



Mary Taylor, CPA
Auditor of State

VILLAGE OF WATERVILLE
LUCAS COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Waterville
Lucas County
P.O. Box 140
Waterville, Ohio 43566-0140

To the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

September 9, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waterville
Lucas County
P.O. Box 140
Waterville, Ohio 43566-0140

To the Council:

We have audited the accompanying financial statements of the Village of Waterville, Lucas County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Waterville, Lucas County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

September 9, 2009

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$408,632	\$63,089			\$471,721
Municipal Income Tax	1,870,517			\$623,506	2,494,023
Intergovernmental	629,670	269,918		450,245	1,349,833
Special Assessments	8,257			5,827	14,084
Charges for Services	171,288	1,400			172,688
Fines, Licenses and Permits	29,391	61,392			90,783
Earnings on Investments	87,116	4,920		7,469	99,505
Miscellaneous	57,951	251		24,472	82,674
	<u>3,262,822</u>	<u>400,970</u>		<u>1,111,519</u>	<u>4,775,311</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,895,706	59,315			1,955,021
Public Health Services	21,642				21,642
Leisure Time Activities	56,223			12,646	68,869
Community Environment	61,304	6,921			68,225
Basic Utility Service	248,186				248,186
Transportation		252,429			252,429
General Government	1,006,591				1,006,591
Debt Service:					
Redemption of Principal			\$5,761	2,616,749	2,622,510
Interest and Fiscal Charges			41,991	196,046	238,037
Capital Outlay		209,512		1,406,258	1,615,770
	<u>3,289,652</u>	<u>528,177</u>	<u>47,752</u>	<u>4,231,699</u>	<u>8,097,280</u>
Total Cash Disbursements Over Cash Receipts	<u>(26,830)</u>	<u>(127,207)</u>	<u>(47,752)</u>	<u>(3,120,180)</u>	<u>(3,321,969)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				2,728,786	2,728,786
Transfers-In				2,376	2,376
Transfers-Out				(2,376)	(2,376)
Advances-In	85,000				85,000
Advances-Out				(85,000)	(85,000)
	<u>85,000</u>			<u>2,643,786</u>	<u>2,728,786</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	58,170	(127,207)	(47,752)	(476,394)	(593,183)
Fund Cash Balances, January 1	76,866	450,250	\$47,752	1,644,799	2,219,667
Fund Cash Balances, December 31	<u>\$135,036</u>	<u>\$323,043</u>		<u>\$1,168,405</u>	<u>\$1,626,484</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,836,861		\$1,836,861
Miscellaneous	6,890		6,890
Total Operating Cash Receipts	<u>1,843,751</u>		<u>1,843,751</u>
Operating Cash Disbursements:			
Personal Services	532,418		532,418
Contractual Services	601,727		601,727
Supplies and Materials	89,104		89,104
Other	2,972		2,972
Total Operating Cash Disbursements	<u>1,226,221</u>		<u>1,226,221</u>
Operating Income	<u>617,530</u>		<u>617,530</u>
Non-Operating Cash Receipts:			
Sale of Notes	1,214,407		1,214,407
Other Non-Operating Cash Receipts	1,330	\$2,311	3,641
Total Non-Operating Cash Receipts	<u>1,215,737</u>	<u>2,311</u>	<u>1,218,048</u>
Non-Operating Cash Disbursements:			
Capital Outlay	537,027		537,027
Redemption of Principal	847,442		847,442
Interest and Other Fiscal Charges	365,968		365,968
Other Non-Operating Cash Disbursements		1,840	1,840
Total Non-Operating Cash Disbursements	<u>1,750,437</u>	<u>1,840</u>	<u>1,752,277</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	82,830	471	83,301
Transfers-In	160,000		160,000
Transfers-Out	<u>(160,000)</u>		<u>(160,000)</u>
Net Receipts Over Disbursements	82,830	471	83,301
Fund Cash Balances, January 1	<u>836,530</u>	<u>153</u>	<u>836,683</u>
Fund Cash Balances, December 31	<u>\$919,360</u>	<u>\$624</u>	<u>\$919,984</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$429,149	\$64,771			\$493,920
Municipal Income Tax	1,805,943			\$601,981	2,407,924
Intergovernmental	679,025	299,465		47,485	1,025,975
Special Assessments	4,881			4,533	9,414
Charges for Services	110,582	2,075		3,000	115,657
Fines, Licenses and Permits	26,858	56,786			83,644
Earnings on Investments	162,600	21,834		46,611	231,045
Miscellaneous	49,631			22,828	72,459
Total Cash Receipts	<u>3,268,669</u>	<u>444,931</u>		<u>726,438</u>	<u>4,440,038</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,887,090	54,393			1,941,483
Public Health Services	21,332				21,332
Leisure Time Activities	55,012			2,977	57,989
Community Environment	47,415	8,599			56,014
Basic Utility Service	235,215				235,215
Transportation		217,894			217,894
General Government	1,003,209				1,003,209
Debt Service:					
Redemption of Principal				2,197,273	2,197,273
Interest and Fiscal Charges				190,844	190,844
Capital Outlay	110	171,147		1,144,017	1,315,274
Total Cash Disbursements	<u>3,249,383</u>	<u>452,033</u>		<u>3,535,111</u>	<u>7,236,527</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>19,286</u>	<u>(7,102)</u>		<u>(2,808,673)</u>	<u>(2,796,489)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				2,506,075	2,506,075
Transfers-In	3,155	1,500			4,655
Transfers-Out	(1,500)	(3,155)			(4,655)
Advances-In				110,000	110,000
Advances-Out	(110,000)				(110,000)
Total Other Financing Receipts / (Disbursements)	<u>(108,345)</u>	<u>(1,655)</u>		<u>2,616,075</u>	<u>2,506,075</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(89,059)	(8,757)		(192,598)	(290,414)
Fund Cash Balances, January 1	165,925	459,007	\$47,752	1,837,397	2,510,081
Fund Cash Balances, December 31	<u>\$76,866</u>	<u>\$450,250</u>	<u>\$47,752</u>	<u>\$1,644,799</u>	<u>\$2,219,667</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,722,667		\$1,722,667
Miscellaneous	21,947		21,947
Total Operating Cash Receipts	<u>1,744,614</u>		<u>1,744,614</u>
Operating Cash Disbursements:			
Personal Services	512,727		512,727
Contractual Services	594,189		594,189
Supplies and Materials	80,218		80,218
Other	632		632
Total Operating Cash Disbursements	<u>1,187,766</u>		<u>1,187,766</u>
Operating Income	<u>556,848</u>		<u>556,848</u>
Non-Operating Cash Receipts:			
Sale of Notes	890,855		890,855
Other Non-Operating Cash Receipts	150	\$2,713	2,863
Total Non-Operating Cash Receipts	<u>891,005</u>	<u>2,713</u>	<u>893,718</u>
Non-Operating Cash Disbursements:			
Capital Outlay	483,995		483,995
Redemption of Principal	1,111,398		1,111,398
Interest and Other Fiscal Charges	174,072		174,072
Other Non-Operating Cash Disbursements		2,560	2,560
Total Non-Operating Cash Disbursements	<u>1,769,465</u>	<u>2,560</u>	<u>1,772,025</u>
Net Receipts Over/(Under) Disbursements	(321,612)	153	(321,459)
Fund Cash Balances, January 1	<u>1,158,142</u>		<u>1,158,142</u>
Fund Cash Balances, December 31	<u>\$836,530</u>	<u>\$153</u>	<u>\$836,683</u>

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Waterville, Lucas County, Ohio (the Village), as a Chartered Home-rule body corporate and politic. A publicly-elected six-member Council and Mayor governs the Village according to its charter. The Village provides water and sewer utilities, park operations, and police and fire services.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposits and U.S. Treasury Notes at cost. The investments in STAR Ohio (State Treasurer's investment pool) are recorded at share values reported by STAR Ohio.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

General Obligation Note Fund - This fund is used to account for the payment of general obligation notes principal and interest.

4. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Five-Year Operating Budget Capital Fund – This fund is used for projected capital expenditures over the next five years.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs. The water is purchased from the City of Toledo.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Debt Fund - This fund receives charges for services from residents for loan proceeds from the Ohio Water Development Authority to pay water debt and pay for capital improvements related to the water department.

Sewer Debt Fund - This fund receives charges for services from residents to pay for sewer debt related to capital improvements in the sanitary sewer department.

6. Fiduciary Funds (Agency)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund (Lucas County Water Line Charge Fund) accounts for charges for services from residents outside the Village limits to cover the cost of providing this utility.

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2008	2007
Demand deposits	\$185,734	\$260,112
Certificates of deposit	592,245	1,098,000
Other time deposits (savings and NOW accounts)	444,540	1,402,653
Total deposits	1,222,519	2,760,765
U.S. Treasury Notes	1,027,511	251,645
STAR Ohio	296,438	43,940
Total investments	1,323,949	295,585
Total deposits and investments	\$2,546,468	\$3,056,350

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,329,196	\$3,262,822	(\$66,374)
Special Revenue	375,850	400,970	25,120
Capital Projects	3,855,346	3,842,681	(12,665)
Enterprise	3,144,580	3,219,488	74,908
Fiduciary	2,300	2,311	11
Total	\$10,707,272	\$10,728,272	\$21,000

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,384,771	\$3,289,652	\$95,119
Special Revenue	574,862	528,177	46,685
Debt Service	47,753	47,752	1
Capital Projects	4,760,301	4,234,075	526,226
Enterprise	3,846,001	3,136,658	709,343
Fiduciary	2,000	1,840	160
Total	\$12,615,688	\$11,238,154	\$1,377,534

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,241,291	\$3,271,824	\$30,533
Special Revenue	399,450	446,431	46,981
Capital Projects	3,298,666	3,232,513	(66,153)
Enterprise	2,541,400	2,635,619	94,219
Fiduciary	2,600	2,713	113
Total	\$9,483,407	\$9,589,100	\$105,693

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,392,182	\$3,250,883	\$141,299
Special Revenue	605,446	455,188	150,258
Debt Service	47,753		47,753
Capital Projects	3,298,666	3,535,111	(236,445)
Enterprise	2,541,400	2,957,231	(415,831)
Fiduciary	2,600	2,560	40
Total	\$9,888,047	\$10,200,973	(\$312,926)

4. Property Tax

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

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Seventy-five percent (75%) of the income tax proceeds are placed in the General Fund while twenty-five (25%) of the income tax proceeds are earmarked for capital expenditures.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$1,790,000	4.88 to 7.38%
General Obligation Notes	3,591,170	3.5%
Ohio Public Work Commission	862,051	0 to 1.0%
Ohio Water Development Authority Loan	216,160	5.85%
Total	<u>\$6,459,381</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water system expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$508,000 in loans to the Village for this project. The Village will repay the loans in annual installments totaling \$43,752, including interest, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village issued General Obligation Bonds of \$600,000 at 7.38 percent interest, payable semiannually over twenty years for the construction of a municipal and maintenance buildings.

The Village issued General Obligation Bonds of \$2,100,000 at a variable rate not to exceed 6.00 percent interest, payable semiannually over twenty-five years for the purpose of construction of a new fire station and associated costs, and to remodel and develop old fire station into a community multi-purpose center.

The Village issued General Obligation Bond Anticipation Notes of \$3,591,170 at 3.5 percent interest, payable in one year for various municipal capital improvement purposes.

The Village's taxing authority collateralizes the General Obligation Bonds and Notes.

The Ohio Public Works Commission (OPWC) loans totaling \$1,340,559 were for sewer improvements of \$609,276, water improvements of \$277,996 and road improvements of \$453,287. One sewer project related loan of \$129,202 carries a 1.0% interest rate, the other loans are non-interest bearing, all payable semiannually over up to a twenty-year period.

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

Year ending December 31:	<u>OPWC Loan</u>	<u>OWDA Loan</u>	<u>General Obligation Bonds</u>	<u>General Obligation Notes</u>
2009	\$46,262	\$43,752	\$179,461	\$3,694,416
2010	92,525	43,752	179,998	
2011	88,840	43,752	185,250	
2012	85,155	43,752	150,038	
2013	70,455	43,752	146,963	
2014-2018	232,333	43,752	725,475	
2019-2023	145,282		717,810	
2024-2029	112,377		429,883	
Total	<u>\$873,229</u>	<u>\$262,512</u>	<u>\$2,714,878</u>	<u>\$3,694,416</u>

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 24% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available):

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

**VILLAGE OF WATERVILLE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. Contractual Commitments

In 1973, the Village entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Waste Treatment Plant. In 1996, the Plant was expanded. The Village is to pay a portion of the construction cost of the plant to Lucas County over a period of 40 years. As of December 31, 2008, the Village owed Lucas County \$162,368 in principal and interest. The annual requirements to amortize this commitment are as follows:

Year ending December 31:	<u>Amount</u>
2009	\$19,102
2010	19,102
2011	19,102
2012	19,102
2013	19,102
2014 – 2017	<u>66,858</u>
Total	<u><u>\$162,368</u></u>

The Village is to pay a portion of the treatment plant's construction costs based on water usage. As of December 31, 2008 and based on current usage amounts the Village owed Lucas County \$318,084.



Mary Taylor, CPA

Auditor of State

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

Village of Waterville
Lucas County
P.O. Box 140
Waterville, Ohio 43566-0140

To the Village Council:

We have audited the financial statements of the Village of Waterville, Lucas County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 9, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 9, 2009

**VILLAGE OF WATERVILLE
LUCAS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2008 financial statements contained material errors, such as the following:

Loan proceeds in the Capital Projects Funds and Enterprise Funds were misclassified as intergovernmental revenue at \$246,242 and \$105,781, respectively.

Two adjusting entries were posted to the financial statements to correct these errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

The books and records of the Village of Waterville accurately reflected the loan proceeds noted in your finding. However, the link from the Village's book and records to the annual state report transferred State Issue II OPWC Loans to the incorrect Non-operating revenue line on the state report. The total non-operating revenues were correct.

In the past, the year end state report has gone directly from the Village of Waterville fiscal officer to the state. We will discuss and adopt internal control procedures with council and the finance committee to help identify errors and omissions in future reports.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WATERVILLE

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2009**