VILLAGE OF WAVERLY
PIKE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

VILLAGE OF WAVERLY
PIKE COUNTY

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PIKE COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio (the Village), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Bridge and Street Fund	Unmodified
Fire Fund	Unmodified
Police Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

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

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the Capital Assets and related accumulated depreciation and depreciation expense reported in the governmental activities, business-type activities, the major Water Fund and the major Sewer Fund for the year ended December 31, 2018. Amounts reported for Capital assets and Depreciation Expense represented the following percentages of Total Assets/Total Expense for each opinion unit:

Opinion Unit	Capital Assets Amount (net of related depreciations)	Percentage of Total Assets
Governmental Activities	$ 3,390,078	54.7%
Business-Type Activities	7,946,591	79.1%
Major Water Fund	3,621,235	87.9%
Major Sewer Fund	4,325,356	73.0%
Opinion Unit	**Depreciation Expense**	**Percentage of Total Expense**
Governmental Activities	$ 220,615	6.2%
Business-Type Activities	274,702	16.0%
Major Water Fund	137,235	14.6%
Major Sewer Fund	137,467	17.7%

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 of the Governmental Activities, Business-Type Activities, Water Fund and Sewer Fund of the Village of Waverly, as of December 31, 2018, 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 financial position of the General, Bridge and Street, Fire, and Police major funds, and the aggregate remaining fund information of the Village of Waverly, Pike County, Ohio as of December 31, 2018, and the respective changes in its financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General , Bridge and Street, Fire and Police funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2018, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 January 23, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

January 23, 2020

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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, 2018 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 2018 are as follows:

- In total, net position increased $29,473. Net position of governmental activities decreased $391,429. Net position of business-type activities increased $420,902.

- Governmental activities general revenues accounted for $2,701,116 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $458,883 or 15 percent of total revenues of $3,159,999. Business-type activities general revenues accounted for $45,445 in revenue or 2 percent of all revenues. Program specific revenues accounted for $2,093,295 or 98 percent of total revenues of $2,138,740.

- The Village had $3,551,428 in expenses related to governmental activities; $458,883 of these expenses were offset by program specific charges for services and sales, grants and contributions. The Village had $1,717,838 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

<u>Statement of Net Position and Statement of Activities</u>

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 2018?" 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.

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

- Governmental Activities - Most of the Village's services are reported as governmental activities including police, fire, administration, and all departments with the exception of business-type activities (wastewater treatment and water services).

- Business-Type Activities - These services have a charge based upon usage. The Village charges fees to recoup the cost of the entire operation of the Water Plant and Wastewater Treatment Plant as well as all capital expenses associated with these facilities.

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

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

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2018 compared to the prior year:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	$ 2,802,665	$ 2,866,037	$ 2,094,255	$ 1,887,331	$ 4,896,920	$ 4,753,368
Capital Assets, Net	3,390,078	3,418,785	7,946,591	7,692,038	11,336,669	11,110,823
Total Assets	6,192,743	6,284,822	10,040,846	9,579,369	16,233,589	15,864,191
Deferred Outflows of Resources						
Pension	764,732	867,106	145,427	337,491	910,159	1,204,597
OPEB	404,128	-	26,332	-	430,460	-
Total Deferred Outflows of Resources	1,168,860	867,106	171,759	337,491	1,340,619	1,204,597
Liabilities						
Current and Other Liabilities	124,962	119,060	324,118	57,258	449,080	176,318
Long-Term Liabilities:						
Due within One Year	168,799	232,510	387,590	397,810	556,389	630,320
Due in More than One Year:						
Net Pension Liability	2,440,050	2,607,289	535,720	851,645	2,975,770	3,458,934
Net OPEB Liability	2,046,548	-	357,829	-	2,404,377	-
Other Amounts	367,753	409,065	1,240,014	1,513,220	1,607,767	1,922,285
Total Liabilities	5,148,112	3,367,924	2,845,271	2,819,933	7,993,383	6,187,857
Deferred Inflows of Resources						
Taxes	484,388	469,312	-	-	484,388	469,312
Pension	291,244	17,114	160,886	4,910	452,130	22,024
OPEB	81,725	-	49,085	-	130,810	-
Total Deferred Inflows of Resources	857,357	486,426	209,971	4,910	1,067,328	491,336
Net Position						
Net Investment in Capital Assets	2,906,390	2,827,093	6,051,347	5,804,669	8,957,737	8,631,762
Restricted	809,137	854,498	-	-	809,137	854,498
Unrestricted	(2,359,393)	(384,013)	1,106,016	1,287,348	(1,253,377)	903,335
Total Net Position	$ 1,356,134	$ 3,297,578	$ 7,157,363	$ 7,092,017	$ 8,513,497	$ 10,389,595

The net pension liability (NPL) is the largest single liability reported by the Village at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Village adopted 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.

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.

As a result of implementing GASB 75, the Village is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $10,389,595 to $8,484,024.

Total assets increased $369,398. This increase was due primarily to an increase in taxes receivable in governmental activities and an increase in capital assets and accounts receivable in business-type activities which was partially offset by a decrease in cash and cash equivalents in both governmental activities and business-type activities. Deferred outflows of resources increased due primarily to actuarial calculations related to pensions and OPEB.

Total liabilities increased $1,805,526. Current and other liabilities increased in business-type activities primarily due to an increase in contracts payable. The increase in long-term liabilities is due to the increase in the net pension liabilities and net OPEB liabilities brought about by the implementation of GASB 75 in 2018. Deferred inflows of resources also increased due to the implementation of GASB 75. Property taxes not levied to finance current year operations remained consistent with the previous year.

Table 2 shows the changes in net position for the year ended December 31, 2018 as compared to the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2018*	2017	2018*	2017	2018*	2017
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 227,381	$ 353,378	$ 2,052,007	$ 2,193,194	$ 2,279,388	$ 2,546,572
Operating Grants and Contributions	231,502	215,700	-	-	231,502	215,700
Capital Grants and Contributions	-	110,173	41,288	-	41,288	110,173
Total Program Revenues	458,883	679,251	2,093,295	2,193,194	2,552,178	2,872,445
General Revenues:						
Property & Income Taxes	2,382,486	2,153,122	-	-	2,382,486	2,153,122
Unrestricted Grants and Entitlements	241,080	181,749	-	-	241,080	181,749
Investment Earnings	2,695	1,372	1,569	23	4,264	1,395
Gain on Sale of Capital Assets	-	19,000	-	-	-	19,000
Other	74,855	85,379	43,876	48,062	118,731	133,441
Total General Revenues	2,701,116	2,440,622	45,445	48,085	2,746,561	2,488,707
Total Revenues	3,159,999	3,119,873	2,138,740	2,241,279	5,298,739	5,361,152
Program Expenses						
General Government -						
Legislative and Executive	949,018	1,011,351	-	-	949,018	1,011,351
Security of Persons & Property	1,929,427	1,661,268	-	-	1,929,427	1,661,268
Public Health	18,060	55,197	-	-	18,060	55,197
Leisure Time Services	22,954	58,007	-	-	22,954	58,007
Transportation	622,175	657,729	-	-	622,175	657,729
Interest and Fiscal Charges	9,794	17,194	-	-	9,794	17,194
Water	-	-	940,623	1,120,641	940,623	1,120,641
Sewer	-	-	777,215	840,595	777,215	840,595
Total Expenses	3,551,428	3,460,746	1,717,838	1,961,236	5,269,266	5,421,982
Increase (Decrease) in Net Position	(391,429)	(340,873)	420,902	280,043	29,473	(60,830)
Beginning Net Position	1,747,563	3,638,451	6,736,461	6,811,974	8,484,024	10,450,425
Ending Net Position	$ 1,356,134	$ 3,297,578	$ 7,157,363	$ 7,092,017	$ 8,513,497	$ 10,389,595

* As restated due to GASB 75, see Note 17 for additional information.

Charges for Services and Sales decreased primarily due to a decrease in user fees collected. Property and Income Taxes increased due to an increase in collections in 2018.

Security of Persons and Property expenses increased due to an increase in personnel expenses within the fire department and the police department.

Water expenses decreased due to decreased lab and chemical expenses along with a decrease in repairs and maintenance expenses.

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Governmental Activities

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

General government, security of persons and property, transportation, and leisure time activities are the major activities of the Village, generating 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 $1,238,983 and had expenses of $777,215. The water operations generated program revenues of $813,024 and had expenses of $940,623. 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 $4,561,869 and expenditures and other financing uses of $4,675,187. The net change in fund balance for the year in the General Fund decreased $205,250 due primarily to expenditures and transfers out exceeding revenues in 2018. The Police Fund had a fund balance increase of $17,852. The Bridge and Street Fund had a fund balance increase of $38,919. The Fire Fund had a fund balance decrease of $4,249.

General Fund Budgeting Highlights

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

For the General Fund, final budgeted revenues were $1,935,003. Actual revenues were higher than final budgeted revenues in the amount of $206,779 due primarily to higher than expected income tax and fees, licenses and permits. Original and final budgeted expenditures and other financing uses were $2,609,649 and $2,735,672, respectively. Actual budgetary basis expenditures and other financing uses were $2,396,201, which is lower than the final budgeted expenditures and other financing uses due primarily to less expenditures for legislative and executive and capital outlay.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year end 2018, the Village had $11,336,669 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 2018 balances as compared to the prior year.

Table 3
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 239,268	$ 239,268	$ 70,000	$ 70,000	$ 309,268	$ 309,268
Construction in Progress	-	-	455,983	-	455,983	-
Land Improvements	198,851	70,191	52,031	7,503	250,882	77,694
Buildings and Improvements	790,071	771,561	6,348,284	6,574,686	7,138,355	7,346,247
Furniture and Equipment	685,250	803,683	102,362	91,028	787,612	894,711
Infrastructure	1,476,638	1,534,082	917,931	948,821	2,394,569	2,482,903
Totals	$ 3,390,078	$ 3,418,785	$ 7,946,591	$ 7,692,038	$ 11,336,669	$ 11,110,823

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

Debt

At December 31, 2018, the Village of Waverly had $2,164,156 in notes, loans, and compensated absences outstanding with $556,389 due within one year.

Table 4
Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	Total
	2018	2017	2018	2017	2018	2017
Compensated Absences	$ 52,864	$ 49,883	$ 25,360	$ 23,661	$ 78,224	$ 73,544
Long Term Notes and Loans	405,122	507,149	115,814	132,094	520,936	639,243
O.W.D.A. Loans	-	-	1,267,260	1,522,296	1,267,260	1,522,296
O.P.W.C. Loans	78,566	84,543	219,170	232,979	297,736	317,522
Total	$ 536,552	$ 641,575	$ 1,627,604	$ 1,911,030	$ 2,164,156	$ 2,552,605

The Village's overall legal debt margin was $8,101,251 at December 31, 2018.

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

The Future

The Village continues to work diligently to increase revenues and decrease costs to 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, City Auditor, 201 W. North Street, Waverly, Ohio 45690, (740) 947-9555.

Village of Waverly
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	$ 1,383,672	$ 757,471	$ 2,141,143
Receivables:			
Taxes	1,162,541	-	1,162,541
Accounts	6,009	1,313,274	1,319,283
Prepaid Items	41,220	23,510	64,730
Due from Other Governments	202,801	-	202,801
Due from Other Funds	6,422	-	6,422
Non-Depreciable Capital Assets	239,268	525,983	765,251
Depreciable Capital Assets, Net	3,150,810	7,420,608	10,571,418
Total Assets	6,192,743	10,040,846	16,233,589
DEFERRED OUTFLOW OF RESOURCES:			
Pension	764,732	145,427	910,159
OPEB	404,128	26,332	430,460
Total Deferred Inflows of Resources	1,168,860	171,759	1,340,619
LIABILITIES:			
Accounts Payable	46,978	2,973	49,951
Accrued Wages and Benefits	27,483	10,242	37,725
Contracts Payable	-	293,000	293,000
Due to Other Governments	50,501	17,903	68,404
Long-Term Liabilities:			
Due Within One Year	168,799	387,590	556,389
Due in More Than One Year:			
Net Pension Liability (See Note 9)	2,440,050	535,720	2,975,770
Net OPEB Liability (See Note 10)	2,046,548	357,829	2,404,377
Other Amounts Due in More than One Year	367,753	1,240,014	1,607,767
Total Liabilities	5,148,112	2,845,271	7,993,383
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Not Levied to Finance Current Year Operations	484,388	-	484,388
Pension	291,244	160,886	452,130
OPEB	81,725	49,085	130,810
Total Deferred Inflows of Resources	857,357	209,971	1,067,328
NET POSITION:			
Net Investment in Capital Assets	2,906,390	6,051,347	8,957,737
Restricted for:			
Capital Projects	6,443	-	6,443
Police	94,607	-	94,607
Bridge and Street	249,125	-	249,125
Fire	150,986	-	150,986
Permissive Tax	84,717	-	84,717
Waverly South Central	87,807	-	87,807
Other Purposes	135,452	-	135,452
Unrestricted (Deficit)	(2,359,393)	1,106,016	(1,253,377)
Total Net Position	$ 1,356,134	$ 7,157,363	$ 8,513,497

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Activities
For the Year Ended December 31, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
General Government:							
Legislative and Executive	$ 949,018	$ 11,721	$ -	$ -	$ (937,297)	$ -	$ (937,297)
Security of Persons and Property	1,929,427	203,103	173,500	-	(1,552,824)	-	(1,552,824)
Public Health	18,060	254	-	-	(17,806)	-	(17,806)
Leisure Time Services	22,954	922	-	-	(22,032)	-	(22,032)
Transportation	622,175	11,285	57,495	-	(553,395)	-	(553,395)
Interest and Fiscal Charges	9,794	96	507	-	(9,191)	-	(9,191)
Total Governmental Activities	3,551,428	227,381	231,502	-	(3,092,545)	-	(3,092,545)
Business-Type Activities:							
Sewer	777,215	1,238,983	-	41,288	-	503,056	503,056
Water	940,623	813,024	-	-	-	(127,599)	(127,599)
Total Business-Type Activities	1,717,838	2,052,007	-	41,288	-	375,457	375,457
Totals	$ 5,269,266	$ 2,279,388	$ 231,502	$ 41,288	(3,092,545)	375,457	(2,717,088)
General Revenues:							
Taxes:							
Property Taxes - General Purposes					141,260	-	141,260
Property Taxes - Other Purposes					485,372	-	485,372
Income Taxes					1,755,854	-	1,755,854
Grants and Entitlements not Restricted to Specific Programs					241,080	-	241,080
Investment Earnings					2,695	1,569	4,264
Miscellaneous					74,855	43,876	118,731
Total General Revenues					2,701,116	45,445	2,746,561
Change in Net Position					(391,429)	420,902	29,473
Net Position Beginning of Year - Restated					1,747,563	6,736,461	8,484,024
Net Position End of Year					$ 1,356,134	$ 7,157,363	$ 8,513,497

See accompanying notes to the basic financial statements.

Village of Waverly
Balance Sheet
Governmental Funds
Decembr 31, 2018

	General	Bridge and Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	$ 643,830	$ 185,116	$ 156,060	$ 90,370	$ 308,296	$ 1,383,672
Receivables:						
Taxes	670,732	76,397	97,096	318,316	-	1,162,541
Accounts	3,784	125	125	1,198	777	6,009
Due from Other Governments	66,154	85,885	5,853	18,688	26,221	202,801
Prepaid Items	6,708	8,945	3,727	21,840	-	41,220
Due from Other Funds	6,422	-	-	-	14,703	21,125
Total Assets	1,397,630	356,468	262,861	450,412	349,997	2,817,368
LIABILITIES:						
Accounts Payable	36,028	5,397	2,269	3,284	-	46,978
Accrued Wages and Benefits	5,383	5,051	2,237	14,812	-	27,483
Due to Other Funds	-	14,703	-	-	-	14,703
Due to Other Governments	11,785	7,422	6,409	24,769	116	50,501
Total Liabilities	53,196	32,573	10,915	42,865	116	139,665
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue						
Delinquent Taxes	1,211	1,143	2,009	5,868	-	10,231
Income Taxes	342,574	-	-	-	-	342,574
Other	14,830	-	-	-	-	14,830
Property Taxes Not Levied to Finance Current Year Operations	35,099	70,714	88,461	290,114	-	484,388
Grants	46,635	59,312	5,853	18,688	21,344	151,832
Total Deferred Inflows of Resources	440,349	131,169	96,323	314,670	21,344	1,003,855
FUND BALANCES:						
Nonspendable	14,721	8,945	3,727	21,840	-	49,233
Restricted		183,781	151,896	71,037	239,938	646,652
Committed	217,853	-	-	-	88,599	306,452
Assigned	579,562	-	-	-	-	579,562
Unassigned	91,949	-	-	-	-	91,949
Total Fund Balances	904,085	192,726	155,623	92,877	328,537	1,673,848
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,397,630	$ 356,468	$ 262,861	$ 450,412	$ 349,997	$ 2,817,368

See acompanying notes to the basic financial statements.

Village of Waverly

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

December 31, 2018

Total Governmental Fund Balances		$ 1,673,848
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.		3,390,078
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	352,805	
Other	14,830	
Intergovernmental	151,832	
Total		519,467
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	764,732	
Deferred Outflows - OPEB	404,128	
Deferred Inflows - Pension	(291,244)	
Deferred Inflows - OPEB	(81,725)	
Net Pension Liability	(2,440,050)	
Net OPEB Liability	(2,046,548)	
Total		(3,690,707)
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	(52,864)	
General Obligation Notes and Loans Payable	(483,688)	
Total		(536,552)
Net Position of Governmental Activities		$ 1,356,134

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, 2018

	General	Bridge and Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 1,833,175	$ 66,926	$ 102,931	$ 334,537	$ -	$ 2,337,569
Intergovernmental	150,131	184,534	26,846	38,298	88,722	488,531
Interest	2,371	50	-	-	274	2,695
Charges for Services	4,200	-	25,350	16,544	-	46,094
Fees, Licenses and Permits	14,497	-	-	600	-	15,097
Fines and Forfeitures	165,022	-	-	140	1,028	166,190
Other	8,375	6,283	19,257	20,965	19,975	74,855
Total Revenues	2,177,771	257,793	174,384	411,084	109,999	3,131,031
EXPENDITURES:						
Current:						
General Government:						
Legislative and Executive	781,309	-	-	-	18,238	799,547
Security of Persons and Property	79,930	-	334,331	1,143,232	10,320	1,567,813
Public Health	18,060	-	-	-	-	18,060
Leisure Time Services	65,516	-	-	-	-	65,516
Transportation	-	475,721	-	-	19,431	495,152
Capital Outlay	126,463	-	10,000	-	44,000	180,463
Debt Service:						
Principal	-	52,423	33,390	-	141,286	227,099
Interest and Fiscal Charges	-	3,444	912	-	5,438	9,794
Total Expenditures	1,071,278	531,588	378,633	1,143,232	238,713	3,363,444
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,106,493	(273,795)	(204,249)	(732,148)	(128,714)	(232,413)
OTHER FINANCING SOURCES AND USES:						
Issuance of Loans	-	27,714	-	-	91,381	119,095
Transfers In	-	285,000	200,000	750,000	76,743	1,311,743
Transfers Out	(1,311,743)	-	-	-	-	(1,311,743)
Total Other Financing Sources and Uses	(1,311,743)	312,714	200,000	750,000	168,124	119,095
Net Change in Fund Balances	(205,250)	38,919	(4,249)	17,852	39,410	(113,318)
Fund Balances at Beginning of Year	1,109,335	153,807	159,872	75,025	289,127	1,787,166
Fund Balances at End of Year	$ 904,085	$ 192,726	$ 155,623	$ 92,877	$ 328,537	$ 1,673,848

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, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (113,318)
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 excceded additions in the current period.		
Capital Asset Additions	191,908	
Current Year Depreciation	(220,615)	
Total		(28,707)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(15,949)	
Taxes	44,917	
Total		28,968
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.		227,099
Issuance of loans in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		(119,095)
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.		
Increase in Compensated Absences		(2,981)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		228,968
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(612,363)
Net Change in Net Position of Governmental Activities		$ (391,429)

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, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Property Taxes	$ 147,685	$ 147,685	$ 140,555	$ (7,130)
Income Taxes	1,410,898	1,410,898	1,669,152	258,254
Intergovernmental	133,854	133,854	139,189	5,335
Interest	1,137	1,137	2,339	1,202
Fees, Licenses and Permits	6,925	6,925	16,322	9,397
Fines and Forfeitures	224,598	224,598	165,724	(58,874)
Other	9,991	9,906	8,501	(1,405)
Total Revenues	1,935,088	1,935,003	2,141,782	206,779
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	1,107,055	1,072,276	795,070	277,206
Security of Persons and Property	102,500	88,402	82,134	6,268
Public Health	20,000	20,000	18,060	1,940
Leisure Time Activities	61,000	61,000	58,800	2,200
Capital Outlay	100,000	130,500	130,394	106
Total Expenditures	1,390,555	1,372,178	1,084,458	287,720
Excess of Revenues Over Expenditures	544,533	562,825	1,057,324	494,499
OTHER FINANCING SOURCES (USES):				
Transfers Out	(1,219,094)	(1,363,494)	(1,311,743)	51,751
Total Other Financing Sources (Uses)	(1,219,094)	(1,363,494)	(1,311,743)	51,751
Net Change in Fund Balance	(674,561)	(800,669)	(254,419)	546,250
Fund Balance at Beginning of Year	786,721	786,721	786,721	-
Prior Year Encumbrances Appropriated	817	817	817	-
Fund Balance at End of Year	$ 112,977	$ (13,131)	$ 533,119	$ 546,250

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, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 73,006	$ 73,006	$ 64,362	$ (8,644)
Intergovernmental	164,125	174,475	171,942	(2,533)
Interest	25	25	50	25
Other	4,500	4,500	6,244	1,744
Total Revenues	241,656	252,006	242,598	(9,408)
EXPENDITURES:				
Current:				
General Government:				
Transportation	558,525	575,630	483,050	92,580
Capital Outlay	10,000	12,828	9,202	3,626
Debt Service:				
Principal	132,037	74,924	37,720	37,204
Interest and Fiscal Charges	-	-	3,444	(3,444)
Total Expenditures	700,562	663,382	533,416	129,966
Deficiency of Revenues Under Expenditures	(458,906)	(411,376)	(290,818)	120,558
OTHER FINANCING SOURCES:				
Proceeds from Notes	100,367	100,367	27,714	(72,653)
Transfers In	285,000	285,000	285,000	-
Total Other Financing Sources	385,367	385,367	312,714	(72,653)
Net Change in Fund Balance	(73,539)	(26,009)	21,896	47,905
Fund Balance at Beginning of Year	148,408	148,408	148,408	-
Prior Year Encumbrances Appropriated	3,780	3,780	3,780	-
Fund Balance at End of Year	$ 78,649	$ 126,179	$ 174,084	$ 47,905

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, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 108,990	$ 108,990	$ 99,227	$ (9,763)
Intergovernmental	3,605	3,605	26,846	23,241
Charges for Services	25,000	25,000	25,350	350
Reimbursements	4,150	4,150	-	(4,150)
Other	30,000	22,245	19,218	(3,027)
Total Revenues	171,745	163,990	170,641	6,651
EXPENDITURES:				
Current:				
General Government:				
Security of Persons and Property	343,537	484,040	338,507	145,533
Debt Service:				
Principal	295,010	295,010	33,390	261,620
Interest and Fiscal Charges	1,000	1,000	912	88
Total Expenditures	639,547	780,050	372,809	407,241
Deficiency of Revenues Under Expenditures	(467,802)	(616,060)	(202,168)	413,892
OTHER FINANCING SOURCES:				
Proceeds from Loans	260,310	260,310	-	(260,310)
Transfers In	200,000	200,000	200,000	-
Total Other Financing Sources	460,310	460,310	200,000	(260,310)
Net Change in Fund Balance	(7,492)	(155,750)	(2,168)	153,582
Fund Balance at Beginning of Year	154,407	154,407	154,407	-
Prior Year Encumbrances Appropriated	1,000	1,000	1,000	-
Fund Balance at End of Year	$ 147,915	$ (343)	$ 153,239	$ 153,582

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, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 351,941	$ 351,941	$ 321,773	$ (30,168)
Intergovernmental	350	350	38,298	37,948
Charges for Services	45,213	45,213	16,544	(28,669)
Other	4,750	4,437	11,569	7,132
Total Revenues	402,254	401,941	388,184	(13,757)
EXPENDITURES:				
Current:				
General Government:				
Security of Persons and Property	1,226,850	1,234,850	1,138,314	96,536
Total Expenditures	1,226,850	1,234,850	1,138,314	96,536
Deficiency of Revenues Under Expenditures	(824,596)	(832,909)	(750,130)	82,779
OTHER FINANCING SOURCES:				
Transfers In	750,000	750,000	750,000	-
Total Other Financing Sources	750,000	750,000	750,000	-
Net Change in Fund Balance	(74,596)	(82,909)	(130)	82,779
Fund Balance at Beginning of Year	83,905	83,905	83,905	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance at End of Year	$ 9,309	$ 996	$ 83,775	$ 82,779

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise Funds		
	Water	Sewer	Totals
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 264,065	$ 493,406	$ 757,471
Prepaid Items	16,056	7,454	23,510
Accounts Receivable	216,724	1,096,550	1,313,274
Total Current Assets	496,845	1,597,410	2,094,255
Noncurrent Assets:			
Non-Depreciable Capital Assets	458,805	67,178	525,983
Depreciable Capital Assets, Net	3,162,430	4,258,178	7,420,608
Total Noncurrent Assets	3,621,235	4,325,356	7,946,591
Total Assets	4,118,080	5,922,766	10,040,846
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	78,107	67,320	145,427
OPEB	14,264	12,068	26,332
Total Deferred Outflows of Resources	92,371	79,388	171,759
LIABILITIES:			
Current Liabilities:			
Accounts Payable	2,973	-	2,973
Accrued Wages and Benefits	5,528	4,714	10,242
Contracts Payable	293,000	-	293,000
Due to Other Governments	9,033	8,870	17,903
Compensated Absences Payable	-	553	553
Loans Payable	115,814	-	115,814
OPWC Loans Payable	5,476	8,333	13,809
OWDA Loans Payable	32,683	224,731	257,414
Total Current Liabilities	464,507	247,201	711,708
Noncurrent Liabilities:			
Compensated Absences Payable	14,012	10,795	24,807
OPWC Loans Payable	13,694	191,667	205,361
OWDA Loans Payable	37,343	972,503	1,009,846
Net Pension Liability	290,188	245,532	535,720
Net OPEB Liability	193,828	164,001	357,829
Total Noncurrent Liabilities	549,065	1,584,498	2,133,563
Total Liabilities	1,013,572	1,831,699	2,845,271
DEFERRED INFLOWS OF RESOURCES:			
Pension	83,454	77,432	160,886
OPEB	24,241	24,844	49,085
Total Deferred Inflows of Resources	107,695	102,276	209,971
NET POSITION:			
Net Investment in Capital Assets	3,123,225	2,928,122	6,051,347
Unrestricted	(34,041)	1,140,057	1,106,016
Total Net Position	$ 3,089,184	$ 4,068,179	$ 7,157,363

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, 2018

	Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES:			
Charges for Services	$ 810,319	$ 1,223,292	$ 2,033,611
Tap-In Fees	2,705	15,691	18,396
Other	39,011	-	39,011
Total Operating Revenues	852,035	1,238,983	2,091,018
OPERATING EXPENSES:			
Salaries and Wages	276,570	225,805	502,375
Fringe Benefits	177,857	150,025	327,882
Contractual Services	193,015	180,867	373,882
Materials and Supplies	62,716	32,657	95,373
Other	88,087	19,748	107,835
Depreciation	137,235	137,467	274,702
Total Operating Expenses	935,480	746,569	1,682,049
Operating Income (Loss)	(83,445)	492,414	408,969
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	812	757	1,569
Other Non-Operating Revenues	-	4,865	4,865
Interest and Fiscal Charges	(5,143)	(30,646)	(35,789)
Total Non-Operating Revenues (Expenses)	(4,331)	(25,024)	(29,355)
Income Before Capital Contributions	(87,776)	467,390	379,614
Capital Contributions - Intergovernmental	-	41,288	41,288
Change in Net Position	(87,776)	508,678	420,902
Net Position at Beginning of Year - Restated	3,176,960	3,559,501	6,736,461
Net Position at End of Year	$ 3,089,184	$ 4,068,179	$ 7,157,363

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise		
	Water	Sewer	Total
Decrease in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 820,207	$ 754,670	$ 1,574,877
Cash Payments to Suppliers for Goods and Services	(363,108)	(241,535)	(604,643)
Cash Payments to Employees for Services and Benefits	(424,585)	(350,925)	(775,510)
Cash Received for Other Operating Receipts	41,716	-	41,716
Net Cash Provided by Operating Activities	74,230	162,210	236,440
Cash Flows from Noncapital Financing Activities:			
Other Non-Operating Receipts	-	4,865	4,865
Cash Flows from Capital and Related Financing Activities:			
Capital Grants	-	41,288	41,288
Proceeds from Debt Issuance	119,817	-	119,817
Acquisition of Capital Assets	(95,805)	(140,450)	(236,255)
Principal Payments	(145,464)	(259,478)	(404,942)
Interest Payments	(5,143)	(30,646)	(35,789)
Net Cash Used for Capital and Related Financing Activities	(126,595)	(389,286)	(515,881)
Cash Flows from Investing Activities:			
Interest on Investments	55	-	55
Net Decrease in Cash and Cash Equivalents	(52,310)	(222,211)	(274,521)
Cash and Cash Equivalents at Beginning of Year	316,375	715,617	1,031,992
Cash and Cash Equivalents at End of Year	$ 264,065	$ 493,406	$ 757,471
Reconciliation of Operating Income (Loss) to Net Cash Provided byOperating Activities:			
Operating Income (Loss)	$ (83,445)	$ 492,414	$ 408,969
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	137,235	137,467	274,702
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	9,888	(484,353)	(474,465)
Increase in Prepaid Items	(6,713)	(267)	(6,980)
Decrease in Deferred Outflows Related to Pension	57,620	53,410	111,030
Decrease in Deferred Outflows Related to OPEB	9,347	7,907	17,254
Decrease in Accounts Payable	(12,577)	(7,670)	(20,247)
Increase in Accrued Wages and Benefits	843	670	1,513
Increase in Compensated Absences Payable	836	310	1,146
Decrease in Due to Other Governments	(2,337)	(3,002)	(5,339)
Increase in Net Pension Liability	9,939	242	10,181
Increase in Net OPEB Liability	8,523	10,340	18,863
Decrease in Deferred Inflows Related to Pension	(48,267)	(40,829)	(89,096)
Decrease in Deferred Inflows Related to OPEB	(6,662)	(4,429)	(11,091)
Total Adjustments	157,675	(330,204)	(172,529)
Net Cash Provided by (Used for) Operating Activities	$ 74,230	$ 162,210	$ 236,440

See accompanying notes to the basic financial statements.

Village of Waverly
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2018

		Agency Fund
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$	103
Cash and Cash Equivalents in Segregated Accounts		5,245
Accounts Receivable		1,177
Total Assets	$	6,525
LIABILITIES:		
Current Liabilities:		
Due to Other Funds	$	6,422
Undistributed Monies		103
Total Liabilities	$	6,525

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Governmental Funds

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

> General Fund - The General Fund is the operating fund of the Village and is used to account for all financial resources except those accounted for or reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the charter of the Village of Waverly and/or the general laws of Ohio.
>
> Bridge and Street Fund - The Bridge and Street Fund is used to construct, maintain, and repair Village streets and bridges. The primary sources of revenue are excise gas tax, cents per gallon tax, and local share 34% distribution tax.
>
> Fire Fund - The Fire Fund is used for the payment of salaries and expenses of the fire department. The primary source of revenue is property taxes levied.
>
> Police Fund - The Police Fund is used to finance the police department operation. The primary source of revenue is voted property millage.

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

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

Proprietary Funds

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

Enterprise Funds

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

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

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

Fiduciary Funds

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

Basis of Accounting and Measurement Focus:

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

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

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

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

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Village, deferred inflows of resources include property taxes, income taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 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).

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

Property taxes for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the statement of net position and the balance sheet is due to pensions/OPEB, income taxes and grants and entitlements not received during the available period and due to delinquent property taxes. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position.

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

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

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

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

Estimated Resources The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the Village by October 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Auditor's Office Manager determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2018.

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.

***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:

Description	Estimated Lives
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.

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.

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).

4. Certain funds are included as part of the General Fund (GAAP basis) but are excluded from the General Fund for the budget basis.

The adjustments necessary to convert the results of operations for 2018 on the GAAP basis to the budget basis for the General, Bridge and Street, Fire, and Police major funds are as follows:

Net Change in Fund Balances

	General	Bridge and Street	Fire	Police
GAAP Basis	$ (169,788)	$ 38,919	$ (4,249)	$ 17,852
Increases (Decreases) Due To:				
Revenue Accruals	(71,396)	(15,195)	(3,743)	(22,900)
Expenditure Accruals	5,431	9,204	8,645	5,389
Encumbrances	(18,611)	(11,032)	(2,821)	(471)
Funds Included for GAAP Purposes but Excluded for Budgetary Reporting	(55)	-	-	-
Budget Basis	$ (254,419)	$ 21,896	$ (2,168)	$ (130)

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.

***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".

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 $2,265,361 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 2018, revenue from the income tax amounted to $1,755,854. 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 2018 for real and public utility property taxes represents collections of 2017.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, 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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018 and are collected in 2019 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2018, was $15.30 per $1,000 of assessed value. The assessed values of real property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	$ 75,107,310
Public Utility Property	6,654,010
Total Property Taxes	$ 81,761,320

***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, 2018, 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 2018 operations. The receivable is offset by deferred inflow of resources.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2018, 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:

Fund/Description of Receivable	Amount
General Fund	
Local Government	$ 59,414
Homestead, Rollback, and Exemption	6,740
Total General Fund	66,154
Fire Major Special Revenue Fund	
Homestead, Rollback, and Exemption	5,853
Total Fire Major Special Revenue Fund	5,853
Police Major Special Revenue Fund	
Homestead, Rollback, and Exemption	18,688
Total Police Major Special Revenue Fund	18,688
Bridge and Street Major Special Revenue Fund	
Gasoline Excise Tax and Cents Per Gallon Tax	67,456
Motor Vehicle License Tax	14,451
Homestead, Rollback, and Exemption	3,978
Total Bridge and Street Fund	85,885
Inter-City Highway Non-major Special Revenue Fund	
Gasoline Excise Tax and Cents Per Gallon Tax	5,025
Motor Vehicle License Tax	1,616
Total Inter-City Highway Fund	6,641
Village Permissive Non-major Special Revenue Fund	
Permissive Motor vehicle License Taxes	19,580
Total Permissive Fund	19,580
Total Nonmajor Special Revenue Funds	26,221
Total Governmental Activities	$ 202,801

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018:

	Beginning Balance 12/31/2017	Additions	Deletions	Ending Balance 12/31/2018
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 239,268	$ -	$ -	$ 239,268
Total Capital Assets, Not Being Depreciated	239,268	-	-	239,268
Capital Assets Being Depreciated				
Land Improvements	628,611	140,000	-	768,611
Buildings and Improvements	1,368,226	40,463	-	1,408,689
Furniture and Equipment	3,044,651	11,445	-	3,056,096
Infrastructure	2,684,415	-	-	2,684,415
Total Capital Assets Being Depreciated	7,725,903	191,908	-	7,917,811
Less Accumulated Depreciation				
Land Improvements	(558,420)	(11,340)	-	(569,760)
Buildings and Improvements	(596,665)	(21,953)	-	(618,618)
Furniture and Equipment	(2,240,968)	(129,878)	-	(2,370,846)
Infrastructure	(1,150,333)	(57,444)	-	(1,207,777)
Total Accumulated Depreciation	(4,546,386)	(220,615)	-	(4,767,001)
Total Capital Assets Being Depreciated, Net	3,179,517	(28,707)	-	3,150,810
Governmental Activities Capital Assets, Net	$ 3,418,785	$ (28,707)	$ -	$ 3,390,078

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	$ 97,757
Security of Persons & Property	68,795
Leisure Time Activities	1,438
Transportation	52,625
Total Depreciation Expense	$ 220,615

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

	Ending Balance 12/31/2017	Additions	Deletions	Ending Balance 12/31/2018
Business Type Activities				
Capital Assets, Not Being Depreciated				
Land	$ 70,000	$ -	$ -	$ 70,000
Construction in Progress	-	455,983	-	455,983
Total Capital Assets, Not Being Depreciated	70,000	455,983	-	525,983
Capital Assets Being Depreciated				
Land Improvements	206,783	46,300	-	253,083
Buildings and Improvements	11,673,336	-	-	11,673,336
Mechanical Equipment	374,324	26,972	-	401,296
Infrastructure	5,368,863	-	-	5,368,863
Total Capital Assets Being Depreciated	17,623,306	73,272	-	17,696,578
Less Accumulated Depreciation				
Land Improvements	(199,280)	(1,772)	-	(201,052)
Buildings and Improvements	(5,098,650)	(226,402)	-	(5,325,052)
Mechanical Equipment	(283,296)	(15,638)		(298,934)
Infrastructure	(4,420,042)	(30,890)	-	(4,450,932)
Total Accumulated Depreciation	(10,001,268)	(274,702)	-	(10,275,970)
Total Capital Assets Being Depreciated, Net	7,622,038	(201,430)	-	7,420,608
Business Type Activities Capital Assets, Net	$ 7,692,038	$ 254,553	$ -	$ 7,946,591

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 (OPF) 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):

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

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

The Village's contractually required contribution was $172,073 for 2018. Of this amount, $23,449 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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 and statutory survivors.

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 (CPI) over the 12-month period ending on September 30 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 three percent of their base pension or disability benefit.

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was $122,325 for 2018. Of this amount $17,943 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0085600%	0.0266050%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0092560%	0.0214340%	
Change in Proportionate Share	-0.0006960%	0.0051710%	
Proportion of the Net Pension Liability	$1,342,898	$1,632,872	$2,975,770
Pension Expense	$274,152	$261,626	$535,778

***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)

At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$1,371	$24,780	$26,151
Changes of assumptions	160,485	71,153	231,638
Changes in employer proportion	13,884	344,088	357,972
Village contributions subsequent to the measurement date	172,073	122,325	294,398
Total deferred outflows of resources	$347,813	$562,346	$910,159
Deferred Inflows of Resources			
Differences between expected and actual experience	26,465	2,954	$29,419
Net difference between projected and actual earnings on pension plan investments	288,302	56,485	344,787
Changes in employer proportion	72,950	4,974	77,924
Total deferred inflows of resources	$387,717	$64,413	$452,130

$294,398 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$95,826	$111,332	$207,158
2020	(62,382)	96,481	34,099
2021	(126,954)	37,978	(88,976)
2022	(118,467)	46,367	(72,100)
2023	0	67,679	67,679
2024	0	15,771	15,771
Total	($211,977)	$375,608	$163,631

***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 in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2017
Experience study	5 year period ended December 31, 2015
Actuarial cost method	Individual entry age
Actuarial assumptions:	
Investment rate of return	7.50 percent
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (including wage inflation of 3.25%)
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00 percent, simple Post 1/7/2013 retirees: 3.00 percent, simple through 2018, then 2.15% simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. 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.

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 2017, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2017 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2017. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2017 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2017. 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 is 8.3% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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.

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (continued)

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate

The discount rate used to measure the total pension liability was 7.5%, post-experience study results, 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan 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 7.50 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 (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Village's proportionate share of the net pension liability	$2,384,645	$1,342,898	$474,395

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF (continued)

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. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	2.20 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA. The most recent experience study of five years was completed in 2018 covering the period 2012-2017.

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 the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. 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 OPF's target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	4.22	5.39
Non-US Equity	16.00	4.41	5.59
Core Fixed Income*	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Real Estate-Private	12.00	4.71	5.65
Private Markets	8.00	6.67	8.08
Master Limited Partnerships	8.00	7.50	7.93
Private Credit	5.00	6.93	7.93
US Inflation Linked Bonds*	17.00	0.98	2.52
Real Assets	8.00	6.88	7.24
Total	120.00 %		

* levered 2x
** Numbers are net of expected inflation

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

Actuarial Assumptions – OPF (continued)

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Village's proportionate share of the net pension liability	$2,263,585	$1,632,869	$1,118,463

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.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

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.

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.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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 RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was $0 for 2018.

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contractually required contribution to OP&F was $3,214 for 2018. Of this amount, $471 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, 2016, rolled forward to the measurement date of December 31, 2017, 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, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. 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:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.008260%	0.0266050%	
Prior Measurement Date	0.008940%	0.0214340%	
Change in Proportionate Share	-0.000680%	0.0051710%	
Proportionate Share of the Net Pension Liability	$896,975	$1,507,402	$2,404,377
OPEB Expense	$52,976	$149,394	$202,370

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$699	$0	$699
Changes of assumptions	65,309	147,090	212,399
Changes in proportion and differences between Village contributions and proportionate share of contributions	0	214,148	214,148
Village contributions subsequent to the measurement date	0	3,214	3,214
Total Deferred Outflows of Resources	$66,008	$364,452	$430,460
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$7,603	$7,603
Net difference between projected and actual earnings on OPEB plan investments	66,819	9,922	76,741
Changes in proportion and differences between Village contributions and proportionate share of contributions	46,466	0	46,466
Total Deferred Inflows of Resources	$113,285	$17,525	$130,810

$3,214 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2019	$(7,362)	$49,219	$41,857
2020	(7,362)	49,219	41,857
2021	(15,849)	49,219	33,370
2022	(16,704)	49,221	32,517
2023	0	51,700	51,700
Thereafter	0	95,135	95,135
Total	$(47,277)	$343,713	$296,436

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, 2016, rolled forward to the measurement date of December 31, 2017. 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:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and 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 is 15.2 percent for 2017.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (continued)

The allocation of investment assets with 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 table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 6.50 percent and a municipal bond rate of 3.31 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 Village's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Village's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Village's proportionate share of the net OPEB liability	$1,191,670	$896,975	$658,570

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (continued)

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
?Village's proportionate share of the net OPEB liability	$858,214	$896,975	$937,014

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 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

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 Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

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 Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
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 prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. 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, 2017, are summarized below:

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 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 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, 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 3.24 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 (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
Village's proportionate share of the net OPEB liability	$1,884,271	$1,507,402	$1,217,418

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

Sensitivity of the Village's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
Village's proportionate share of the net OPEB liability	$1,170,977	$1,507,402	$1,960,789

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. 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. The impact to the Village's NOL is not known.

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 Medical Mutual. Dental insurance is provided through MetLife and vision insurance through Vision Service Plan of Ohio.

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, 2018, were as follows:

Fund Type / Fund	Transfers Out	Transfers In
Major Funds:		
General	$ 1,311,743	$ -
Bridge and Street	-	285,000
Fire	-	200,000
Police	-	750,000
Total Major Funds	1,311,743	1,235,000
Nonmajor Funds:		
Natureworks	-	18,250
Levee	-	49,366
Depot Str. Improvement	-	2,644
Hillside Ave. Storm System	-	3,333
Emergency Siren	-	3,150
Total Nonmajor Funds	-	76,743
Total All Funds	$ 1,311,743	$ 1,311,743

***NOTE 12 – INTERFUND TRANSACTIONS* (Continued)**

Interfund balances at December 31, 2018, consist of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
Major Fund:		
General Fund	$ 6,422	$ -
Nonmajor Special Revenue Funds:		
Permissive Tax Fund	14,703	-
Bridge and Street Fund	-	14,703
Total Nonmajor Special Revenue Funds	14,703	14,703
Agency Fund:		
Mayor's Court	-	6,422
Total All Funds	$21,125	$21,125

The Agency Fund balance results from monies collected by the Mayor's Court in December of 2018 that were not paid into the General Fund until January of 2019.

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2018, was as follows:

Issue	Balance 12/31/17*	Issued	Retired	Balance 12/31/18	Due in One Year
Governmental Activities					
Compensated Absences	$ 49,883	$ 116,626	$ 113,645	$ 52,864	$ 4,453
2003 - 0% OPWC Depot Street Reconstruction Loan	14,543	-	2,644	11,899	2,644
2016/2017 - 4% Green Acres Levee Improvements Note	135,309	91,381	135,309	91,381	91,381
2008 - 0% OPWC Hillside Avenue Storm System Loan	70,000	-	3,333	66,667	3,333
2016/2017 - 3.75% Ford Truck Note	40,860	27,714	40,860	27,714	27,714
2016 - 2.9% Fire Pumper Truck	269,506	-	33,390	236,116	27,356
2017 - 3.07% Backhoe Loan	61,474	-	11,563	49,911	11,918
Net Pension Liability:					
OPERS	1,249,678	-	442,500	807,178	-
OP&F	1,357,611	275,261	-	1,632,872	-
Total Net Pension Liability	2,607,289	275,261	442,500	2,440,050	-
Net OPEB Liability :					
OPERS	542,750	-	3,604	539,146	-
OP&F	1,017,425	489,977	-	1,507,402	-
Total Net OPEB Liability	1,560,175	489,977	3,604	2,046,548	-
Total Governmental Activities	**$ 4,809,039**	**$ 1,000,959**	**$ 786,848**	**$ 5,023,150**	**$ 168,799**

***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, 2018, was as follows:

Issue	Balance 12/31/17*	Issued	Retired	Balance 12/31/18	Due in One Year
Business-Type Activities					
Compensated Absences	$ 23,661	$ 51,834	$ 50,135	$ 25,360	$ 553
2001 - 2% OWDA Wastewater Treatment Plant Loan	1,394,348	-	219,867	1,174,481	224,731
2013 - 0% OPWC Bridge Street Sanitation	208,333	-	8,333	200,000	8,333
2013 - 1% OWDA Bridge Street Sanitation Sewer Main Rehab Loan	29,887	-	7,134	22,753	-
2001 - 2% OWDA Elevated Tank & Line Treatment Plant Loan	98,061	-	32,038	66,023	32,683
2001 - 0% OPWC Elevated Tank & Line Treatment Plant Loan	24,646	-	5,476	19,170	5,476
2018 - 0% OWDA Loan Water Well Construction-Design	-	4,003	-	4,003	-
2018 - 4% Water Well Property	-	60,025	-	60,025	60,025
2016 - 4% Sludge Lagoon Note	83,450	55,789	83,450	55,789	55,789
2017 - 3.1% Ford Dumptruck Loan	48,644	-	48,644	-	-
Net Pension Liability - OPERS:					
Water	453,241	-	163,053	290,188	-
Sewer	398,404	-	152,872	245,532	-
Total Net Pension Liability - OPERS	851,645	-	315,925	535,720	-
Net OPEB Liability - OPERS:					
Water	195,124	-	1,296	193,828	-
Sewer	165,097	-	1,096	164,001	-
Total Net OPEB Liability - OPERS	360,221	-	2,392	357,829	-
Total Business-Type Activities	**$ 3,122,896**	**$ 171,651**	**$ 773,394**	**$ 2,521,153**	**$ 387,590**

* As restated, see Note 17.

The Village's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $8,101,251 with an unvoted debt margin of $4,013,185 at December 31, 2018.

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
2019	$ 13,809	$ 257,414	$ 25,767
2020	13,810	263,042	20,139
2021	13,810	234,784	14,557
2022	11,072	239,977	9,363
2023	8,333	245,287	4,054
2024-2028	41,665	-	-
2029-2033	41,665	-	-
2034-2038	41,665	-	-
2039-2042	33,341	-	-
	$ 219,170	$ 1,240,504	$ 73,880

The OWDA amortization does not match the schedule above because the 2013 1% OWDA Loan and the 2018 OWDA Water Well Loan amortization schedules were not available.

Annual debt service requirements to maturity for governmental activities are:

	OPWC Loans	Fire Pumper Truck		Backhoe Loan	
	Principal	Principal	Interest	Principal	Interest
2019	$ 5,977	$ 27,356	$ 6,946	$ 11,918	$ 1,532
2020	5,977	28,166	6,136	12,283	1,166
2021	5,977	29,001	5,301	12,661	789
2022	5,978	29,860	4,442	13,049	401
2023	4,655	30,745	3,557	-	-
2024-2028	16,665	90,988	5,096	-	-
2029-2033	16,665	-	-	-	-
2034-2038	16,672	-	-	-	-
	$ 78,566	$ 236,116	$ 31,478	$ 49,911	$ 3,888

<u>NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS</u> (Continued)

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

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

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

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

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

The Village issued a Loan for the purpose of purchasing a dump truck in the amount of $48,644. The loan was repaid from the Water and Sewer funds in February 2018.

The Sludge Lagoon Note was issued in 2017 in the amount of $83,450 for the purpose of sludge removal from the water treatment plant. This note matured on September 7, 2018 and the Village paid $27,661 from the Water Fund against the note and refinanced the remaining $55,789 into a new note. This new note will mature on September 7, 2019. Therefore, no amortization schedule is shown on the previous page for this note.

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

In October 2018, the Village issued an OWDA Loan in the amount of $297,003 for the purpose of well construction design. As of December 31, 2018, $4,003 had been drawn on the loan. The project was not completed as of year end and therefore, no amortization schedule is presented. 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, 2017 in the amount of $135,309 and was for the purpose of repaying a previously issued note used for repairs to the levee. This note matured on July 28, 2018 and the Village paid $43,928 from the Levee Improvement Fund against the note and refinanced the remaining $91,381 into a new note. This new note will mature on July 28, 2019. Therefore, no amortization schedule is shown on the previous page for this note.

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

In July of 2017, the Village obtained note in the amount of $40,860 for the purpose of repaying a previously issued note to purchase a Ford F-550 truck. This note matured on July 28, 2018 the Village paid $13,146 from the Bridge and Street fund against the note and refinanced the remaining $27,714 into a new note. This new note will mature on July 28, 2019. Therefore, no amortization schedule is shown on the previous page for this note. The note was secured by the truck as pledged collateral.

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

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

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

NOTE 14 – RISK MANAGEMENT

The Village uses United Healthcare for health care benefits.

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017 (most recent year available), PEP retained $350,000 for casualty claims and $100,000 for property claims.

Building and Contents-replacement cost ($1,000 deductible)	$ 35,972,535
Miscellaneous Property and Inland Marine Coverage ($1,000 deductible)	1,125,773
Electronic Data Processing Equip Coverage ($1,000 deductible)	55,988
Automobile Vehicle Liability ($0 deductible)	4,000,000
Uninsured/Under Insured Motorists Per Occurrence	100,000
Medical Expenses	1,000
Wrongful Acts Coverage ($2,500 deductible)	4,000,000
General Liability	
Per occurrence	4,000,000
Employee Benefits ($1,000 deductible)	1,000,000
Medical Expense (other than auto)	5,000
Law Enforcement Liability ($2,000 deductible)	
Per occurrence	4,000,000

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017 and 2016 (the most recent years available):

	2017	2016
Assets	$44,452,326	$42,182,281
Liabilities	(13,004,011)	(13,396,700)
Net Position	$31,448,315	$28,785,581

At December 31, 2017 (the most recent year available) the liabilities above include approximately 11.8 million of estimated incurred claims payable. The assets above also include approximately $11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017 (the most recent year available), the Village's share of these unpaid claims collectible in future years is approximately $61,000.

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

2018 Contributions to PEP
$ 96,117

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATION

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

NOTE 16 – CONTINGENT LIABILITIES

Grants

The Village received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Village at December 31, 2018, 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.

NOTE 17 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2018, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017.*

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the Village and certain additional disclosures have been made in the notes to the basic financial statements.

	Governmental Activities	Business-Type Activities
Net position, December 31, 2017 - As previously stated	$3,297,578	$7,092,017
Village's Share of Beginning Plan Net OPEB Liability	(1,560,175)	(360,221)
Village's Share of 2017 Employer Contributions	10,160	4,665
Net position, December 31, 2017 - As restated	$1,747,563	$6,736,461

	Water Fund	Sewer Fund
Net position, December 31, 2017 - As previously stated	$3,369,557	$3,722,460
Village's Share of Beginning Plan Net OPEB Liability	(195,124)	(165,097)
Village's Share of 2017 Employer Contributions	2,527	2,138
Net position, December 31, 2017 - As restated	$3,176,960	$3,559,501

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the Village.

NOTE 18 – FUND BALANCES

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

Fund Balances	General	Bridge & Street	Fire	Police	All Other Governmental Funds	Total Governmental Funds
Nonspendable						
Unclaimed Monies	$ 8,013	$ -	$ -	$ -	$ -	$ 8,013
Prepaid Items	6,708	8,945	3,727	21,840	-	41,220
Total Nonspendable	14,721	8,945	3,727	21,840	-	49,233
Restricted for						
Bridge & Street	-	183,781	-	-	-	183,781
Other Purposes	-	-	-	-	20,330	20,330
Fire	-	-	151,896	-	-	151,896
Police	-	-	-	71,037	-	71,037
Inner-City Highway	-	-	-	-	45,509	45,509
Mayor's Crt Computer	-	-	-	-	46,240	46,240
Law Drug	-	-	-	-	18,887	18,887
Permissive Tax	-	-	-	-	67,859	67,859
Capital Improvements	-	-	-	-	41,113	41,113
Total Restricted	-	183,781	151,896	71,037	239,938	646,652
Committed to						
Other Purposes	217,853	-	-	-	88,599	306,452
Assigned to						
Other Purposes	579,562	-	-	-	-	579,562
Unassigned	91,949	-	-	-	-	91,949
Total Fund Balances	$ 904,085	$ 192,726	$ 155,623	$ 92,877	$ 328,537	$ 1,673,848

NOTE 19 – RELATED PARTY TRANSACTIONS

A Village Council member relative is owner of a KC Landscaping which the Village contracted with for mowing services. The Village paid $29,600 to KC Landscaping during the year.

Village of Waverly

Required Supplementary Information

Schedule of the Village's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System

Last Five Years

	2018	2017	2016	2015	2014
Total plan pension liability	$ 102,273,912,351	$ 99,811,932,954	$ 91,534,580,978	$ 89,017,348,266	$ 86,407,229,435
Plan net position	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	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	0.008560%	0.009256%	0.008963%	0.008811%	0.008811%
Village's proportionate share of the net pension liability	$ 1,342,898	$ 2,101,325	$ 1,552,505	$ 1,062,705	$ 1,038,702
Village's covered-employee payroll	$ 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-employee payroll	114.78%	170.03%	134.80%	95.23%	91.77%
Plan fiduciary net position as a percentage of the total pension liability	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 Five Years

	2018	2017	2016	2015 *	2014 *
Total plan pension liability	$ 21,101,065,550	$ 20,016,288,888	$ 19,357,013,332	$ 18,761,561,462	$ 18,152,090,344
Plan net position	14,963,614,004	13,682,389,240	12,923,943,156	13,453,447,836	13,166,077,870
Net pension liability	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	0.0266050%	0.0214340%	0.0192410%	0.0188531%	0.0188531%
Village's proportionate share of the net pension liability	$ 1,632,872	$ 1,357,611	$ 1,237,787	$ 1,000,744	$ 940,018
Village's covered-employee payroll	$ 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-employee payroll	260.40%	273.60%	285.70%	247.30%	118.40%
Plan fiduciary net position as a percentage of the total pension liability	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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 172,073	$ 152,099	$ 148,305	$ 138,207	$ 133,909	$ 147,147	$ 169,156	$ 183,321	$ 185,928	$ 174,138
Contributions in relation to the contractually required contribution	(172,073)	(152,099)	(148,305)	(138,207)	(133,909)	(147,147)	(169,156)	(183,321)	(185,928)	(174,138)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Village's covered-employee payroll	$1,229,093	$1,169,992	$1,235,875	$1,151,725	$1,115,908	$1,131,900	$1,691,560	$1,833,210	$2,124,891	$2,246,942
Contributions as a percentage of covered employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 122,325	$ 119,131	$ 94,285	$ 82,324	$ 76,879	$ 126,100	$ 119,252	$ 87,080	$ 90,033	$ 99,837
Contributions in relation to the contractually required contribution	(122,325)	(119,131)	(94,285)	(82,324)	(76,879)	(126,100)	(119,252)	(87,080)	(90,033)	(99,837)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Village's covered-employee payroll	$ 643,816	$ 627,005	$ 496,237	$ 433,284	$ 404,626	$ 794,081	$ 935,310	$ 682,980	$ 706,141	$ 783,035
Contributions as a percentage of covered employee payroll	19.00%	19.00%	19.00%	19.00%	19.00%	15.88%	12.75%	12.75%	12.75%	12.75%

Village of Waverly

Required Supplementary Information

Schedule of the Villages's Proportionate Share of the Net OPEB Liability

Ohio Public Employees Retirement System

Last Two Years (1)

	2018	**2017**
Total plan OPEB liability	$ 23,678,097,060	$ 21,980,827,536
Plan net position	12,818,833,665	11,880,487,863
Net OPEB liability	10,859,263,395	10,100,339,673
Village's proportion of the net OPEB liability	0.00826000%	0.00894000%
Village's proportionate share of the net OPEB liability	$ 896,975	$ 902,970
Village's covered-employee payroll	$ 1,169,992	$ 1,235,875
Village's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	76.67%	73.06%
Plan fiduciary net position as a percentage of the total OPEB liability	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 Villages's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension System
Last Two Years (1)

	2018	**2017**
Total plan OPEB liability	$ 6,597,947,735	$ 5,648,428,827
Plan net position	932,087,789	901,653,715
Net OPEB liability	5,665,859,946	4,746,775,112
Village's proportion of the net OPEB liability	0.02660500%	0.02143400%
Village's proportionate share of the net OPEB liability	$ 1,507,402	$ 1,017,424
Village's covered-employee payroll	$ 627,005	$ 496,237
Village's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	240.41%	205.03%
Plan fiduciary net position as a percentage of the total OPEB liability	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 Three Years (1)

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

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2017.

Changes of Assumptions (OPERS): There were no changes in assumptions affecting the OPERS plan for the plan year ended December 31, 2017.

Village of Waverly

Required Supplementary Information

Schedule of the Village's OPEB Contributions

Ohio Police and Fire Pension System

Last Three Years (1)

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

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2017.

Changes of Assumptions (OPERS): There were no changes in assumptions affecting the OPERS plan for the plan year ended December 31, 2017.

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OHIO AUDITOR OF STATE
KEITH FABER

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waverly, Pike County, (the Village) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 23, 2020, which was qualified for Governmental Activities, Business-Type Activities, Water Fund, and the Sewer Fund because we were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the capital assets, related accumulated depreciation and depreciation expense. We also noted the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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 2018-001 through 2018-003 to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

January 23, 2020

VILLAGE OF WAVERLY
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

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

FINDING NUMBER 2018-001

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.

Opinion Unit	**Capital Assets Amount (net of related depreciations)**	**Percentage of Total Assets**
Governmental Activities	$ 3,390,078	54.7%
Business-Type Activities	7,946,591	79.1%
Major Water Fund	3,621,235	87.9%
Major Sewer Fund	4,325,356	73.0%
Opinion Unit	**Depreciation Expense**	**Percentage of Total Expense**
Governmental Activities	$ 220,615	6.2%
Business-Type Activities	274,702	16.0%
Major Water Fund	137,235	14.6%
Major Sewer Fund	137,467	17.7%

FINDING NUMBER 2018-001
(Continued)

We recommend that the Village 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 2018-002

Material Weakness

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

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

- Nature Works grant revenue was posted to the General fund instead of the Nature Works fund in the amount of $35,462.
- On the Cash Flows Statement, the change for deferred outflows (pension) was understated by $57,620 in the Water fund and by $53,410 in the Sewer fund; the change for deferred outflows (OPEB) was understated by $9,347 in the Water fund and by $7,907 in the Sewer fund; the change in net pension liability was understated by $9,339 in the Water fund and $242 in the Sewer fund; the change in net OPEB liability was understated by $8,523 in the Water fund and $10,340 in the Sewer fund; the change for deferred inflows (pension) was understated by $48,267 in the Water fund and by $40,829 in the Sewer fund; the change for deferred inflows (OPEB) was understated by $6,662 in the Water fund and by $4,429 in the Sewer fund; and pension expense was overstated by $30,500 in the Water fund and by $26,641 in the Sewer fund.
- Unassigned Fund Balance was understated by $171,637 and Committed Fund Balance was overstated by $171,637 in the General fund.

FINDING NUMBER 2018-002
(Continued)

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

We also identified additional immaterial errors in multiple funds ranging from $940 to $44,000. These errors were caused mainly by inaccurate accrual entries and posting transactions to the incorrect transaction line item.

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

We recommend that the Village accurately record financial transactions.

Officials' Response:

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

FINDING NUMBER 2018-003

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.

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

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

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

We identified the following conditions:

- Estimated Receipts on the Original Amended Certificate for the General Fund was $65,230 less than the amount reported on the Budgetary Statement and in the accounting system.

- Estimated Receipts on the Original Amended Certificate for the Bridge and Street Fund was $10,350 more than the amount reported on the Budgetary Statement and in the accounting system.

FINDING NUMBER 2018-003
(Continued)

- Estimated Receipts on the Original Amended Certificate for the Fire Fund was $7,755 less than the amount reported on the Budgetary Statement and in the accounting system.

- Actual Revenues for the Fire Fund was $12,710 less than amount reported on the Budgetary Statement.

- Actual Expenditures for the Fire Fund was $9,337 less than amount reported on the Budgetary Statement.

- Original and Final Budgeted Appropriations on the General Fund's Budgetary Statement and accounting system did not agree to the Village's Original Appropriations plus amended appropriations in the amount of $11,111.

- Original and Final Budgeted Appropriations on the Bridge and Street Fund's Budgetary Statement and accounting system did not agree to the Village's Original Appropriations plus amended appropriations in the amount of $7,500.

- Original and Final Budgeted Appropriations on the Fire Fund's Budgetary Statement and accounting system did not agree to the Village's Original Appropriations plus amended appropriations in the amount of $2,037.

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

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

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

Officials' Response:

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

OFFICE OF THE AUDITOR

City of Waverly

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Inaccurate Capital Assets Listing	Not Corrected	Reissued as 2018-001
2017-002	Inaccurate Recording of Transactions	Not Corrected	Reissued as 2018-002
2017-003	Budgetary Information incorrectly input into system	Not Corrected	Reissued as 2018-003
2017-004	ORC 5705.39 – Appropriations exceed Total Estimated Resources	Partially Corrected	Reissued as Management Letter Comment

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OHIO AUDITOR OF STATE
KEITH FABER

VILLAGE OF WAVERLY

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY, 11 2020