



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF WAVERLY  
PIKE COUNTY  
DECEMBER 31, 2020**

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VILLAGE OF WAVERLY  
PIKE COUNTY  
DECEMBER 31, 2020

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of Waverly  
Pike County  
201 W. 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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Summary of Opinions**

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

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

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Capital Assets and related accumulated depreciation and depreciation expense reported in the governmental activities, business-type activities, the major Water Fund and the major Sewer Fund for the year ended December 31, 2020. Amounts reported for Capital assets and Depreciation Expense represented the following percentages of Total Assets/Total Expense for each opinion unit:

<b>Opinion Unit</b>	<b>Capital Assets Amount (net of related depreciations)</b>	<b>Percentage of Total Assets</b>
Governmental Activities	\$ 3,194,731	48.8%
Business-Type Activities	8,399,755	78.7%
Major Water Fund	4,225,189	91.9%
Major Sewer Fund	4,174,566	68.8%

<b>Opinion Unit</b>	<b>Depreciation Expense</b>	<b>Percentage of Total Expense</b>
Governmental Activities	\$ 222,106	6.2%
Business-Type Activities	283,506	17.8%
Major Water Fund	141,754	18.3%
Major Sewer Fund	141,752	17.4%

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

**Qualified Opinions**

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position and where applicable, cash flows of the Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund of the Village of Waverly, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General, Bridge and Street, Coronavirus Relief, Fire, and Police major funds, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio as of and for the year ended December 31, 2020, and the respective changes in its financial position thereof and the respective budgetary comparisons for the General, Bridge and Street, Coronavirus Relief, Fire and Police funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

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

As discussed in Note 18 to the financial statements, during 2020, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
April 21, 2022

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**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(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, 2020. 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 2020 are as follows:

- In total, net position increased \$284,665. Net position of governmental activities decreased \$126,559. Net position of business-type activities increased \$411,224.
- Governmental activities general revenues accounted for \$2,493,859 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$935,963 or 27 percent of total revenues of \$3,429,822. Business-type activities general revenues accounted for \$57,384 in revenue or 2 percent of all revenues. Program specific revenues accounted for \$1,942,677 or 98 percent of total revenues of \$2,000,061.
- The Village had \$3,556,381 in expenses related to governmental activities; \$935,963 of these expenses were offset by program specific charges for services and sales, grants and contributions. The Village had \$1,588,837 in expenses related to business-type activities; all of these expenses were offset by program specific charges for services and sales.

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

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

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

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

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

While this report contains information about the funds used by the Village to provide services to our citizens, the view of the Village as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(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, Coronavirus Relief, Fire, and Police Special Revenue Funds, and the Water and Sewer Enterprise Funds.

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

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

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
(Unaudited)

**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2020 compared to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and Other Assets	\$ 3,351,940	\$ 3,057,152	\$ 2,269,672	\$ 2,089,207	\$ 5,621,612	\$ 5,146,359
Capital Assets, Net	3,194,731	3,304,166	8,399,755	8,407,557	11,594,486	11,711,723
<b>Total Assets</b>	<b>6,546,671</b>	<b>6,361,318</b>	<b>10,669,427</b>	<b>10,496,764</b>	<b>17,216,098</b>	<b>16,858,082</b>
<b>Deferred Outflows of Resources</b>						
Pension	644,891	1,280,457	97,790	282,520	742,681	1,562,977
OPEB	424,217	390,397	63,158	37,592	487,375	427,989
<b>Total Deferred Outflows of Resources</b>	<b>1,069,108</b>	<b>1,670,854</b>	<b>160,948</b>	<b>320,112</b>	<b>1,230,056</b>	<b>1,990,966</b>
<b>Liabilities</b>						
Current and Other Liabilities	63,310	140,550	35,898	122,328	99,208	262,878
Long-Term Liabilities:						
Due within One Year	56,279	103,275	270,165	303,860	326,444	407,135
Due in More than One Year:						
Net Pension Liability	2,835,454	3,636,750	571,046	926,428	3,406,500	4,563,178
Net OPEB Liability	1,015,442	920,210	385,150	424,478	1,400,592	1,344,688
Other Amounts	259,799	308,569	1,331,848	1,440,415	1,591,647	1,748,984
<b>Total Liabilities</b>	<b>4,230,284</b>	<b>5,109,354</b>	<b>2,594,107</b>	<b>3,217,509</b>	<b>6,824,391</b>	<b>8,326,863</b>
<b>Deferred Inflows of Resources</b>						
Taxes	630,821	626,955	-	-	630,821	626,955
Pension	502,091	55,359	191,403	40,536	693,494	95,895
OPEB	217,029	87,306	94,820	20,010	311,849	107,316
<b>Total Deferred Inflows of Resources</b>	<b>1,349,941</b>	<b>769,620</b>	<b>286,223</b>	<b>60,546</b>	<b>1,636,164</b>	<b>830,166</b>
<b>Net Position</b>						
Net Investment in Capital Assets	2,922,232	2,937,332	6,824,954	6,632,755	9,747,186	9,570,087
Restricted	1,394,852	1,024,096	-	-	1,394,852	1,024,096
Unrestricted	(2,281,530)	(1,808,230)	1,125,091	906,066	(1,156,439)	(902,164)
<b>Total Net Position</b>	<b>\$ 2,035,554</b>	<b>\$ 2,153,198</b>	<b>\$ 7,950,045</b>	<b>\$ 7,538,821</b>	<b>\$ 9,985,599</b>	<b>\$ 9,692,019</b>

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(Unaudited)*

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The net pension liability (NPL) is the largest single liability reported by the Village at December 31, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability is another significant liability reported at December 31, 2020 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Village's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Village is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(Unaudited)*

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

Total assets increased \$358,016. This increase was due primarily to an increase in cash in governmental activities and an increase in accounts receivable in business-type activities which was partially offset by a decrease in taxes receivable and depreciable capital assets in governmental activities and in cash and cash equivalents in business-type activities. Deferred outflows of resources decreased due primarily to actuarial calculations related to pensions.

Total liabilities decreased \$1,502,472. Current and other liabilities decreased in governmental activities due to decreases in accounts payable and due to other governments and in business-type activities primarily due to a decrease in contracts payable. The decrease in long-term liabilities is primarily due to the decrease in the net pension liability, which was partially offset by a slight increase in the OPEB liability. Long-term liabilities also decreased due to debt principal payments in 2020. Deferred inflows of resources increased due to the pension and OPEB actuarial changes.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(Unaudited)*

Table 2 shows the changes in net position for the year ended December 31, 2020 as compared to the prior year.

Table 2  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2020 *	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$ 253,232	\$ 398,124	\$ 1,929,350	\$ 1,938,678	\$ 2,182,582	\$ 2,336,802
Operating Grants and Contributions	682,731	268,165	-	-	682,731	268,165
Capital Grants and Contributions	-	-	13,327	447,308	13,327	447,308
Total Program Revenues	935,963	666,289	1,942,677	2,385,986	2,878,640	3,052,275
General Revenues:						
Property & Income Taxes	2,145,339	2,376,272	-	-	2,145,339	2,376,272
Unrestricted Grants and Entitlements	214,594	190,494	-	-	214,594	190,494
Investment Earnings	7,040	7,871	191	197	7,231	8,068
Gain on Sale of Capital Assets	-	-	-	-	-	-
Other	126,886	109,530	57,193	44,358	184,079	153,888
Total General Revenues	2,493,859	2,684,167	57,384	44,555	2,551,243	2,728,722
Total Revenues	3,429,822	3,350,456	2,000,061	2,430,541	5,429,883	5,780,997
<b>Program Expenses</b>						
General Government -						
Legislative and Executive	1,219,225	1,042,300	-	-	1,219,225	1,042,300
Security of Persons & Property	1,582,852	748,171	-	-	1,582,852	748,171
Public Health	15,990	15,735	-	-	15,990	15,735
Leisure Time Services	74,833	55,649	-	-	74,833	55,649
Transportation	655,471	677,143	-	-	655,471	677,143
Interest and Fiscal Charges	8,010	14,394	-	-	8,010	14,394
Water	-	-	773,279	1,121,696	773,279	1,121,696
Sewer	-	-	815,558	927,387	815,558	927,387
Total Expenses	3,556,381	2,553,392	1,588,837	2,049,083	5,145,218	4,602,475
Increase (Decrease) in Net Position	(126,559)	797,064	411,224	381,458	284,665	1,178,522
Beginning Net Position	2,162,113	1,356,134	7,538,821	7,157,363	9,700,934	8,513,497
Ending Net Position	\$ 2,035,554	\$ 2,153,198	\$ 7,950,045	\$ 7,538,821	\$ 9,985,599	\$ 9,692,019

\* - As restated

Charges for Services and Sales decreased primarily due to a decrease in fees collected which can be attributed to the COVID-19 pandemic during 2020. Operating grants and contributions increased primarily due to Cares Act monies received in 2020 in governmental activities due to the COVID-19 pandemic. Capital grants and contributions decreased due to less monies received in business type activities for capital improvements in 2020.

Legislative and executive expenses and security of persons and property expenses increased due to a significant increase in pension and OPEB expenses due to changes in actuarial calculations.

Water and sewer expenses decreased due to decreased repairs and maintenance which impacted contractual services and materials and supplies. Fringe benefits also decreased from fiscal year 2019.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(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 95% of all general revenues in the governmental activities, the Village monitors each of these revenue sources very closely for fluctuations.

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

**Business-Type Activities**

The Village's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the Village's residents. The sewer operations generated program revenues of \$1,143,546 and had expenses of \$815,558. The water operations generated program revenues of \$799,131 and had expenses of \$773,279. The Village's goal is to cover the costs of operations as well as build cash balance in these funds. The Village is also generating funds for additional capital expansion to ensure continued capacity and capital improvements for future growth and development.

**The Village's Funds**

The Village's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financial sources of \$4,755,994 and expenditures and other financing uses of \$4,271,478. The net change in fund balance for the year in the General Fund increased \$115,367 due primarily to revenues and transfers in exceeding expenditures and transfers out in 2020. The Police Fund had a fund balance increase of \$155,780. The Coronavirus Relief Fund had a fund balance increase of \$85,376. The Bridge and Street Fund had a fund balance increase of \$74,761. The Fire Fund had a fund balance increase of \$103,490.

**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 \$2,224,786. Actual revenues were lower than final budgeted revenues in the amount of \$119,313 due primarily to lower than expected income tax. Original and final budgeted expenditures and other financing uses were \$2,616,994 and \$2,620,480, respectively. Actual budgetary basis expenditures and other financing uses were \$2,101,818, which is lower than the final budgeted expenditures and other financing uses due primarily to less expenditures for legislative and executive.

**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year end 2020, the Village had \$11,594,486 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 2020 balances as compared to the prior year.

Table 3  
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 239,268	\$ 239,268	\$ 70,000	\$ 70,000	\$ 309,268	\$ 309,268
Construction in Progress	-	-	88,551	1,085,801	88,551	1,085,801
Land Improvements	149,863	174,357	40,771	46,401	190,634	220,758
Buildings and Improvements	822,223	766,884	5,923,921	6,121,883	6,746,144	6,888,767
Furniture and Equipment	568,702	649,463	76,735	83,820	645,437	733,283
Infrastructure	1,414,675	1,474,194	2,199,777	999,652	3,614,452	2,473,846
<b>Totals</b>	<b>\$ 3,194,731</b>	<b>\$ 3,304,166</b>	<b>\$ 8,399,755</b>	<b>\$ 8,407,557</b>	<b>\$ 11,594,486</b>	<b>\$ 11,711,723</b>

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

**Debt**

At December 31, 2020, the Village of Waverly had \$1,918,091 in notes, loans, and compensated absences outstanding with \$326,444 due within one year.

Table 4  
 Outstanding Debt, at Year End

	2020	2019	2020	2019	2020	2019
Compensated Absences	\$ 43,579	\$ 45,010	\$ 27,212	\$ 27,203	\$ 70,791	\$ 72,213
Long Term Notes and Loans	205,887	294,245	-	27,008	205,887	321,253
O.W.D.A. Loans	-	-	1,383,251	1,484,704	1,383,251	1,484,704
O.P.W.C. Loans	66,612	72,589	191,550	205,360	258,162	277,949
<b>Total</b>	<b>\$ 316,078</b>	<b>\$ 411,844</b>	<b>\$ 1,602,013</b>	<b>\$ 1,744,275</b>	<b>\$ 1,918,091</b>	<b>\$ 2,156,119</b>

The Village's overall legal debt margin was \$8,917,125 at December 31, 2020.

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



**Village of Waverly**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(Unaudited)*

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**The Future**

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

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

**Contacting the Village's Finance Department**

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

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**Village of Waverly**  
*Statement of Net Position*  
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,816,423	\$ 243,508	\$ 2,059,931
Receivables:			
Taxes	1,255,232	-	1,255,232
Accounts	738	2,003,405	2,004,143
Prepaid Items	43,522	22,759	66,281
Due from Other Governments	236,025	-	236,025
Due from Other Funds		-	-
Non-Depreciable Capital Assets	239,268	158,551	397,819
Depreciable Capital Assets, Net	2,955,463	8,241,204	11,196,667
<i>Total Assets</i>	<u>6,546,671</u>	<u>10,669,427</u>	<u>17,216,098</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension	644,891	97,790	742,681
OPEB	424,217	63,158	487,375
<i>Total Deferred Inflows of Resources</i>	<u>1,069,108</u>	<u>160,948</u>	<u>1,230,056</u>
<b>LIABILITIES:</b>			
Accounts Payable	14,960	17,636	32,596
Accrued Wages and Benefits	17,067	7,271	24,338
Due to Other Governments	31,283	10,991	42,274
Long-Term Liabilities:			
Due Within One Year	56,279	270,165	326,444
Due in More Than One Year:			
Net Pension Liability (See Note 9)	2,835,454	571,046	3,406,500
Net OPEB Liability (See Note 10)	1,015,442	385,150	1,400,592
Other Amounts Due in More than One Year	259,799	1,331,848	1,591,647
<i>Total Liabilities</i>	<u>4,230,284</u>	<u>2,594,107</u>	<u>6,824,391</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes Not Levied to Finance Current Year Operations	630,821	-	630,821
Pension	502,091	191,403	693,494
OPEB	217,029	94,820	311,849
<i>Total Deferred Inflows of Resources</i>	<u>1,349,941</u>	<u>286,223</u>	<u>1,636,164</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,922,232	6,824,954	9,747,186
Restricted for:			
Capital Projects	6,435	-	6,435
Police	350,016	-	350,016
Bridge and Street	318,073	-	318,073
Fire	291,350	-	291,350
Permissive Tax	106,451	-	106,451
Waverly South Central	88,453	-	88,453
Other Purposes	234,074	-	234,074
Unrestricted (Deficit)	(2,281,530)	1,125,091	(1,156,439)
<i>Total Net Position</i>	<u>\$ 2,035,554</u>	<u>\$ 7,950,045</u>	<u>\$ 9,985,599</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Activities*  
For the Year Ended December 31, 2020

	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	\$ 1,219,225	\$ 104,405	\$ 389,103	\$ -	\$ (725,717)	\$ -	\$ (725,717)
Security of Persons and Property	1,582,852	132,512	5,128	-	(1,445,212)	-	(1,445,212)
Public Health	15,990	2,036	24	-	(13,930)	-	(13,930)
Leisure Time Services	74,833	6,786	78	-	(67,969)	-	(67,969)
Transportation	655,471	7,493	288,398	-	(359,580)	-	(359,580)
Interest and Fiscal Charges	8,010	-	-	-	(8,010)	-	(8,010)
<i>Total Governmental Activities</i>	<u>3,556,381</u>	<u>253,232</u>	<u>682,731</u>	<u>-</u>	<u>(2,620,418)</u>	<u>-</u>	<u>(2,620,418)</u>
<b>Business-Type Activities:</b>							
Sewer	815,558	1,130,219	-	13,327	-	327,988	327,988
Water	773,279	799,131	-	-	-	25,852	25,852
<i>Total Business-Type Activities</i>	<u>1,588,837</u>	<u>1,929,350</u>	<u>-</u>	<u>13,327</u>	<u>-</u>	<u>353,840</u>	<u>353,840</u>
<b>Totals</b>	<u>\$ 5,145,218</u>	<u>\$ 2,182,582</u>	<u>\$ 682,731</u>	<u>\$ 13,327</u>	<u>(2,620,418)</u>	<u>353,840</u>	<u>(2,266,578)</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes - General Purposes					141,150	-	141,150
Property Taxes - Other Purposes					502,655	-	502,655
Income Taxes					1,501,534	-	1,501,534
Grants and Entitlements not Restricted to Specific Programs					214,594	-	214,594
Investment Earnings					7,040	191	7,231
Miscellaneous					126,886	57,193	184,079
<i>Total General Revenues</i>					<u>2,493,859</u>	<u>57,384</u>	<u>2,551,243</u>
<i>Change in Net Position</i>					<u>(126,559)</u>	<u>411,224</u>	<u>284,665</u>
<i>Net Position Beginning of Year - As Restated</i>					<u>2,162,113</u>	<u>7,538,821</u>	<u>9,700,934</u>
<i>Net Position End of Year</i>					<u>\$ 2,035,554</u>	<u>\$ 7,950,045</u>	<u>\$ 9,985,599</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Balance Sheet*  
*Governmental Funds*  
*Decembr 31, 2020*

	General	Bridge and Street	Coronavirus Relief	Fire	Police	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 591,728	\$ 206,428	\$ 88,818	\$ 283,575	\$ 324,206	\$ 321,668	\$ 1,816,423
<b>Receivables:</b>							
Taxes	656,202	82,596	-	126,320	390,114	-	1,255,232
Accounts	-	-	-	-	-	738	738
Due from Other Governments	73,648	110,956	-	5,545	17,907	27,969	236,025
Prepaid Items	8,391	12,955	-	5,717	16,459	-	43,522
<i>Total Assets</i>	<u>1,329,969</u>	<u>412,935</u>	<u>88,818</u>	<u>421,157</u>	<u>748,686</u>	<u>350,375</u>	<u>3,351,940</u>
<b>LIABILITIES:</b>							
Accounts Payable	10,847	138	3,442	77	318	138	14,960
Accrued Wages and Benefits	4,336	3,914	-	1,231	7,586	-	17,067
Due to Other Governments	7,539	5,086	-	3,164	15,294	200	31,283
<i>Total Liabilities</i>	<u>22,722</u>	<u>9,138</u>	<u>3,442</u>	<u>4,472</u>	<u>23,198</u>	<u>338</u>	<u>63,310</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
<b>Unavailable Revenue</b>							
Delinquent Taxes	3,887	3,055	-	4,467	14,891	-	26,300
Income Taxes	278,512	-	-	-	-	-	278,512
Other	15,608	-	-	-	-	-	15,608
<b>Property Taxes Not Levied to Finance Current</b>							
Year Operations	72,052	77,092	-	118,262	363,415	-	630,821
Grants	50,849	75,460	-	5,545	17,907	22,227	171,988
<i>Total Deferred Inflows of Resources</i>	<u>420,908</u>	<u>155,607</u>	<u>-</u>	<u>128,274</u>	<u>396,213</u>	<u>22,227</u>	<u>1,123,229</u>
<b>FUND BALANCES:</b>							
Nonspendable	16,458	12,955	-	5,717	16,459	-	51,589
Restricted	-	235,235	85,376	282,694	312,816	238,565	1,154,686
Committed	191,312	-	-	-	-	89,245	280,557
Assigned	179,685	-	-	-	-	-	179,685
Unassigned	498,884	-	-	-	-	-	498,884
<i>Total Fund Balances</i>	<u>886,339</u>	<u>248,190</u>	<u>85,376</u>	<u>288,411</u>	<u>329,275</u>	<u>327,810</u>	<u>2,165,401</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 1,329,969</u>	<u>\$ 412,935</u>	<u>\$ 88,818</u>	<u>\$ 421,157</u>	<u>\$ 748,686</u>	<u>\$ 350,375</u>	<u>\$ 3,351,940</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, 2020*

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<b>Total Governmental Fund Balances</b>	\$	2,165,401
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,194,731
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Certain receivables reported as revenues on the statement of activities are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.

Taxes	320,420	
Intergovernmental	171,988	
Total		492,408

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

Deferred Outflows - Pension	644,891	
Deferred Outflows - OPEB	424,217	
Deferred Inflows - Pension	(502,091)	
Deferred Inflows - OPEB	(217,029)	
Net Pension Liability	(2,835,454)	
Net OPEB Liability	(1,015,442)	
Total		(3,500,908)

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	(43,579)	
General Obligation Notes and Loans Payable	(272,499)	
Total		(316,078)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,035,554</b>
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See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2020*

	General	Bridge and Street	Coronavirus Relief	Fire	Police	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 1,782,823	\$ 67,201	\$ -	\$ 105,778	\$ 339,633	\$ -	\$ 2,295,435
Intergovernmental	149,286	224,706	387,897	16,433	37,994	56,182	872,498
Interest	6,142	130	-	-	-	768	7,040
Charges for Services	-	-	-	26,665	52,361	-	79,026
Fees, Licenses and Permits	4,877	-	-	-	-	-	4,877
Fines and Forfeitures	168,178	-	-	-	-	1,151	169,329
Other	19,717	15,705	-	34,164	35,134	22,166	126,886
<i>Total Revenues</i>	<u>2,131,023</u>	<u>307,742</u>	<u>387,897</u>	<u>183,040</u>	<u>465,122</u>	<u>80,267</u>	<u>3,555,091</u>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
<b>General Government:</b>							
Legislative and Executive	734,702	-	302,521	-	-	-	1,037,223
Security of Persons and Property	81,678	-	-	245,248	896,846	13,133	1,236,905
Public Health	15,990	-	-	-	-	-	15,990
Leisure Time Services	53,307	-	-	-	-	-	53,307
Transportation	-	503,387	-	-	-	34,122	537,509
Capital Outlay	-	-	-	-	37,496	49,800	87,296
<b>Debt Service:</b>							
Principal	-	14,066	-	28,562	-	51,707	94,335
Interest and Fiscal Charges	-	528	-	5,740	-	1,742	8,010
<i>Total Expenditures</i>	<u>885,677</u>	<u>517,981</u>	<u>302,521</u>	<u>279,550</u>	<u>934,342</u>	<u>150,504</u>	<u>3,070,575</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>1,245,346</u>	<u>(210,239)</u>	<u>85,376</u>	<u>(96,510)</u>	<u>(469,220)</u>	<u>(70,237)</u>	<u>484,516</u>
<b>OTHER FINANCING SOURCES AND USES:</b>							
Transfers In	35,462	285,000	-	200,000	625,000	55,441	1,200,903
Transfers Out	(1,165,441)	-	-	-	-	(35,462)	(1,200,903)
<i>Total Other Financing Sources and Uses</i>	<u>(1,129,979)</u>	<u>285,000</u>	<u>-</u>	<u>200,000</u>	<u>625,000</u>	<u>19,979</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	115,367	74,761	85,376	103,490	155,780	(50,258)	484,516
<i>Fund Balances at Beginning of Year - As Restated</i>	<u>770,972</u>	<u>173,429</u>	<u>-</u>	<u>184,921</u>	<u>173,495</u>	<u>378,068</u>	<u>1,680,885</u>
<i>Fund Balances at End of Year</i>	<u>\$ 886,339</u>	<u>\$ 248,190</u>	<u>\$ 85,376</u>	<u>\$ 288,411</u>	<u>\$ 329,275</u>	<u>\$ 327,810</u>	<u>\$ 2,165,401</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, 2020*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ 484,516
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	112,671	
Current Year Depreciation	<u>(222,106)</u>	
Total		(109,435)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	24,827	
Taxes	<u>(150,096)</u>	
Total		(125,269)
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.		94,335
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		1,431
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		222,243
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability are reported as pension expense in the statement of activities.		<u>(694,380)</u>
<b>Net Change in Net Position of Governmental Activities</b>		<b><u><u>\$ (126,559)</u></u></b>

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, 2020*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 102,620	\$ 102,620	\$ 141,957	\$ 39,337
Income Taxes	1,590,394	1,753,085	1,565,846	(187,239)
Intergovernmental	126,831	126,831	149,141	22,310
Interest	5,000	5,000	6,129	1,129
Fees, Licenses and Permits	7,550	7,550	4,877	(2,673)
Fines and Forfeitures	219,500	219,500	182,344	(37,156)
Other	10,200	10,200	19,717	9,517
<b>Total Revenues</b>	<b>2,062,095</b>	<b>2,224,786</b>	<b>2,070,011</b>	<b>(154,775)</b>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	1,090,400	1,075,886	781,001	294,885
Security of Persons and Property	137,500	137,500	81,878	55,622
Public Health	18,000	18,000	16,079	1,921
Leisure Time Activities	71,000	89,000	57,419	31,581
<b>Total Expenditures</b>	<b>1,316,900</b>	<b>1,320,386</b>	<b>936,377</b>	<b>384,009</b>
Excess of Revenues Over Expenditures	745,195	904,400	1,133,634	229,234
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	35,462	35,462
Transfers Out	(1,300,094)	(1,300,094)	(1,165,441)	134,653
<b>Total Other Financing Sources (Uses)</b>	<b>(1,300,094)</b>	<b>(1,300,094)</b>	<b>(1,129,979)</b>	<b>170,115</b>
Net Change in Fund Balance	(554,899)	(395,694)	3,655	399,349
Fund Balance at Beginning of Year	500,019	500,019	500,019	-
Prior Year Encumbrances Appropriated	545	545	545	-
<b>Fund Balance at End of Year</b>	<b>\$ (54,335)</b>	<b>\$ 104,870</b>	<b>\$ 504,219</b>	<b>\$ 399,349</b>

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, 2020*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 63,375	\$ 63,375	\$ 66,628	\$ 3,253
Intergovernmental	149,558	164,388	227,697	63,309
Interest	100	100	130	30
Other	5,250	5,250	15,705	10,455
<b>Total Revenues</b>	<b>218,283</b>	<b>233,113</b>	<b>310,160</b>	<b>77,047</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Transportation	529,250	587,067	516,881	70,186
<b>Debt Service:</b>				
Principal	79,683	79,683	27,516	52,167
Interest and Fiscal Charges	1,500	1,500	528	972
<b>Total Expenditures</b>	<b>610,433</b>	<b>668,250</b>	<b>544,925</b>	<b>123,325</b>
Deficiency of Revenues				
Under Expenditures	(392,150)	(435,137)	(234,765)	200,372
<b>OTHER FINANCING SOURCES:</b>				
Notes Issued	47,585	47,585		(47,585)
Transfers In	285,000	285,000	285,000	-
<b>Total Other Financing Sources</b>	<b>332,585</b>	<b>332,585</b>	<b>285,000</b>	<b>(47,585)</b>
<b>Net Change in Fund Balance</b>	<b>(59,565)</b>	<b>(102,552)</b>	<b>50,235</b>	<b>152,787</b>
<b>Fund Balance at Beginning of Year</b>	<b>156,008</b>	<b>156,008</b>	<b>156,008</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 96,443</b>	<b>\$ 53,456</b>	<b>\$ 206,243</b>	<b>\$ 152,787</b>

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*  
*Coronavirus Relief Fund*  
*For the Year Ended December 31, 2020*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 387,897	\$ 387,897	\$ -
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	-	387,897	341,122	46,775
Net Change in Fund Balance	-	-	46,775	46,775
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ 46,775	\$ 46,775

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, 2020*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 116,188	\$ 107,313	\$ 105,719	\$ (1,594)
Intergovernmental	17,625	17,625	16,433	(1,192)
Charges for Services	26,000	26,000	26,665	665
Other	5,000	5,000	21,770	16,770
Total Revenues	<u>164,813</u>	<u>155,938</u>	<u>170,587</u>	<u>14,649</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	342,500	349,911	250,303	99,608
Debt Service:				
Principal	216,116	216,116	28,562	187,554
Interest and Fiscal Charges	20,000	20,000	5,740	14,260
Total Expenditures	<u>578,616</u>	<u>586,027</u>	<u>284,605</u>	<u>301,422</u>
Deficiency of Revenues Under Expenditures	<u>(413,803)</u>	<u>(430,089)</u>	<u>(114,018)</u>	<u>316,071</u>
OTHER FINANCING SOURCES:				
Transfers In	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Other Financing Sources	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balance	(213,803)	(230,089)	85,982	316,071
Fund Balance at Beginning of Year	<u>188,422</u>	<u>188,422</u>	<u>188,422</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (25,381)</u>	<u>\$ (41,667)</u>	<u>\$ 274,404</u>	<u>\$ 316,071</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, 2020*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 330,065	\$ 345,415	\$ 335,343	\$ (10,072)
Intergovernmental	36,350	36,350	37,994	1,644
Charges for Services	50,000	50,000	52,361	2,361
Other	15,000	15,000	28,746	13,746
Total Revenues	<u>431,415</u>	<u>446,765</u>	<u>454,444</u>	<u>7,679</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	1,266,900	1,218,847	918,083	300,764
Capital Outlay	4,000	54,000	37,496	16,504
Total Expenditures	<u>1,270,900</u>	<u>1,272,847</u>	<u>955,579</u>	<u>317,268</u>
Deficiency of Revenues Under Expenditures	<u>(839,485)</u>	<u>(826,082)</u>	<u>(501,135)</u>	<u>324,947</u>
OTHER FINANCING SOURCES:				
Transfers In	<u>750,000</u>	<u>750,000</u>	<u>625,000</u>	<u>(125,000)</u>
Total Other Financing Sources	<u>750,000</u>	<u>750,000</u>	<u>625,000</u>	<u>(125,000)</u>
Net Change in Fund Balance	(89,485)	(76,082)	123,865	199,947
Fund Balance at Beginning of Year	<u>188,154</u>	<u>188,154</u>	<u>188,154</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 98,669</u>	<u>\$ 112,072</u>	<u>\$ 312,019</u>	<u>\$ 199,947</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2020*

	Enterprise Funds		
	Water	Sewer	Totals
<b>ASSETS:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 131,200	\$ 112,308	\$ 243,508
Prepaid Items	14,507	8,252	22,759
Accounts Receivable	228,554	1,774,851	2,003,405
<i>Total Current Assets</i>	<u>374,261</u>	<u>1,895,411</u>	<u>2,269,672</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	70,000	88,551	158,551
Depreciable Capital Assets, Net	4,155,189	4,086,015	8,241,204
<i>Total Noncurrent Assets</i>	<u>4,225,189</u>	<u>4,174,566</u>	<u>8,399,755</u>
<i>Total Assets</i>	<u>4,599,450</u>	<u>6,069,977</u>	<u>10,669,427</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension	50,430	47,360	97,790
OPEB	34,033	29,125	63,158
<i>Total Deferred Outflows of Resources</i>	<u>84,463</u>	<u>76,485</u>	<u>160,948</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	5,422	12,214	17,636
Accrued Wages and Benefits	3,517	3,754	7,271
Due to Other Governments	4,684	6,307	10,991
Compensated Absences Payable	3,058	-	3,058
OPWC Loans Payable	5,477	8,333	13,810
OWDA Loans Payable	14,847	238,450	253,297
<i>Total Current Liabilities</i>	<u>37,005</u>	<u>269,058</u>	<u>306,063</u>
Noncurrent Liabilities:			
Compensated Absences Payable	9,945	14,209	24,154
OPWC Loans Payable	2,739	175,001	177,740
OWDA Loans Payable	640,087	489,867	1,129,954
Net Pension Liability	318,727	252,319	571,046
Net OPEB Liability	214,970	170,180	385,150
<i>Total Noncurrent Liabilities</i>	<u>1,186,468</u>	<u>1,101,576</u>	<u>2,288,044</u>
<i>Total Liabilities</i>	<u>1,223,473</u>	<u>1,370,634</u>	<u>2,594,107</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension	91,298	100,105	191,403
OPEB	44,537	50,283	94,820
<i>Total Deferred Inflows of Resources</i>	<u>135,835</u>	<u>150,388</u>	<u>286,223</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,562,039	3,262,915	6,824,954
Unrestricted	(237,434)	1,362,525	1,125,091
<i>Total Net Position</i>	<u>\$ 3,324,605</u>	<u>\$ 4,625,440</u>	<u>\$ 7,950,045</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, 2020*

	Enterprise Funds		Totals
	Water	Sewer	
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 785,229	\$ 1,130,219	\$ 1,915,448
Tap-In Fees	1,475	-	1,475
Other	55,076	-	55,076
<i>Total Operating Revenues</i>	<u>841,780</u>	<u>1,130,219</u>	<u>1,971,999</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Wages	259,002	223,044	482,046
Fringe Benefits	187,844	134,097	321,941
Contractual Services	100,877	282,686	383,563
Materials and Supplies	65,941	9,628	75,569
Other	16,325	3,685	20,010
Depreciation	141,754	141,752	283,506
<i>Total Operating Expenses</i>	<u>771,743</u>	<u>794,892</u>	<u>1,566,635</u>
<i>Operating Income (Loss)</i>	<u>70,037</u>	<u>335,327</u>	<u>405,364</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest Income	191	-	191
Other Non-Operating Revenues	-	14,544	14,544
Interest and Fiscal Charges	(1,536)	(20,666)	(22,202)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(1,345)</u>	<u>(6,122)</u>	<u>(7,467)</u>
<i>Income Before Capital Contributions</i>	68,692	329,205	397,897
Capital Contributions - Intergovernmental	-	13,327	13,327
<i>Change in Net Position</i>	68,692	342,532	411,224
<i>Net Position at Beginning of Year</i>	<u>3,255,913</u>	<u>4,282,908</u>	<u>7,538,821</u>
<i>Net Position at End of Year</i>	<u>\$ 3,324,605</u>	<u>\$ 4,625,440</u>	<u>\$ 7,950,045</u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Year Ended December 31, 2020*

	Enterprise		Total
	Water	Sewer	
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><i>Cash Flows from Operating Activities:</i></b>			
Cash Received from Customers	\$ 786,554	\$ 711,564	\$ 1,498,118
Cash Payments to Suppliers for Goods and Services	(205,345)	(289,160)	(494,505)
Cash Payments to Employees for Services and Benefits	(451,398)	(378,849)	(830,247)
Cash Received for Other Operating Receipts	42,649	-	42,649
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>172,460</u>	<u>43,555</u>	<u>216,015</u>
<b><i>Cash Flows from Noncapital Financing Activities:</i></b>			
Other Non-Operating Receipts	-	14,544	14,544
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>			
Capital Grants	-	13,327	13,327
Proceeds from Debt Issuance	213,439	-	213,439
Acquisition of Capital Assets	(315,087)	(18,347)	(333,434)
Principal Payments	(110,396)	(245,314)	(355,710)
Interest Payments	(1,536)	(20,666)	(22,202)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(213,580)</u>	<u>(271,000)</u>	<u>(484,580)</u>
<i>Interest on Investments</i>	191	-	191
Net Decrease in Cash and Cash Equivalents	(40,929)	(212,901)	(253,830)
Cash and Cash Equivalents at Beginning of Year	172,129	325,209	497,338
Cash and Cash Equivalents at End of Year	<u>\$ 131,200</u>	<u>\$ 112,308</u>	<u>\$ 243,508</u>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>			
Operating Income (Loss)	\$ 70,037	\$ 335,327	\$ 405,364
<b><i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>			
Depreciation	141,754	141,752	283,506
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(12,577)	(418,655)	(431,232)
Decrease in Deferred Outflows Related to Pension	18,722	19,684	38,406
Decrease in Deferred Outflows Related to OPEB	34,033	26,942	60,975
(Increase)/Decrease in Prepaid Items	(4,265)	1,202	(3,063)
Increase in Accounts Payable	(17,937)	5,637	(12,300)
Increase in Accrued Wages and Benefits	(3,037)	(2,130)	(5,167)
Increase in Compensated Absences Payable	(2,381)	2,390	9
Decrease in Contracts Payable	-	-	-
Increase in Due to Other Governments	(6,189)	(5,044)	(11,233)
Decrease in Deferred Inflows Related to Pension	(79,463)	(83,470)	(162,933)
Decrease in Deferred Inflows Related to OPEB	(18,455)	(9,126)	(27,581)
Decrease in Net Pension Liability	57,856	46,886	104,742
Increase in OPEB Liability	(5,638)	(17,840)	(23,478)
Total Adjustments	<u>102,423</u>	<u>(291,772)</u>	<u>(189,349)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 172,460</u>	<u>\$ 43,555</u>	<u>\$ 216,015</u>

See accompanying notes to the basic financial statements.



**Village of Waverly**  
*Statement of Fiduciary Net Position*  
*Custodial Fund*  
*December 31, 2020*

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ASSETS:

Cash and Cash Equivalents in Segregated Accounts	\$ 4,261
<i>Total Assets</i>	<u>4,261</u>

NET POSITION:

Restricted for Individuals, Organizations, and Other Governments	<u>4,261</u>
<i>Total Net Position</i>	<u><u>\$ 4,261</u></u>

See accompanying notes to the basic financial statements.

**Village of Waverly**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*December 31, 2020*

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**Additions:**

Fines and forfeitures for other governments	\$51,890
	<hr/>
<i>Total additions</i>	<i>51,890</i>
	<hr/>

**Deductions:**

Fines and forfeitures disbtributions to other governments	50,092
	<hr/>
<i>Total deductions</i>	<i>50,092</i>
	<hr/>
Change in net position	1,798
Net position , January 1 - As restated, see Note 18	2,463
	<hr/>
Net position (deficit), December 31	<u><u>\$4,261</u></u>

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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 a custodial fund. The Mayor is an elected Village official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

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

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

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

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

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

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

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

**Fund Financial Statements.** During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements present financial information at a more detailed level. The governmental and enterprise fund financial statements focus on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Custodial 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.

Coronavirus Relief Fund - The Coronavirus Relief Fund is used to account for monies received from the federal government to assist in addressing issues related to the pandemic. The primary source of revenue is intergovernmental revenues.

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

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

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

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

**Proprietary Funds**

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

**Enterprise Funds**

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

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

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial 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 therefore not available to support the Village's own programs. The Village only reports custodial funds, which are used to account for and maintain assets held by the Village or as a fiscal agent for individuals, private organizations, and other governmental units and other funds. These assets include the activities of the Mayor's Court and restitution.

**Basis of Accounting and Measurement Focus:**

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

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

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

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

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

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

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

***Deferred Outflows and Deferred Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Village, deferred outflows of resources are reported on the government-wide statement of net position for pensions and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 9 and Note 10, respectively.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Village, deferred inflows of resources include property taxes, income taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Village, unavailable revenue includes delinquent property taxes, intergovernmental grants, other revenue, and incomes taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Note 9 and Note 10).

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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 custodial 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 custodial 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 2020.

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**Accrued Liabilities and Long-Term Obligations:** All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Notes and loans are recognized as liabilities on the fund financial statements when due.

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

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

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

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

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

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

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

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

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

The adjustments necessary to convert the results of operations for 2020 on the GAAP basis to the budget basis for the General, Bridge and Street, Coronavirus Relief Fire, and Police major funds are as follows:

	Net Change in Fund Balances				
	General	Bridge and Street	Coronavirus Relief	Fire	Police
GAAP Basis	\$ 115,367	\$ 74,761	\$ 85,376	\$ 103,490	\$ 155,780
Increases (Decreases) Due To:					
Revenue Accruals	(60,977)	2,418	-	(12,453)	(10,678)
Expenditure Accruals	(45,763)	(26,760)	3,442	4,904	(10,637)
Encumbrances	(4,937)	(184)	(42,043)	(9,959)	(10,600)
Funds Included for GAAP Purposes but Excluded for Budgetary Reporting	(35)	-	-	-	-
Budget Basis	<u>\$ 3,655</u>	<u>\$ 50,235</u>	<u>\$ 46,775</u>	<u>\$ 85,982</u>	<u>\$ 123,865</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

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

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

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

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

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village's bank balance of \$2,376,395 was either covered by FDIC or collateralized by its financial institution in the manner described below.

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

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

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

**NOTE 5 – MUNICIPAL INCOME TAX**

The Village levies and collects an income tax of one percent on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2020, revenue from the income tax amounted to \$1,556,930. 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 2020 for real and public utility property taxes represents collections of 2019.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, 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. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020 and are collected in 2021 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2020, was \$15.30 per \$1,000 of assessed value. The assessed values of real property upon which 2020 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$ 79,205,950
Public Utility Property	7,679,880
Total Property Taxes	<u>\$ 86,885,830</u>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 6 – PROPERTY TAX (Continued)**

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

The County Treasurer collects property taxes on behalf of all taxing Villages in the county, including the Village of Waverly. The County Auditor periodically remits to the Village its portion of the taxes. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2020, 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 2020 operations. The receivable is offset by deferred inflow of resources.

**NOTE 7 – RECEIVABLES**

Receivables at December 31, 2020, consisted of taxes, interfund, accounts, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible. A summary of the principal items of intergovernmental receivables follows:

<u>Fund/Description of Receivable</u>	<u>Amount</u>
General Fund	
Local Government	\$ 66,461
Homestead, Rollback, and Exemption	<u>7,187</u>
Total General Fund	<u>73,648</u>
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	<u>5,545</u>
Total Fire Major Special Revenue Fund	<u>5,545</u>
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	<u>17,907</u>
Total Police Major Special Revenue Fund	<u>17,907</u>
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax and Cents Per Gallon Tax	97,663
Motor Vehicle License Tax	9,524
Homestead, Rollback, and Exemption	<u>3,769</u>
Total Bridge and Street Fund	<u>110,956</u>
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax and Cents Per Gallon Tax	7,919
Motor Vehicle License Tax	<u>772</u>
Total Inter-City Highway Fund	<u>8,691</u>
Village Permissive Non-major Special Revenue Fund	
Permissive Motor vehicle License Taxes	<u>19,278</u>
Total Permissive Fund	<u>19,278</u>
Total Nonmajor Special Revenue Funds	<u>27,969</u>
Total Governmental Activities	<u>\$ 236,025</u>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020:

	Beginning Balance <u>12/31/2019</u>	Additions	Deletions	Ending Balance <u>12/31/2020</u>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated				
Land	\$ 239,268	\$ -	\$ -	\$ 239,268
Total Capital Assets, Not Being Depreciated	<u>239,268</u>	<u>-</u>	<u>-</u>	<u>239,268</u>
Capital Assets Being Depreciated				
Land Improvements	768,611	-	-	768,611
Buildings and Improvements	1,408,689	78,526	-	1,487,215
Furniture and Equipment	3,138,963	34,145	(38,500)	3,134,608
Infrastructure	<u>2,739,415</u>	<u>49,800</u>	<u>-</u>	<u>2,789,215</u>
Total Capital Assets Being Depreciated	8,055,678	162,471	(38,500)	8,179,649
Less Accumulated Depreciation				
Land Improvements	(594,254)	(24,494)	-	(618,748)
Buildings and Improvements	(641,805)	(23,187)	-	(664,992)
Furniture and Equipment	(2,489,500)	(114,906)	38,500	(2,565,906)
Infrastructure	<u>(1,265,221)</u>	<u>(59,519)</u>	<u>-</u>	<u>(1,324,740)</u>
Total Accumulated Depreciation	<u>(4,990,780)</u>	<u>(222,106)</u>	<u>38,500</u>	<u>(5,174,386)</u>
Total Capital Assets Being Depreciated, Net	<u>3,064,898</u>	<u>(59,635)</u>	<u>-</u>	<u>3,005,263</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,304,166</u>	<u>\$ (59,635)</u>	<u>\$ -</u>	<u>\$ 3,244,531</u>

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$96,576
Security of Persons & Property	49,296
Leisure Time Activities	21,526
Transportation	<u>54,708</u>
Total Depreciation Expense	<u>\$222,106</u>

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

	Ending Balance 12/31/2019	Additions	Deletions	Ending Balance 12/31/2020
<b><u>Business Type Activities</u></b>				
Capital Assets, Not Being Depreciated				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Construction in Progress	1,085,801	233,765	(1,231,015)	88,551
Total Capital Assets, Not Being Depreciated	<u>1,155,801</u>	<u>233,765</u>	<u>(1,231,015)</u>	<u>158,551</u>
Capital Assets Being Depreciated				
Land Improvements	253,083	-	-	253,083
Buildings and Improvements	11,673,336	-	-	11,673,336
Mechanical Equipment	401,296	41,939	-	443,235
Infrastructure	5,481,474	1,231,015	-	6,712,489
Total Capital Assets Being Depreciated	<u>17,809,189</u>	<u>1,272,954</u>	<u>-</u>	<u>19,082,143</u>
Less Accumulated Depreciation				
Land Improvements	(206,682)	(5,630)	-	(212,312)
Buildings and Improvements	(5,551,453)	(226,402)	-	(5,777,855)
Mechanical Equipment	(317,476)	(20,584)	-	(338,060)
Infrastructure	(4,481,822)	(30,890)	-	(4,512,712)
Total Accumulated Depreciation	<u>(10,557,433)</u>	<u>(283,506)</u>	<u>-</u>	<u>(10,840,939)</u>
Total Capital Assets Being Depreciated, Net	<u>7,251,756</u>	<u>989,448</u>	<u>-</u>	<u>8,241,204</u>
Business Type Activities Capital Assets, Net	<u>\$ 8,407,557</u>	<u>\$ 1,223,213</u>	<u>\$ (1,231,015)</u>	<u>\$ 8,399,755</u>

**NOTE 9- DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 %.

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

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

	State and Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2020 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
 Employee	 10.0 %

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

The Village’s contractually required contribution was \$178,929 for 2020. Of this amount, \$25,091 is reported as an intergovernmental payable.

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

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
<b>2020 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2020 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OP&F was \$100,525 for 2020. Of this amount \$14,583 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The Village's proportion of the net pension liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0086370%	0.0252257%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0088020%</u>	<u>0.0263700%</u>	
Change in Proportionate Share	<u>-0.0001650%</u>	<u>-0.0011443%</u>	
Proportion of the Net Pension Liability	\$1,707,162	\$1,699,338	\$3,406,500
Pension Expense	\$247,057	\$293,614	\$540,671

At December 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual economic experience	\$0	\$64,325	\$64,325
Changes of assumptions	91,182	41,714	132,896
Changes in proportion and differences between Village contributions and proportionate share of contributions	65,528	200,478	266,006
Village contributions subsequent to the measurement date	178,929	100,525	279,454
Total	<u>\$335,639</u>	<u>\$407,042</u>	<u>\$742,681</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual economic experience	\$21,584	\$87,642	\$109,226
Net difference between projected and actual earnings on pension plan investments	340,541	82,092	422,633
Changes in proportion and differences between Village contributions and proportionate share of contributions	70,272	91,363	161,635
Total	<u>\$432,397</u>	<u>\$261,097</u>	<u>\$693,494</u>

\$279,454 reported as deferred outflows of resources related to pension resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2021	(\$36,829)	\$35,587	(\$1,242)
2022	(117,742)	43,403	(74,339)
2023	14,101	62,666	76,767
2024	(135,217)	(81,751)	(216,968)
2025	<u>0</u>	<u>(14,485)</u>	<u>(14,485)</u>
Total	<u>(\$275,687)</u>	<u>\$45,420</u>	<u>(\$230,267)</u>

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

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

Valuation date	December 31, 2019
Experience study	5 year period ended December 31, 2015
Actuarial cost method	Individual entry age
Actuarial assumptions:	
Investment rate of return	7.20 percent
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (including wage inflation of 3.25%)
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00 percent, simple Post 1/7/2013 retirees: 1.4 percent, simple through 2020, then 2.15% simple

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 17.2% for 2019.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

***Discount Rate***

The discount rate used to measure the total pension liability was 7.20% for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Village’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20 percent, as well as what the Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Village's proportionate share of the net pension liability	\$2,815,662	\$1,707,162	\$710,652

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

***Actuarial Assumptions – OP&F***

OP&F’s total pension liability as of December 31, 2020 is based on the results of an actuarial valuation date of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases, and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below:

Valuation date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	8.00 percent
Projected salary increases	3.75 percent to 10.50 percent
Payroll growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of living adjustments	3.00 percent simple; 2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent

***Healthy Mortality*** For the January 1, 2019, valuation, mortality for non-disabled participants is based on the RP- 2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

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

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

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the five-year period ended December 31, 2016. The experience study was performed by OP&F’s prior actuary and the assumptions were effective January 1, 2017.



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

***Actuarial Assumptions – OP&F (continued)***

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F’s Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2019, are summarized below:

<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnership	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	12.00%	6.40%
Total	<u>120.00%</u>	

Note: Assumptions are geometric.

\*levered 2x

OP&F’s Board of Trustees has incorporated the “risk parity” concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

***Discount Rate***

The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

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

***Actuarial Assumptions – OP&F (continued)***

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Village's proportionate share of the net pension liability	\$2,355,223	\$1,699,338	\$1,150,755

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

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

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

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

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 is 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the Member-Directed health care accounts for 2020 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2020.

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

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an other postemployment benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The Village's contractually required contribution to OP&F was \$2,641 for 2020. Of this amount, \$0 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019 and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The Village's proportion of the net OPEB liability was based on the Village's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability - Prior Year	0.0084720%	0.0263700%	
Proportionate Share of the Net OPEB Liability - Current Year	<u>0.0083360%</u>	<u>0.0252257%</u>	
Change in Proportionate Share	<u>-0.0001360%</u>	<u>-0.0011443%</u>	
Proportion of the Net OPEB Liability	\$1,151,418	\$249,173	\$1,400,591
OPEB Expense	\$107,822	\$95,870	\$203,692

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

At December 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Outflows of Resources</b>	<b>OPERS</b>	<b>OP&amp;F</b>	<b>Total</b>
Differences between expected and actual economic experience	\$31	\$0	\$31
Changes of assumptions	182,257	145,676	327,933
Changes in proportion and differences between Village contributions and proportionate share of contributions	36,546	120,224	156,770
Village contributions subsequent to the measurement date	0	2,641	2,641
<b>Total</b>	<b>\$218,834</b>	<b>\$268,541</b>	<b>\$487,375</b>
<b>Deferred Inflows of Resources</b>	<b>OPERS</b>	<b>OP&amp;F</b>	<b>Total</b>
Differences between expected and actual economic experience	\$105,303	\$26,796	\$132,099
Net difference between projected and actual earnings on pension plan investments	58,631	11,466	70,097
Changes of assumptions	0	53,102	53,102
Changes in proportion and differences between Village contributions and proportionate share of contributions	41,038	15,513	56,551
<b>Total</b>	<b>\$204,972</b>	<b>\$106,877</b>	<b>\$311,849</b>

\$2,641 reported as deferred outflows of resources related to OPEB resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<b>OPERS</b>	<b>OP&amp;F</b>	<b>Total</b>
Year Ending December 31:			
2021	\$28,980	\$38,139	\$67,119
2022	9,890	38,139	48,029
2023	46	40,491	40,537
2024	(25,054)	36,783	11,729
2025	0	33,153	33,153
Thereafter	0	2,098	2,098
<b>Total</b>	<b>\$13,862</b>	<b>\$188,803</b>	<b>\$202,665</b>

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Cost Method	Individual Entry Age Normal
Single Discount Rate:	
Current measurement date	3.16 Percent
Prior measurement date	3.96 Percent
Investment Rate of Return	6.00 Percent
Municipal Bond Rate	
Current measurement date	2.75 Percent
Prior measurement date	3.71 Percent
Wage Inflation	3.25 Percent
Projected Salary Increases	3.25 Percent to 10.75 Percent (including wage inflation)
Health Care Cost Trend Rate	
Current measurement date	10.00 percent initial, 3.50 percent ultimate in 2030
Prior measurement date	7.25 percent, initial, 3.25 percent, ultimate in 2029

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

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

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	<u>100.00 %</u>	<u>4.55 %</u>

***Discount Rate*** A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the Village's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents the OPEB liability calculated using the single discount rate of 3.16%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	<u>1% Decrease (2.16%)</u>	<u>Current Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Village's proportionate share of the OPEB liability	\$1,506,815	\$1,151,418	\$866,861

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Village's proportionate share of the net OPEB liability	\$1,117,441	\$1,151,418	\$1,184,962

***Changes Since Prior Measurement Date and to Report Date*** On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

***Actuarial Assumptions – OP&F***

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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



**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Actuarial Assumptions – OP&F (continued)***

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see note 9.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Discount Rate** For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the Village's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Village's proportionate share of the OPEB liability	\$308,958	\$249,173	\$199,495

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

**NOTE 11 – EMPLOYEE BENEFITS**

**A. COMPENSATED ABSENCES**

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

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

**B. INSURANCE BENEFITS**

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

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 12 – INTERFUND TRANSACTIONS**

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt. All transfers were done in accordance with the Ohio Revised Code. Transfers made during the year ended December 31, 2020, were as follows:

<u>Fund Type / Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Funds:		
General	\$ 1,165,441	\$ 35,462
Bridge and Street	-	285,000
Fire	-	200,000
Police	-	625,000
Total Major Funds	<u>1,165,441</u>	<u>1,145,462</u>
Nonmajor Funds:		
Levee	-	47,464
Depot Str. Improvement	-	2,644
Natureworks	35,462	-
Emergency Siren	-	2,000
Hillside Ave. Storm System	-	3,333
Total Nonmajor Funds	<u>35,462</u>	<u>55,441</u>
Total All Funds	<u>\$ 1,200,903</u>	<u>\$ 1,200,903</u>

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

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2020, was as follows:

Issue	Balance 12/31/19	Issued	Retired	Balance 12/31/20	Due in One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 45,010	\$ 114,619	\$ 116,050	\$ 43,579	\$ 8,640
<b>Direct Borrowings:</b>					
2003 - 0% OPWC Depot Street Reconstruction Loan	9,255	-	2,644	6,611	2,644
4% Green Acres Levee Improvements Note	45,730	-	45,730	-	-
2008 - 0% OPWC Hillside Avenue Storm System Loan	63,334	-	3,333	60,001	3,333
3.75% Ford Truck Note	14,066	-	14,066	-	-
2016 - 2.9% Fire Pumper Truck	208,740	-	28,562	180,178	29,001
2017 - 3.07% Backhoe Loan	25,709	-	-	25,709	12,661
Net Pension Liability:					
OPERS	1,484,261	-	348,145	1,136,116	-
OP&F	2,152,489	-	453,151	1,699,338	-
Total Net Pension Liability	<u>3,636,750</u>	<u>-</u>	<u>801,296</u>	<u>2,835,454</u>	<u>-</u>
Net OPEB Liability :					
OPERS	680,071	86,198	-	766,269	-
OP&F	240,139	9,034	-	249,173	-
Total Net OPEB Liability	<u>920,210</u>	<u>95,232</u>	<u>-</u>	<u>1,015,442</u>	<u>-</u>
<b>Total Governmental Activities</b>	<b><u>\$ 4,968,804</u></b>	<b><u>\$ 209,851</u></b>	<b><u>\$ 1,011,681</u></b>	<b><u>\$ 4,166,974</u></b>	<b><u>\$ 56,279</u></b>

The Village has certain direct borrowings with the Ohio Public Works Commission (OPWC). In the event of a default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, as provided by law, OPWC may require that such payment be taken from the County's share of the County undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

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

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2020, was as follows:

Issue	Balance 12/31/19	Issued	Retired	Balance 12/31/20	Due in One Year
<b>Business-Type Activities</b>					
Compensated Absences	\$ 27,203	\$ 45,029	\$ 45,020	\$ 27,212	\$ 3,058
<b>Direct Borrowings:</b>					
2001 - 2% OWDA Wastewater Treatment Plant Loan	949,750	-	229,703	720,047	234,784
2013 - 0% OPWC Bridge Street Sanitation Sewer Loan	191,667	-	8,333	183,334	8,333
2013 - 1% OWDA Bridge Street Sanitation Sewer Main Rehab Loan	15,548	-	7,278	8,270	3,666
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	33,340	-	33,340	-	-
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	13,693	-	5,477	8,216	5,477
4% Sludge Lagoon Note	27,008	-	27,008	-	-
2019 - 0% OWDA Loan	486,066	213,439	44,571	654,934	14,847
Net Pension Liability - OPERS:					
Water	479,968	-	161,241	318,727	-
Sewer	446,460	-	194,141	252,319	-
Total Net Pension Liability - OPERS	<u>926,428</u>	<u>-</u>	<u>355,382</u>	<u>571,046</u>	<u>-</u>
Net OPEB Liability - OPERS:					
Water	219,916	-	4,946	214,970	-
Sewer	204,562	-	34,382	170,180	-
Total Net OPEB Liability - OPERS	<u>424,478</u>	<u>-</u>	<u>39,328</u>	<u>385,150</u>	<u>-</u>
<b>Total Business-Type Activities</b>	<b><u>\$ 3,095,181</u></b>	<b><u>\$ 258,468</u></b>	<b><u>\$ 795,440</u></b>	<b><u>\$ 2,558,209</u></b>	<b><u>\$ 270,165</u></b>

The Village's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,917,125 with an unvoted debt margin of \$4,572,834 at December 31, 2020.

The OWDA loans contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the Village shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

	OPWC Loans		OWDA Loans	
	Principal		Principal	Interest
2021	\$ 13,810		\$ 253,297	\$ 14,557
2022	11,072		274,275	9,363
2023	8,333		274,980	4,054
2024	8,333		29,694	-
2025	8,333		29,694	-
2026-2030	41,665		148,470	-
2031-2035	41,665		148,470	-
2036-2040	41,665		148,470	-
2041-2043	16,674		75,901	-
	\$ 191,550		\$ 1,383,251	\$ 27,974

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans		Fire Pumper Truck		Backhoe Loan	
	Principal		Principal	Interest	Principal	Interest
2021	\$ 5,977		\$ 29,001	\$ 5,301	\$ 12,661	\$ 789
2022	5,978		29,860	4,442	13,048	400
2023	4,655		30,745	3,557	-	-
2024	3,333		31,656	2,646	-	-
2025	3,333		32,594	1,708	-	-
2025-2029	16,665		26,322	7,980	-	-
2030-2034	16,665		-	-	-	-
2035-2038	10,006		-	-	-	-
	\$ 66,612		\$ 180,178	\$ 25,634	\$ 25,709	\$ 1,189

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

The Village issued an OPWC loan in 2013 with proceeds of \$250,000 for the Bridge Street Sanitation Sewer program. The OPWC loan is being repaid from the Sewer Fund.

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

The OWDA Elevated Water Storage Tank Loan was issued in 2001 in the amount of \$555,576 for the purpose of constructing a new water tower. This loan was repaid from the Water Fund in 2020.

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

The Sludge Lagoon Note was issued in 2018 in the amount of \$55,789 for the purpose of sludge removal from the water treatment plant. This note matured on September 7, 2019 and the Village paid \$28,781 from the Water Fund against the note and refinanced the remaining \$27,008 into a new note. This new note matured on September 4, 2020 and was paid off in 2020.

In March 2019, the Village issued an OWDA Loan in the amount of \$1,330,812. This loan was issued for the purpose of well construction and to pay off the previously issued OWDA Loan. An additional \$213,439 was drawn down on this loan during 2020. This loan will be paid from the Water Fund.

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

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

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

In July of 2018, the Village obtained note in the amount of \$27,714 for the purpose of repaying a previously issued note to purchase a Ford F-550 truck. This note matured on July 28, 2019 the Village paid \$13,648 from the Bridge and Street fund against the note and refinanced the remaining \$14,066 into a new note. This note matured on July 27, 2020 and was fully paid off in 2020.

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

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

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

**NOTE 14 – RISK MANAGEMENT**

The Village uses United Healthcare for health care benefits.

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

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

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

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

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

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,540

During 2020 the Village made no significant changes to coverage from the prior year.

**NOTE 15 – JOINTLY GOVERNED ORGANIZATION**

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

**NOTE 16 – CONTINGENT LIABILITIES**

**Grants**

The Village received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Village at December 31, 2020, if applicable, cannot be determined at this time.

**Litigation**

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



**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

**NOTE 17 – FUND BALANCES**

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

Fund Balances	General	Bridge & Street	Coronavirus Relief	Fire	Police	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Unclaimed Monies	\$ 8,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,067
Prepaid Items	8,391	12,955	-	5,717	16,459	-	43,522
Total Nonspendable	<u>16,458</u>	<u>12,955</u>	<u>-</u>	<u>5,717</u>	<u>16,459</u>	<u>-</u>	<u>51,589</u>
<b>Restricted for</b>							
Bridge & Street	-	235,235	-	-	-	-	235,235
Other Purposes	-	-	-	-	-	32,367	32,367
Fire	-	-	-	282,694	-	-	282,694
Police	-	-	-	-	312,816	-	312,816
Inner-City Highway	-	-	-	-	-	49,236	49,236
Mayor's Crt Computer	-	-	-	-	-	61,282	61,282
Coronavirus Relief	-	-	85,376	-	-	-	85,376
Permissive Tax	-	-	-	-	-	90,037	90,037
Capital Improvements	-	-	-	-	-	5,643	5,643
Total Restricted	<u>-</u>	<u>235,235</u>	<u>85,376</u>	<u>282,694</u>	<u>312,816</u>	<u>238,565</u>	<u>1,154,686</u>
<b>Committed to</b>							
Other Purposes	191,312	-	-	-	-	89,245	280,557
<b>Assigned to</b>							
Other Purposes	179,685	-	-	-	-	-	179,685
<b>Unassigned</b>							
	498,884	-	-	-	-	-	498,884
Total Fund Balances	<u>\$ 886,339</u>	<u>\$ 248,190</u>	<u>\$ 85,376</u>	<u>\$ 288,411</u>	<u>\$ 329,275</u>	<u>\$ 327,810</u>	<u>\$ 2,165,401</u>

**NOTE 18 – NEW ACCOUNTING PRINCIPLES**

For 2020, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Village will no longer be reporting an agency fund. The Village reviewed its agency fund and that fund will be reported in the new fiduciary fund classification of custodial funds. Implementation of GASB Statement No.84 resulted in the following restatement of the Village's financial statements:

	Governmental Activities	General Fund
Net Position/Fund Balance December 31, 2019	\$2,153,198	\$762,057
Adjustments:		
Fund Reclassifications	8,915	8,915
Restated Net Position/Fund Balance December 31, 2019	<u>\$2,162,113</u>	<u>\$770,972</u>

Due to the implementation of GASB 84, the new classification of the custodial fund is reporting a beginning net position of \$2,463.

**Village of Waverly**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 19 – COVID-19**

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

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

During 2020, the Village received CARES Act funding. Of the amounts received, none was sub-granted to other governments and organizations. These amounts are reflected as legislative and executive expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 110,887,288,085	\$ 108,264,577,647	\$ 102,273,912,351	\$ 99,811,932,954	\$ 91,534,580,978	\$ 89,017,348,266	\$ 86,407,229,435
Plan net position	91,121,609,718	80,876,605,054	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	19,765,678,367	27,387,972,593	15,688,061,327	22,702,299,469	17,321,260,626	12,061,117,624	11,788,697,166
Village's proportion of the net pension liability	0.008637%	0.008802%	0.008560%	0.009256%	0.008963%	0.008811%	0.008811%
Village's proportionate share of the net pension liability	\$ 1,707,162	\$ 2,410,689	\$ 1,342,898	\$ 2,101,325	\$ 1,552,505	\$ 1,062,705	\$ 1,038,702
Village's covered payroll	\$ 1,259,386	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875	\$ 1,151,725	\$ 1,115,908	\$ 1,131,900
Village's proportionate share of the net pension liability as a percentage of its covered payroll	135.56%	196.14%	114.78%	170.03%	134.80%	95.23%	91.77%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015 *</u>	<u>2014 *</u>
Total plan pension liability	\$ 22,373,124,957	\$ 22,103,699,175	\$ 21,101,065,550	\$ 20,016,288,888	\$19,357,013,332	\$ 18,761,561,462	\$ 18,152,090,344
Plan net position	15,636,590,807	13,941,056,807	14,963,614,004	13,682,389,240	12,923,943,156	13,453,447,836	13,166,077,870
Net pension liability	6,736,534,150	8,162,642,368	6,137,451,546	6,333,899,648	6,433,070,176	5,308,113,626	4,986,012,474
Village's proportion of the net pension liability	0.0252257%	0.0263700%	0.0266050%	0.0214340%	0.0192410%	0.0188531%	0.0188531%
Village's proportionate share of the net pension liability	\$ 1,699,338	\$ 2,152,489	\$ 1,632,872	\$ 1,357,611	\$ 1,237,787	\$ 1,000,744	\$ 940,018
Village's covered payroll	\$ 666,874	\$ 643,816	\$ 627,005	\$ 496,237	\$ 433,284	\$ 404,626	\$ 794,081
Village's proportionate share of the net pension liability as a percentage of its covered payroll	254.80%	334.30%	260.40%	273.60%	285.70%	247.30%	118.40%
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	72.53%

\* - As Restated

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 178,929	\$ 176,314	\$ 172,073	\$ 152,099	\$ 148,305	\$ 138,207	\$ 133,909	\$ 147,147	\$ 169,156	\$ 183,321
Contributions in relation to the contractually required contribution	<u>(178,929)</u>	<u>(176,314)</u>	<u>(172,073)</u>	<u>(152,099)</u>	<u>(148,305)</u>	<u>(138,207)</u>	<u>(133,909)</u>	<u>(147,147)</u>	<u>(169,156)</u>	<u>(183,321)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 1,278,064	\$ 1,259,386	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875	\$ 1,151,725	\$ 1,115,908	\$ 1,131,900	\$ 1,691,560	\$ 1,833,210
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 100,525	\$ 126,706	\$ 122,325	\$ 119,131	\$ 94,285	\$ 82,324	\$ 76,879	\$ 126,100	\$ 119,252	\$ 87,080
Contributions in relation to the contractually required contribution	<u>(100,525)</u>	<u>(126,706)</u>	<u>(122,325)</u>	<u>(119,131)</u>	<u>(94,285)</u>	<u>(82,324)</u>	<u>(76,879)</u>	<u>(126,100)</u>	<u>(119,252)</u>	<u>(87,080)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 529,079	\$ 666,874	\$ 643,816	\$ 627,005	\$ 496,237	\$ 433,284	\$ 404,626	\$ 794,081	\$ 935,310	\$ 682,980
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	15.88%	12.75%	12.75%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total plan OPEB liability	\$ 26,459,655,619	\$ 24,290,625,123	\$ 23,678,097,060	\$ 21,980,827,536
Plan net position	<u>12,647,057,751</u>	<u>11,252,985,702</u>	<u>12,818,833,665</u>	<u>11,880,487,863</u>
Net OPEB liability	13,812,597,868	13,037,639,421	10,859,263,395	10,100,339,673
Village's proportion of the net OPEB liability	0.00833600%	0.00847200%	0.00826000%	0.00894000%
Village's proportionate share of the net OPEB liability	\$ 1,151,418	\$ 1,104,549	\$ 896,975	\$ 902,970
Village's covered payroll	\$ 1,259,386	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875
Village's proportionate share of the net OPEB liability as a percentage of its covered payroll	91.43%	89.87%	76.67%	73.06%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.  
Amounts presented as of the Village's measurement date which is the prior fiscal year.

**Village of Waverly**  
*Required Supplementary Information*  
*Schedule of the Village's Proportionate Share of the Net OPEB Liability*  
*Ohio Police and Fire Pension System*  
*Last Four Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total plan OPEB liability	\$ 1,866,462,020	\$ 1,704,439,395	\$ 6,597,947,735	\$ 5,648,428,827
Plan net position	<u>878,688,997</u>	<u>793,785,996</u>	<u>932,087,789</u>	<u>901,653,715</u>
Net OPEB liability	987,773,023	910,653,399	5,665,859,946	4,746,775,112
Village's proportion of the net OPEB liability	0.02522570%	0.02637000%	0.02660500%	0.02143400%
Village's proportionate share of the net OPEB liability	\$ 249,173	\$ 240,139	\$ 1,507,402	\$ 1,017,424
Village's covered payroll	\$ 666,874	\$ 643,816	\$ 627,005	\$ 496,237
Village's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.36%	37.30%	240.41%	205.03%
Plan fiduciary net position as a percentage of the total OPEB liability	47.08%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available.  
Amounts presented as of the Village's measurement date which is the prior fiscal year.



**Village of Waverly**  
*Required Supplementary Information*  
*Schedule of the Village's OPEB Contributions*  
*Ohio Public Employees Retirement System*  
*Last Five Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ 11,695	\$ 24,726
Contributions in relation to the contractually required contribution	-	-	-	(11,695)	(24,726)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village covered payroll	\$ 1,278,064	\$ 1,259,386	\$ 1,229,093	\$ 1,169,992	\$ 1,235,875
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 2,641	\$ 3,329	\$ 3,214	\$ 3,130	\$ 2,477
Contributions in relation to the contractually required contribution	<u>(2,641)</u>	<u>(3,329)</u>	<u>(3,214)</u>	<u>(3,130)</u>	<u>(2,477)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village covered payroll	\$ 529,079	\$ 666,874	\$ 643,816	\$ 627,005	\$ 496,237
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%

(1) Information prior to 2016 is not available.

## Village of Waverly, Ohio

### Notes to the Required Supplementary Information

#### **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

##### ***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. There were no changes in assumptions for 2020.

##### ***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2017-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.

## Village of Waverly, Ohio

### Notes to the Required Supplementary Information

#### OHIO POLICE AND FIRE (OP&F) PENSION FUND

##### *Net Pension Liability*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2019.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

##### *Net OPEB Liability*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018. For 2019, see below regarding changes to stipend-based model.

*Changes in assumptions:* For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent.



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, (the Village) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 21, 2022, which was qualified for Governmental Activities, Business-Type Activities, Water Fund, and the Sewer Fund because we were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the capital assets, related accumulated depreciation and depreciation expense. We noted the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
April 21, 2022

**VILLAGE OF WAVERLY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020**

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

**FINDING NUMBER 2020-001**

**Material Weakness**

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

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

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

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

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

<b>Opinion Unit</b>	<b>Capital Assets Amount (net of related depreciations)</b>	<b>Percentage of Total Assets</b>
Governmental Activities	\$ 3,194,731	48.8%
Business-Type Activities	8,399,755	78.7%
Major Water Fund	4,225,189	91.9%
Major Sewer Fund	4,174,566	68.8%
<b>Opinion Unit</b>	<b>Depreciation Expense</b>	<b>Percentage of Total Expense</b>
Governmental Activities	\$ 222,106	6.2%
Business-Type Activities	283,506	17.8%
Major Water Fund	141,754	18.3%
Major Sewer Fund	141,752	17.4%

**FINDING NUMBER 2020-001  
(Continued)**

The Village should implement policies and procedures to:

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

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

**Officials' Response:**

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

**FINDING NUMBER 2020-002**

**Material Weakness**

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

Due to deficiencies in the Village's financial statement monitoring and review process, the Village made the following errors:

- Unassigned Fund Balance was overstated by \$191,312 and Committed Fund Balance was understated by \$191,312 in the General fund.
- Original Budgeted Revenue in the General Fund was overstated by \$162,961
- Final Budgeted Expenditures in the General Fund was understated by \$6,001
- Original Budgeted Revenue in the Bridge and Street Fund was overstated by \$14,830
- Actual Expenditures in the Coronavirus Relief Fund was understated by \$42,043
- Original Budgeted Revenue in the Fire Fund was understated by \$8,875
- Actual Revenue in the Fire Fund was understated by \$788



**FINDING NUMBER 2020-002  
(Continued)**

- Actual Expenditures in the Fire Fund was understated by \$4,904
- Original Budgeted Revenue in the Police Fund was overstated by \$15,350
- Actual Revenues in the Police Fund was overstated by \$1,587.
- On the Cash Flows Statement, the change for deferred outflows (pension) was understated by \$73,300 in the Water fund and by \$73,024 in the Sewer fund; the change for deferred outflows (OPEB) was overstated by \$50,819 in the Water fund and by \$35,722 in the Sewer fund; the change in net OPEB liability was understated by \$692 in the Water fund and overstated by \$16,542 in the Sewer fund; the change in net Pension liability was overstated by \$219,097 in the Water fund and \$241,027 in the Sewer fund; the change for deferred inflows (pension) was understated by \$145,797 in the Water fund and by \$168,003 in the Sewer fund; the change for deferred inflows (OPEB) was understated by \$50,127 in the Water fund and by \$52,264 in the Sewer fund.

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

The Village made additional immaterial errors in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Balance Sheet, Statement of Net Position, and Statement of Fund Net Position in amounts ranging from \$155 to \$49,800. The Village did not correct the financial statements for these errors.

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

The Village should accurately record financial transactions. The Village officials should update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

**Officials' Response:**

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

**OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS report.

**FINDING NUMBER 2020-003**

**Finding for Recovery – Resolved Under Audit**

**Ohio Rev. Code 145.47(B)** states that "The head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter".

**FINDING NUMBER 2020-003**  
**(Continued)**

We found that through a clerical error, Charles Chattin did not have retirement withheld or remitted by the Village from November 25, 2020 through September 30, 2021. This resulted in Charles Chattin being overpaid by an amount of \$2,762.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Charles Chattin in the amount of \$2,762, and in favor of the Village of Waverly Bridge and Street Fund, in the amount of \$2,762. The Village Auditor notified Charles Chattin of the overpayment and Charles Chattin authorized the Village of Waverly to deduct \$115 per pay from wages beginning pay period January 15, 2022 and concluding pay period ending December 30, 2022. On March 16, 2022, Charles Chattin and the Village of Waverly entered into a written agreement obliging the Village to deduct \$115 per paycheck from Mr. Chattin's paychecks until December 30, 2022.

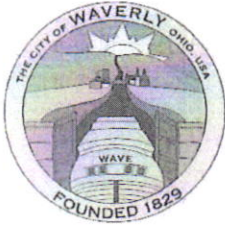
Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Debra Whaley, Village Auditor and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the amount of \$2,762, and in favor of Village of Waverly Bridge and Street Fund, in the amount of \$2,762.

We recommend the Village withhold the correct amounts from payroll and submit the required reports and contribution/withholding remittances in a timely manner to ensure compliance with applicable laws and regulations and to avoid interest and penalties.

**Officials' Response:**

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



OFFICE OF THE AUDITOR

City of Waverly

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
DECEMBER 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Inaccurate Capital Asset Listing	Not Corrected	Reissued as 2020-001
2019-002	Inaccurate recording of Transactions	Not Corrected	Reissued as 2020-002
2019-003	Budgetary Information incorrectly put into system	Partially Corrected	Reissued as part of 2020-002



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF WAVERLY**

**PIKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/10/2022**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)