also, there were two pickup trucks listed on the appraisal company's deletion report that were actually additions. These items resulted in errors to the capital assets. These errors resulted from the Village not performing a review of the appraisal report.

The Village should have records to support the valuation of material capital assets. The Village should record additions and deletions when the transactions occur. When an asset is purchased and has been received, the Village Auditor or his designee should complete a fixed asset addition form and attach a copy of the invoice for payment to it. The Auditor's Office should assign a tag and affix it to the appropriate asset. The Village Auditor or his designee should record the tag number on the asset addition form. The Village Auditor should then file the form in a separate file for asset additions

If this process is used throughout the year, the Village Auditor can then use the file with the addition forms to prepare the annual update to be sent to the appraisal firm. When an asset is disposed of, the Village Auditor or his designee should complete an asset disposal form. The Village Auditor or his designee should remove the asset inventory tag from the asset and attach it to the disposal form to ensure that the appropriate asset is removed from the inventory listing. The Village Auditor should maintain the disposal forms in a separate file.

The Village Auditor can then use this file at the end of the year to send the necessary information for the annual inventory update to the appraisal firm.

VILLAGE OF WAVERLY  
PIKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012  
(Continued)

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

**FINDING NUMBER 2012-02 (Continued)**

**Material Weakness (Continued)**

Such processes would enable the Village to ensure that the amounts reported for capital assets are appropriately recorded and that the asset inventory is accurate for both reporting and insurance purposes. The Village Auditor and the appraisal firm should adjust the values on the capital assets reports to agree to the actual amounts expended for the assets and maintain the documentation to support these values.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources.	Yes	
2011-02	Ohio Rev. Code Sections 5705.41(B) – Budgetary expenditures exceeded appropriations.	Yes	
2011-03	Ohio Rev. Code Section 5705.41(D)(1) – Not certifying the availability of funds prior to obligation.	No	Not Corrected - Reissued as Finding Number 2012-01.
2011-04	Capital Assets listing not correct.	No	Not Corrected – Reissued as Finding Number 2012-02.

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# Dave Yost • Auditor of State

**VILLAGE OF WAVERLY**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 1, 2013**