



Dave Yost • Auditor of State

**City of Waterville
Lucas County**

**General Purpose External Financial Statements
For the Year Ended December 31, 2014**

Local Government Services

City of Waterville
General Purpose External Financial Statements
For the Year Ended December 31, 2014
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Dave Yost • Auditor of State

City of Waterville
25 North Second Street
Waterville, Ohio 43566

Accountant's Compilation Report

We have compiled the accompanying basic financial statements of the City of Waterville as of and for the year ended December 31, 2014. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information, in the form of financial statements, without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The Management's Discussion and Analysis is required supplementary information required by the Governmental Accounting Standards Board. The Management's Discussion and Analysis was prepared by management. We did not compile the information nor do we express an opinion or provide any assurance on the information.

DAVE YOST
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

June 25, 2015

CITY OF WATERVILLE
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the City of Waterville's financial performance provides an overview of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2014 are as follows:

In total, the City's net position increased 5 percent from the prior year; governmental activities increased 9 percent and business-type activities decreased 2 percent.

The Sewer enterprise fund had an operating income and the Water enterprise fund had an operating loss. Both enterprise funds had a decrease in net position for 2014.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Waterville's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Various Improvements, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; water, sewer, storm sewer lines, etc.). These factors must be considered when assessing the overall health of the City.

CITY OF WATERVILLE
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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In the statement of net position and the statement of activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, leisure time activities, community environment, basic utility services, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Various Improvements, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

CITY OF WATERVILLE
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2014 and 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Current and Other Assets	\$4,857,677	\$4,218,361	\$1,856,216	\$1,836,379	\$6,713,893	\$6,054,740
Capital Assets, Net	15,980,260	15,353,984	12,098,140	12,091,806	28,078,400	27,445,790
Total Assets	20,837,937	19,572,345	13,954,356	13,928,185	34,792,293	33,500,530
<u>Liabilities</u>						
Current and Other Liabilities	414,380	360,168	2,250,882	1,783,272	2,665,262	2,143,440
Long-Term Liabilities	3,261,971	3,510,376	2,455,443	2,670,538	5,717,414	6,180,914
Total Liabilities	3,676,351	3,870,544	4,706,325	4,453,810	8,382,676	8,324,354
<u>Deferred Outflows of Resources</u>	366,780	355,352	0	0	366,780	355,352
<u>Net Position</u>						
Net Investment in Capital Assets	12,584,282	11,780,303	9,454,853	9,781,447	22,039,135	21,561,750
Restricted	1,853,796	1,938,052	0	0	1,853,796	1,938,052
Unrestricted (Deficit)	2,356,728	1,628,094	(206,822)	(307,072)	2,149,906	1,321,022
Total Net Position	\$16,794,806	\$15,346,449	\$9,248,031	\$9,474,375	\$26,042,837	\$24,820,824

Governmental activities had a 9 percent increase in net position from the prior year. The increase in current and other assets was primarily related to an increase in receivables from intergovernmental sources and municipal income taxes. The City had receivables from the Ohio Department of Transportation and the Ohio Public Works Commission for various construction activities. In 2014, the City contracted with the Regional Income Tax Agency (RITA) for income tax collection and processing. RITA provides the City with experts in the income tax field and improved efficiency in the collection and processing of income taxes. These increases are also reflected in the increase in unrestricted net position. The increase in the net investment in capital assets was due to a combination of capital assets acquisitions and the reduction in related long-term debt.

The most significant change for business-type activities was the increase in current and other liabilities due to additional debt issued for water system related improvements. The overall change in net positions (2 percent) was not significant.

CITY OF WATERVILLE
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2 reflects the change in net position for 2014 and 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$429,999	\$448,246	\$1,784,610	\$1,814,070	\$2,214,609	\$2,262,316
Operating Grants, Contributions, and Interest	283,926	294,150	0	0	283,926	294,150
Capital Grants and Contributions	786,374	253,330	0	0	786,374	253,330
Total Program Revenues	1,500,299	995,726	1,784,610	1,814,070	3,284,909	2,809,796
General Revenues						
Property Taxes Levied for General Purposes	332,937	328,972	0	0	332,937	328,972
Property Taxes Levied for Police Pension	31,212	30,839	0	0	31,212	30,839
Municipal Income Taxes	3,433,000	3,028,287	0	0	3,433,000	3,028,287
Payment in Lieu of Taxes	65,194	52,320	0	0	65,194	52,320
Grants and Entitlements not Restricted to Specific Programs	302,593	255,849	0	0	302,593	255,849
Franchise Taxes	87,037	86,649	0	0	87,037	86,649
Interest	28,320	4,339	2,666	0	30,986	4,339
Other	172,911	157,769	8,218	12,883	181,129	170,652
Total General Revenues	4,453,204	3,945,024	10,884	12,883	4,464,088	3,957,907
Total Revenues	5,953,503	4,940,750	1,795,494	1,826,953	7,748,997	6,767,703
<u>Program Expenses</u>						
Security of Persons and Property						
Police	1,156,251	1,170,024	0	0	1,156,251	1,170,024
Fire	515,091	614,826	0	0	515,091	614,826
Other	179,516	150,574	0	0	179,516	150,574
Leisure Time Activities	91,411	61,493	0	0	91,411	61,493
Community Environment	81,688	84,909	0	0	81,688	84,909
Basic Utility Services	242,743	275,598	0	0	242,743	275,598
Transportation	1,027,490	987,117	0	0	1,027,490	987,117
General Government	1,116,937	1,098,405	0	0	1,116,937	1,098,405
Interest and Fiscal Charges	79,019	81,263	0	0	79,019	81,263
Water	0	0	1,236,378	911,096	1,236,378	911,096
Sewer	0	0	800,460	782,946	800,460	782,946
Total Expenses	4,490,146	4,524,209	2,036,838	1,694,042	6,526,984	6,218,251
Increase (Decrease) in Net Position Before Transfers	1,463,357	416,541	(241,344)	132,911	1,222,013	549,452
Transfers	(15,000)	10,204	15,000	(10,204)	0	0
Increase (Decrease) in Net Position	1,448,357	426,745	(226,344)	122,707	1,222,013	549,452
Net Position Beginning of Year	15,346,449	14,919,704	9,474,375	9,351,668	24,820,824	24,271,372
Net Position End of Year	\$16,794,806	\$15,346,449	\$9,248,031	\$9,474,375	\$26,042,837	\$24,820,824

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For governmental activities, there was a sizable increase in program revenues from the prior year primarily due to additional grant resources related to construction and from contributed capital assets. There was a 13 percent increase in general revenues largely due to the increase in municipal income taxes.

The City's business-type activities are almost entirely funded through charges for services. There was very little change in revenues from the prior year. The increase in expenses was primarily related to the Water Fund and, in large part, due to the City of Toledo (the City's water provider) increasing its charge for bulk water purchased by the City. The City then adjusts its rates to its users accordingly.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Security of Persons and Property				
Police	\$1,156,251	\$1,170,024	\$1,128,118	\$1,139,615
Fire	515,091	614,826	369,734	538,679
Other	179,516	150,574	179,516	150,574
Leisure Time Activities	91,411	61,493	14,308	60,802
Community Environment	81,688	84,909	75,483	65,554
Basic Utility	242,743	275,598	10,107	47,322
Transportation	1,027,490	987,117	52,145	425,417
General Government	1,116,937	1,098,405	1,081,417	1,019,257
Interest and Fiscal Charges	79,019	81,263	79,019	81,263
Total Expenses	<u>\$4,490,146</u>	<u>\$4,524,209</u>	<u>\$2,989,847</u>	<u>\$3,528,483</u>

General revenues provided for 67 percent of the costs of providing governmental services in 2014 (78 percent in 2013). The City's most significant revenue source is municipal income taxes. Dependence on municipal income taxes and, to a lesser degree, property taxes is critical to the City's operations; there are few programs which are well supported through program revenues. The basic utility program charges for services include the fees for trash collection. The transportation program receives charges for services in the form of permissive motor vehicle license monies. The transportation program also receives operating grants in the form of State levied motor vehicle license fees and gas taxes.

CITY OF WATERVILLE
Management's Discussion and Analysis
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Unaudited

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Various Improvements capital projects fund. The General Fund had a 28 percent increase in fund balance despite an 11 percent decrease in revenues. In the prior year, the General Fund transferred over \$500,000 to other funds, for 2014 the transfer to other funds was only \$60,000.

The Various Improvements Fund had a 27 percent decrease in fund balance. In the prior year, this fund received a \$500,000 transfer from the General Fund, for 2014, this transfer was \$30,000. This reduction in resources was a primary factor contributing to the decrease in fund balance.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds. There was a 5 percent decrease in net position for the Water Fund. For 2014, the fund experienced an operating loss as expenses were greater than revenues. Expenses increased substantially due to ongoing construction activities.

The change in net position for the Sewer Fund was not significant.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January.

The City's most significant budgeted fund is the General Fund. Changes from the original budget to the final budget were not significant for both revenues and expenditures. Changes from the final budget to actual revenues and expenditures were primarily due to conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's net investment in capital assets for governmental and business-type activities as of December 31, 2014, was \$12,584,282 and \$9,454,853, respectively (net of accumulated depreciation and related debt). This net investment in capital assets includes land and land improvements, buildings, equipment, vehicles, and infrastructure (streets and water, sewer, and storm sewer lines). For governmental activities, the additions for 2014 primarily consisted of street improvements (both currently under construction as well as completed improvements) and land. Additions for business-type activities were largely water and sewer line construction related. For further information regarding the City's capital assets, refer to Note 8 to the basic financial statements.

Debt - At December 31, 2014, the City had \$2,900,000 in outstanding bond anticipation notes, \$2,210,000 in general obligation bonds, \$674,847 in Ohio Public Works Commission loans, \$39,322 in Ohio Water Development Authority loans, and \$1,920,361 in a long-term loan with Lucas County. Of this total outstanding debt, \$4,508,678 will be paid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include compensated absences. For further information regarding the City's debt, refer to Notes 14 and 15 to the basic financial statements.

CITY OF WATERVILLE
Management's Discussion and Analysis
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Unaudited

CURRENT ISSUES

The City continues to address budget challenges brought on by the economic downturn of the late 2000's and the continuation of State reductions in local government funding. The expectation is that the State will at least maintain the level of local government funding for the near future and not reduce it any further, however, understanding that additional cuts may occur. The total loss from the State discontinuing the tangible personal property and inheritance taxes has been detrimental to the General Fund. Slow positive growth in the economy has helped property tax valuations stabilize and the resulting revenue to grow slightly.

With the 2010 census resulting in the "Village of Waterville" being certified as a "City" on April 29, 2011, the City falls under civil service regulations. In 2014, the three labor union contracts in place since January 1, 2013, were renegotiated. The union contracts include the Ohio Patrolmen's Benevolent Association, including one contract for police command officers and one contract for patrol officers, and the Teamsters Union representing the public works technicians. All three contracts became effective January 1, 2015, and are for a three-year period.

Other current issues and events in the City include the following:

- The U.S. 24 by-pass roadway project was completed and opened in September 2012. This state and federal funded by-pass around the City's western limits has brought new commercial development including a Kroger grocery store complex with a gas station, a Farmers & Merchants Bank branch, a Speedway gas station, and an eight storefront strip center that currently includes as tenants, a Pizza Hut restaurant, the China King restaurant, Great Clips Salon, and the UPMC Rocket Pediatrics Medical facility. The Rite Aid drug store chain opened a facility on State Route 64/Waterville-Monclova Road near the Kroger location and the former Kroger store complex has been remodeled and J.R. Contracting, an established disaster cleaning/rebuilding construction company, is now operating from that location. Two companies, Surface Combustion and Crum Manufacturing, located in the City's industrial park, completed large expansions of their facilities in late 2013 and early 2014. Meijer Inc. has purchased a twenty-five acre site in the City and plans to build a grocery and general goods store. This Grand Rapids, Michigan based retailer purchased the site on Waterville Swanton Road (St. Rt. 64) near U.S. 24 at the end of January 2014. There will undoubtedly be additional commercial and other development, both within and outside the City limits near the by-pass intersection.
- In late 2013, property owners along the west corporation line of the City and at the U.S. 24 by-pass/State Route 64 interchange adjacent to the City's commercial corridor petitioned the City and Lucas County Commissioners to annex three hundred twenty-five acres of land to the City of Waterville. This expedited annexation culminated with the Lucas County Commissioner's approval and the City accepted the annexation petition in September 2014.
- In May 2013, construction began on an extension of water and sewer lines west on State Route 64 from the corporation line to the limit of the City's water and sewer district boundary to prepare for future development at the U.S. 24 by-pass intersection at State Route 64. This project was completed in early 2014 and will serve the area which includes the three hundred twenty-five acres of annexed land addressed above.

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- In 2014, the City issued general obligation bond anticipation notes, in the amount of \$2,900,000, to retire bond anticipation notes previously issued. The notes have a maturity of one year and have an interest rate of 1 percent. The City, during the process of issuing the notes, applied to and received a Standard & Poor's rating of SP-1+.
- Founded in 2013 and continuing strong in 2014, the Waterville Economic Development Corporation (WEDC), its membership consisting of the City of Waterville, business and business owners located in and around the City, interested private citizens, and local organizations, continues developing strategies for economic development in Waterville and working with other regional economic development organizations.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Dale Knepper, Finance Director, City of Waterville, 25 North Second Street, Waterville, Ohio 43566; at dknep@waterville.org; or at 419-878-8100.

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City of Waterville
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,261,842	\$1,620,106	\$3,881,948
Accounts Receivable	81,867	199,920	281,787
Accrued Interest Receivable	9,296	2,575	11,871
Due from Other Governments	800,283	0	800,283
Municipal Income Taxes Receivable	1,228,376	0	1,228,376
Other Local Taxes Receivable	4,270	0	4,270
Prepaid Items	24,829	5,740	30,569
Materials and Supplies Inventory	42,883	24,803	67,686
Property Taxes Receivable	372,819	0	372,819
Special Assessments Receivable	31,212	3,072	34,284
Nondepreciable Capital Assets	2,816,622	88,613	2,905,235
Depreciable Capital Assets, Net	13,163,638	12,009,527	25,173,165
Total Assets	20,837,937	13,954,356	34,792,293
<u>Liabilities</u>			
Accrued Wages Payable	39,487	8,034	47,521
Accounts Payable	30,816	1,481	32,297
Contracts Payable	147,463	50,199	197,662
Due to Other Governments	62,482	101,077	163,559
Retainage Payable	19,774	5,433	25,207
Accrued Interest Payable	8,659	8,759	17,418
Notes Payable	105,699	2,075,899	2,181,598
Long-Term Liabilities			
Due Within One Year	926,206	206,690	1,132,896
Due in More Than One Year	2,335,765	2,248,753	4,584,518
Total Liabilities	3,676,351	4,706,325	8,382,676
<u>Deferred Inflows of Resources</u>			
Property Taxes	366,780	0	366,780
<u>Net Position</u>			
Net Investment in Capital Assets	12,584,282	9,454,853	22,039,135
Restricted for			
Capital Projects	1,507,683	0	1,507,683
Other Purposes	205,661	0	205,661
Street Construction, Maintenance, and Repair	140,452	0	140,452
Unrestricted (Deficit)	2,356,728	(206,822)	2,149,906
Total Net Position	\$16,794,806	\$9,248,031	\$26,042,837

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$1,156,251	\$23,364	\$4,769	\$0
Fire	515,091	103,721	0	41,636
Other	179,516	0	0	0
Leisure Time Activities	91,411	603	0	76,500
Community Environment	81,688	6,205	0	0
Basic Utility Services	242,743	232,636	0	0
Transportation	1,027,490	27,950	279,157	668,238
General Government	1,116,937	35,520	0	0
Interest and Fiscal Charges	79,019	0	0	0
Total Governmental Activities	4,490,146	429,999	283,926	786,374
<u>Business-Type Activities</u>				
Water	1,236,378	1,016,573	0	0
Sewer	800,460	768,037	0	0
Total Business-Type Activities	2,036,838	1,784,610	0	0
Total	\$6,526,984	\$2,214,609	\$283,926	\$786,374

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied Police Pension
Municipal Income Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,128,118)	\$0	(\$1,128,118)
(369,734)	0	(369,734)
(179,516)	0	(179,516)
(14,308)	0	(14,308)
(75,483)	0	(75,483)
(10,107)	0	(10,107)
(52,145)	0	(52,145)
(1,081,417)	0	(1,081,417)
(79,019)	0	(79,019)
(2,989,847)	0	(2,989,847)
0	(219,805)	(219,805)
0	(32,423)	(32,423)
0	(252,228)	(252,228)
(2,989,847)	(252,228)	(3,242,075)
332,937	0	332,937
31,212	0	31,212
3,433,000	0	3,433,000
65,194	0	65,194
302,593	0	302,593
87,037	0	87,037
28,320	2,666	30,986
172,911	8,218	181,129
4,453,204	10,884	4,464,088
(15,000)	15,000	0
4,438,204	25,884	4,464,088
1,448,357	(226,344)	1,222,013
15,346,449	9,474,375	24,820,824
\$16,794,806	\$9,248,031	\$26,042,837

City of Waterville
Balance Sheet
Governmental Funds
December 31, 2014

	General	Various Improvements	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,255,807	\$656,915	\$349,120	\$2,261,842
Accounts Receivable	60,060	0	21,807	81,867
Accrued Interest Receivable	2,207	6,782	307	9,296
Due from Other Governments	154,974	516,865	128,444	800,283
Municipal Income Taxes Receivable	921,282	307,094	0	1,228,376
Other Local Taxes Receivable	0	0	4,270	4,270
Prepaid Items	19,125	0	5,704	24,829
Materials and Supplies Inventory	15,092	0	27,791	42,883
Property Taxes Receivable	340,938	0	31,881	372,819
Special Assessments Receivable	0	31,212	0	31,212
Total Assets	<u>\$2,769,485</u>	<u>\$1,518,868</u>	<u>\$569,324</u>	<u>\$4,857,677</u>
<u>Liabilities</u>				
Accrued Wages Payable	\$35,581	\$0	\$3,906	\$39,487
Accounts Payable	29,111	1,407	298	30,816
Contracts Payable	810	146,653	0	147,463
Due to Other Governments	41,567	0	20,915	62,482
Retainage Payable	0	19,774	0	19,774
Accrued Interest Payable	0	446	0	446
Notes Payable	0	105,699	0	105,699
Total Liabilities	<u>107,069</u>	<u>273,979</u>	<u>25,119</u>	<u>406,167</u>
<u>Deferred Inflows of Resources</u>				
Property Taxes	335,417	0	31,363	366,780
Unavailable Revenue	1,015,006	342,394	132,981	1,490,381
Total Deferred Inflows of Resources	<u>1,350,423</u>	<u>342,394</u>	<u>164,344</u>	<u>1,857,161</u>
<u>Fund Balance</u>				
Nonspendable	34,217	0	33,495	67,712
Restricted	0	902,495	219,893	1,122,388
Committed	52,279	0	126,473	178,752
Unassigned	1,225,497	0	0	1,225,497
Total Fund Balance	<u>1,311,993</u>	<u>902,495</u>	<u>379,861</u>	<u>2,594,349</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$2,769,485</u>	<u>\$1,518,868</u>	<u>\$569,324</u>	<u>\$4,857,677</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
December 31, 2014

Total Governmental Fund Balance	\$2,594,349
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,980,260
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	46,672	
Accrued Interest Receivable	3,358	
Due from Other Governments	265,446	
Municipal Income Taxes Receivable	1,131,914	
Delinquent Property Taxes Receivable	6,039	
Special Assessments Receivable	36,952	
		1,490,381

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(8,213)	
Bond Anticipation Notes Payable	(718,402)	
General Obligations Bonds Payable	(2,210,000)	
OPWC Loans Payable	(201,751)	
Compensated Absences Payable	(131,818)	
		(3,270,184)

Net Position of Governmental Activities	<u>\$16,794,806</u>
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See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014

	General	Various Improvements	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$333,453	\$0	\$31,260	\$364,713
Municipal Income Taxes	2,057,586	685,861	0	2,743,447
Other Local Taxes	0	0	27,950	27,950
Payment in Lieu of Taxes	0	0	65,194	65,194
Special Assessments	0	10,548	0	10,548
Charges for Services	347,636	0	0	347,636
Fees, Licenses, and Permits	21,361	0	100,853	122,214
Fines and Forfeitures	20,097	0	1,657	21,754
Intergovernmental	289,435	646,759	283,372	1,219,566
Interest	29,943	2,405	1,148	33,496
Other	119,386	47,670	2,680	169,736
Total Revenues	3,218,897	1,393,243	514,114	5,126,254
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,100,208	60,000	43,468	1,203,676
Fire	431,508	70,794	0	502,302
Other	82,441	97,075	0	179,516
Leisure Time Activities	19,785	0	158,342	178,127
Community Environment	30,136	56,526	0	86,662
Basic Utility Services	242,743	0	0	242,743
Transportation	0	1,056,153	342,935	1,399,088
General Government	969,835	78,977	65,194	1,114,006
Debt Service:				
Principal Retirement	644	155,209	0	155,853
Current Refunding	0	105,699	0	105,699
Interest and Fiscal Charges	2	78,655	0	78,657
Total Expenditures	2,877,302	1,759,088	609,939	5,246,329
Excess of Revenues Over (Under) Expenditures	341,595	(365,845)	(95,825)	(120,075)
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	2,060	0	0	2,060
Bond Anticipation Notes Issued	0	718,402	0	718,402
Current Refunding	0	(718,402)	0	(718,402)
Transfers In	0	30,000	15,000	45,000
Transfers Out	(60,000)	0	0	(60,000)
Total Other Financing Sources (Uses)	(57,940)	30,000	15,000	(12,940)
Change in Fund Balance	283,655	(335,845)	(80,825)	(133,015)
Fund Balance Beginning of Year	1,028,338	1,238,340	460,686	2,727,364
Fund Balance End of Year	\$1,311,993	\$902,495	\$379,861	\$2,594,349

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Reconciliation of Statement of Revenues, Expenditures,
and Change in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2014

Change in Fund Balance - Total Governmental Funds (\$133,015)

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

Governmental funds report capital outlays as expenditures. However, on 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 capital outlay exceeded depreciation in the current year.

Capital Outlay- Nondepreciable Capital Assets	926,760	
Capital Outlay- Depreciable Capital Assets	402,204	
Capital Contributions	118,136	
Depreciation	<u>(820,824)</u>	
		626,276

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the book value of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(2,060)	
Gain on Disposal of Capital Assets	<u>2,060</u>	
		0

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

Delinquent Property Taxes	(564)	
Municipal Income Taxes	689,553	
Special Assessments	(4,343)	
Charges for Services	3,773	
Fees, Licenses, and Permits	(12,496)	
Intergovernmental	33,936	
Interest	(3,921)	
Miscellaneous	<u>1,115</u>	
		707,053

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

Bond Anticipation Notes Payable	824,101	
General Obligation Bonds Payable	135,000	
OPWC Loans Payable	20,209	
Capital Leases Payable	<u>644</u>	
		979,954

Bond anticipation note proceeds are other financing sources in governmental funds but the issuance increases long-term liabilities on the statement of net position. (718,402)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. (362)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (13,147)

Change in Net Position of Governmental Activities \$1,448,357

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<u>Revenues</u>				
Property Taxes	\$371,400	\$324,000	\$333,453	\$9,453
Municipal Income Taxes	2,146,593	2,188,993	2,208,266	19,273
Charges for Services	318,666	320,505	343,373	22,868
Fees, Licenses, and Permits	8,237	8,400	21,361	12,961
Fines and Forfeitures	8,581	8,750	20,821	12,071
Intergovernmental	283,227	288,750	288,482	(268)
Interest	24,516	25,000	16,141	(8,859)
Other	49,277	60,705	119,902	59,197
Total Revenues	3,210,497	3,225,103	3,351,799	126,696
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,341,119	1,272,047	1,095,355	176,692
Fire	466,804	486,669	448,528	38,141
Other	78,960	87,960	79,522	8,438
Leisure Time Activities	17,000	19,965	19,785	180
Community Environment	33,225	33,375	30,157	3,218
Basic Utility Services	267,038	264,038	242,943	21,095
General Government	1,024,558	1,083,590	976,800	106,790
Total Expenditures	3,228,704	3,247,644	2,893,090	354,554
Excess of Revenues Over (Under) Expenditures	(18,207)	(22,541)	458,709	481,250
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	2,060	2,060
Advances In	11,768	6,000	6,000	0
Transfers Out	(45,000)	(60,000)	(60,000)	0
Total Other Financing Sources (Uses)	(33,232)	(54,000)	(51,940)	2,060
Change in Fund Balance	(51,439)	(76,541)	406,769	483,310
Fund Balance Beginning of Year	854,688	854,688	854,688	0
Fund Balance End of Year	\$803,249	\$778,147	\$1,261,457	\$483,310

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Fund Net Position
Enterprise Funds
December 31, 2014

	Water	Sewer	Total Enterprise Funds
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$611,693	\$1,008,413	\$1,620,106
Accounts Receivable	106,738	93,182	199,920
Accrued Interest Receivable	981	1,594	2,575
Prepaid Items	2,357	3,383	5,740
Materials and Supplies Inventory	20,973	3,830	24,803
Special Assessments Receivable	0	1,062	1,062
Total Current Assets	742,742	1,111,464	1,854,206
<u>Non-Current Assets</u>			
Special Assessments Receivable	0	2,010	2,010
Nondepreciable Capital Assets	69,170	19,443	88,613
Depreciable Capital Assets, Net	5,371,215	6,638,312	12,009,527
Total Non-Current Assets	5,440,385	6,659,765	12,100,150
Total Assets	6,183,127	7,771,229	13,954,356
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	3,976	4,058	8,034
Accounts Payable	117	1,364	1,481
Contracts Payable	49,868	331	50,199
Due to Other Governments	98,427	2,650	101,077
Retainage Payable	5,433	0	5,433
Accrued Interest Payable	5,427	3,332	8,759
Notes Payable	1,286,234	789,665	2,075,899
OPWC Loans Payable	20,170	23,252	43,422
OWDA Loans Payable	0	1,987	1,987
Due to Lucas County	0	155,119	155,119
Compensated Absences Payable	3,526	2,636	6,162
Total Current Liabilities	1,473,178	984,394	2,457,572
<u>Non-Current Liabilities</u>			
OPWC Loans Payable	189,438	240,236	429,674
OWDA Loans Payable	0	37,335	37,335
Due to Lucas County	263,771	1,501,471	1,765,242
Compensated Absences Payable	11,314	5,188	16,502
Total Non-Current Liabilities	464,523	1,784,230	2,248,753
Total Liabilities	1,937,701	2,768,624	4,706,325
<u>Net Position</u>			
Net Investment in Capital Assets	3,889,573	5,565,280	9,454,853
Unrestricted (Deficit)	355,853	(562,675)	(206,822)
Total Net Position	\$4,245,426	\$5,002,605	\$9,248,031

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Revenues, Expenses,
and Change in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2014

	Water	Sewer	Total Enterprise Funds
<u>Operating Revenues</u>			
Charges for Services	\$1,016,573	\$768,037	\$1,784,610
Other	5,965	2,253	8,218
Total Operating Revenues	<u>1,022,538</u>	<u>770,290</u>	<u>1,792,828</u>
<u>Operating Expenses</u>			
Personal Services	199,981	190,788	390,769
Contractual Services	651,930	233,506	885,436
Materials and Supplies	171,771	43,508	215,279
Depreciation	196,361	242,789	439,150
Other	1,086	0	1,086
Total Operating Expenses	<u>1,221,129</u>	<u>710,591</u>	<u>1,931,720</u>
Operating Income (Loss)	<u>(198,591)</u>	<u>59,699</u>	<u>(138,892)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Revenue	1,409	1,257	2,666
Interest Expense	(15,249)	(89,869)	(105,118)
Total Non-Operating Revenues (Expenses)	<u>(13,840)</u>	<u>(88,612)</u>	<u>(102,452)</u>
Loss Before Transfers	(212,431)	(28,913)	(241,344)
Transfers In	<u>0</u>	<u>15,000</u>	<u>15,000</u>
Change in Net Position	(212,431)	(13,913)	(226,344)
Net Position Beginning of Year	<u>4,457,857</u>	<u>5,016,518</u>	<u>9,474,375</u>
Net Position End of Year	<u><u>\$4,245,426</u></u>	<u><u>\$5,002,605</u></u>	<u><u>\$9,248,031</u></u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014

	Water	Sewer	Total Enterprise Funds
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$1,014,667	\$765,725	\$1,780,392
Cash Received from Other Revenues	5,965	2,253	8,218
Cash Payments for Personal Services	(196,656)	(189,345)	(386,001)
Cash Payments for Contractual Services	(640,597)	(232,570)	(873,167)
Cash Payments to Vendors	(118,388)	(48,832)	(167,220)
Cash Payments for Other Expenses	(1,217)	0	(1,217)
Net Cash Provided by Operating Activities	63,774	297,231	361,005
<u>Cash Flows from Noncapital Financing Activities</u>			
Cash Payments for Advances Out	0	(6,000)	(6,000)
Cash Received from Transfers In	0	15,000	15,000
Net Cash Provided by Noncapital Financing Activities	0	9,000	9,000
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Bond Anticipation Notes	(845,549)	(858,229)	(1,703,778)
Principal Paid on OPWC Loans	(27,707)	(23,191)	(50,898)
Principal Paid on OWDA Loans	(41,332)	(1,933)	(43,265)
Principal Paid to Lucas County	(6,743)	(118,030)	(124,773)
Interest Paid on Bond Anticipation Notes	(12,685)	(12,874)	(25,559)
Interest Paid on OPWC Loans	0	(884)	(884)
Interest Paid on OWDA Loans	(2,419)	(1,121)	(3,540)
Interest Paid to Lucas County	0	(77,018)	(77,018)
Bond Anticipation Notes Issued	1,286,234	789,665	2,075,899
Acquisition of Capital Assets	(352,028)	(38,486)	(390,514)
Net Cash Used for Capital and Related Financing Activities	(2,229)	(342,101)	(344,330)
<u>Cash Flows from Investing Activities</u>			
Interest	428	(337)	91
Net Increase (Decrease) in Cash and Cash Equivalents	61,973	(36,207)	25,675
Cash and Cash Equivalents Beginning of Year	549,720	1,044,620	1,594,340
Cash and Cash Equivalents End of Year	\$611,693	\$1,008,413	\$1,620,015

(continued)

City of Waterville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014
(continued)

	Water	Sewer	Total Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	(\$198,591)	\$59,699	(\$138,892)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>			
Depreciation	196,361	242,789	439,150
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(1,906)	(3,410)	(5,316)
Increase in Prepaid Items	(67)	(367)	(434)
(Increase) Decrease in Materials and Supplies Inventory	19,313	(157)	19,156
Decrease in Special Assessments Receivable	0	1,098	1,098
Increase in Accrued Wages Payable	792	771	1,563
Increase (Decrease) in Accounts Payable	(388)	972	584
Decrease in Contracts Payable	(20,686)	(4,836)	(25,522)
Increase (Decrease) in Due to Other Governments	66,327	(550)	65,777
Increase in Compensated Absences Payable	2,619	1,222	3,841
Net Cash Provided by Operating Activities	<u>\$63,774</u>	<u>\$297,231</u>	<u>\$361,005</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 1 - DESCRIPTION OF THE CITY OF WATERVILLE AND THE REPORTING ENTITY

A. The City

The City of Waterville (City) is a charter municipal corporation with the charter adopted by the electors on May 3, 1966. Waterville became a village in 1831 and was incorporated as a city on April 29, 2011. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws in Ohio.

The City operates under a council-administrator form of government. Legislative power is vested in a six member council and a Mayor, each elected to a four-year term. The Council is responsible for appointing a full-time Municipal Administrator.

The City of Waterville is divided into various departments and financial management and control systems. Services provided include police protection, a volunteer fire department, parks and recreation, street maintenance and repair, and water, sewer, and storm sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Municipal Administrator through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Waterville consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Waterville in 2014.

The City participates in an insurance pool, the Ohio Government Risk Management Plan, which is presented in Note 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waterville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the City's accounting policies.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental in nature 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 City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. 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 that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are reported in two categories, governmental and proprietary.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds.

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Various Improvements - The Various Improvements capital projects fund accounts for income tax receipts, note proceeds, and grant monies used for construction projects or to acquire capital assets.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

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 City's major enterprise funds:

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

Sewer Fund - The Sewer Fund accounts for the provision of sanitary and storm sewer service to residential and commercial users within the City.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reflects 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 financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. 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; enterprise funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues 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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle registration fees), grants, and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report 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 that time. The City did not report any deferred outflows of resources for 2014.

In addition to liabilities, the statement of financial position may report 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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

On the accrual basis, 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. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the City prior to year end.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2014, the City's investments included negotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2014.

Interest earnings are allocated to City funds according to State statutes or grant requirements. Interest revenue credited to the General Fund during 2014 was \$29,943, which includes \$15,013 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars. 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 capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All 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 City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20-40 years
Buildings and Improvements	35-100 years
Furniture, Fixtures, and Equipment	5-50 years
Vehicles	5-30 years
Streets	15-40 years
Water, Sewer, and Storm Sewer Lines	50 years

J. 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 the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving 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 City policies. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

K. 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, general obligation bonds, long-term loans, and capital leases are recognized as liabilities on the fund financial statements when due.

L. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities for maintenance and repair of State highways and various police department grants and programs. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

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

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinance).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 classification are intended to be used by the City 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. Assigned amounts represent intended uses established by City Council. City Council has authorized the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

The City first applies restricted resources when an expenditure is 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 can be used.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer, and storm sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Capital Contributions

Capital contributions arise from contributions from other governments and outside contributions of capital assets.

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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 nonoperating revenues/expenses in the 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.

Q. Estimates

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

NOTE 3 - BUDGETARY BASIS OF 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 Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

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 restricted, committed, or assigned fund balance (GAAP basis).

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Change in Fund Balance	
GAAP Basis	\$283,655
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2013, Received in Cash 2014	277,312
Accrued 2014, Not Yet Received in Cash	(129,038)
Expenditure Accruals:	
Accrued 2013, Paid in Cash 2014	(117,700)
Accrued 2014, Not Yet Paid in Cash	107,069
Cash Adjustments:	
Unrecorded Activity 2013	(21,022)
Unrecorded Activity 2014	5,650
Prepaid Items	1,062
Materials and Supplies Inventory	(6,219)
Advances In	6,000
Budget Basis	<u>\$406,769</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

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 or deposit accounts, including passbook accounts.

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

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

1. United States Treasury 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,358,046 of the City's bank balance of \$1,608,046 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2014, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Negotiable Certificate of Deposit	\$75,017	2/6/15
Negotiable Certificate of Deposit	125,044	3/27/15
Negotiable Certificate of Deposit	101,624	9/23/16
Negotiable Certificate of Deposit	25,252	6/8/17
Negotiable Certificate of Deposit	41,305	8/3/17
Negotiable Certificate of Deposit	48,335	8/17/17
Negotiable Certificate of Deposit	247,462	10/3/17
Negotiable Certificate of Deposit	322,305	12/18/17
Negotiable Certificate of Deposit	99,429	3/12/18
Negotiable Certificate of Deposit	197,844	3/27/18
Negotiable Certificate of Deposit	98,667	4/30/18
Negotiable Certificate of Deposit	123,071	6/20/18
Negotiable Certificate of Deposit	205,984	11/27/18
Negotiable Certificate of Deposit	99,330	1/31/19
Federal Home Loan Bank Notes	99,880	11/20/17
Federal Home Loan Bank Notes	198,742	2/22/18
Federal Home Loan Bank Notes	100,104	6/26/19
Federal National Mortgage Association Notes	99,567	2/28/18
Star Ohio	6,440	50 days
Total Investments	<u>\$2,315,402</u>	

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

All securities carry a rating of AAA by Moody's, except STAR Ohio which carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$1,810,669	78.2%
Federal Home Loan Bank Notes	398,726	17.2
Federal National Mortgage Association Notes	99,567	4.3

NOTE 5 - RECEIVABLES

Receivables at December 31, 2014, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; property taxes; and special assessments. All receivables are expected to be collected within one year, except as noted. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments receivable, in the amount of \$28,812, will not be received within one year. At December 31, 2014, the amount of delinquent special assessments was \$1,490.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$25,827
Local Government	128,039
City of Maumee	1,108
Total General Fund	154,974
	(continued)

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 5 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Major Funds (continued)	
Various Improvements	
Ohio Department of Transportation	\$495,386
Ohio Public Works Commission	21,479
Total Various Improvements	516,865
Total Major Funds	671,839
Nonmajor Funds	
Street Maintenance	
Gasoline Tax	92,302
Motor Vehicle License Tax	17,703
Total Street Maintenance	110,005
State Highway	
Gasoline Tax	7,484
Motor Vehicle License Tax	1,436
Total State Highway	8,920
Permissive Tax	
Permissive Tax	6,937
Police Pension	
Homestead and Rollback	2,421
State of Ohio	161
Total Police Pension	2,582
Total Nonmajor Funds	128,444
Total Governmental Activities	\$800,283

NOTE 6 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 75 percent (up to 1.5 percent of the 2 percent income tax total) of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue was credited to the General Fund (1.5 percent) and to the Various Improvements capital projects fund (.5 percent) for 2014.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2014 represent the collection of 2013 taxes. Real property taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2014 represent the collection of 2013 taxes. Public utility real and tangible personal property taxes received in 2014 became a lien on December 31, 2012, were levied after October 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City Waterville. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.50 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Agricultural/Residential	\$105,317,460
Commercial/Industrial	13,015,410
Public Utility Real	22,460
Public Utility Personal	2,616,460
Total	<u>\$120,971,790</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$1,813,362	\$76,500	\$0	\$1,889,862
Construction in Progress	0	926,760	0	926,760
Total Nondepreciable Capital Assets	1,813,362	1,003,260	0	2,816,622
Depreciable Capital Assets				
Land Improvements	140,464	106,001	0	246,465
Buildings and Improvements	1,286,294	0	0	1,286,294
Furniture, Fixtures, and Equipment	784,962	102,707	(18,032)	869,637
Vehicles	2,212,011	63,534	(30,960)	2,244,585
Streets	26,869,787	171,598	0	27,041,385
Total Depreciable Capital Assets	31,293,518	443,840	(48,992)	31,688,366
Less Accumulated Depreciation for				
Land Improvements	(88,786)	(5,218)	0	(94,004)
Buildings and Improvements	(177,921)	(14,079)	0	(192,000)
Furniture, Fixtures, and Equipment	(529,189)	(28,260)	18,032	(539,417)
Vehicles	(1,090,706)	(93,108)	30,960	(1,152,854)
Streets	(15,866,294)	(680,159)	0	(16,546,453)
Total Accumulated Depreciation	(17,752,896)	(820,824)	48,992	(18,524,728)
Total Depreciable Capital Assets, Net	13,540,622	(376,984)	0	13,163,638
Governmental Activities Capital Assets, Net	\$15,353,984	\$626,276	\$0	\$15,980,260

Governmental activities accepted contributions of capital assets from other governments and outside sources, with a fair value of \$118,136, during 2014.

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$33,643	\$0	\$0	\$33,643
Construction in Progress	966,650	138,775	(1,050,455)	54,970
Total Nondepreciable Capital Assets	1,000,293	138,775	(1,050,455)	88,613
Depreciable Capital Assets				
Buildings and Improvements	148,393	0	0	148,393
Furniture, Fixtures, and Equipment	1,719,529	282,276	0	2,001,805
Vehicles	225,689	24,433	0	250,122
Water, Sewer, and Storm Sewer Lines	17,736,669	1,050,455	0	18,787,124
Total Depreciable Capital Assets	19,830,280	1,357,164	0	21,187,444

(continued)

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 8 - CAPITAL ASSETS (continued)

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Business-Type Activities (continued):				
Less Accumulated Depreciation for				
Buildings and Improvements	(\$61,675)	(\$2,403)	\$0	(\$64,078)
Furniture, Fixtures, and Equipment	(1,020,298)	(66,955)	0	(1,087,253)
Vehicles	(183,038)	(15,047)	0	(198,085)
Water, Sewer, and Storm Sewer Lines	(7,473,756)	(354,745)	0	(7,828,501)
Total Accumulated Depreciation	(8,738,767)	(439,150)	0	(9,177,917)
Total Depreciable Capital Assets, Net	11,091,513	918,014	0	12,009,527
Business-Type Activities Capital Assets, Net	\$12,091,806	\$1,056,789	(\$1,050,455)	\$12,098,140

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$12,964
Security of Persons and Property - Fire	70,440
Leisure Time Activities	14,311
Transportation	709,411
General Government	13,698
Total Depreciation Expense - Governmental Activities	\$820,824

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Blanket Building and Personal Property	\$10,216,115	\$1,000
Special Property	1,140,921	1,000
General Liability		
Occurrence	5,000,000	0
Aggregate	7,000,000	0
Employer's Liability		
Occurrence	5,000,000	0
Aggregate	5,000,000	0

(continued)

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 9 - RISK MANAGEMENT (continued)

Type of Coverage	Coverage	Deductible
Employee Benefits		
Occurrence	\$5,000,000	\$0
Aggregate	7,000,000	0
Public Officials Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Law Enforcement Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Auto Liability	5,000,000	250/500
Builders Risk	500,000	0

There has been no significant reduction in insurance coverage from 2013 and no insurance settlement has exceeded insurance coverage during the last three years.

Worker's compensation is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

NOTE 10 - CONTRACTUAL COMMITMENTS

At December 31, 2014, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Gerkin Paving, Inc.	Waterville/Monclova	\$157,655
Henry W. Bergman, Inc.	2014 Paving Project	55,691
Mannik & Smith Group, Inc.	Waterville/Monclova	1,345
Proudfoot Associates	Various Updates	2,012
Zaiser Communications, Inc.	Council Chambers	6,166

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 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 statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$99,800, \$118,597, and \$80,334, respectively. For 2014, 98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$1,720 made by the City and \$1,228 made by the plan members.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. 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 for the plan. The report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$131,101 and \$13,501 for the year ended December 31, 2014, \$108,614 and \$15,225 for the year ended December 31, 2013, and \$82,377 and \$10,514 for the year ended December 31, 2012. For 2014, 96 percent has been contributed for both police and firefighters with the balance for each being reported as intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$16,920, \$9,236, and \$32,709, respectively. For 2014, 98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

B. Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan .5 percent of covered payroll. The amount of employer contribution 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 OPF 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.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$3,450 and \$287 for the year ended December 31, 2014, \$24,732 and \$2,702 for the year ended December 31, 2013, \$43,611 and \$4,114 for the year ended December 31, 2012. For 2014, 96 percent has been contributed for both police and firefighters with the balance for each being reported as intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 13 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn vacation at varying rates depending on length of service. Current policy credits vacation leave each biweekly pay period. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Upon retirement, full-time employees within in the sergeant police unit with ten or more years of service, who were hired before August 8, 1983, are entitled to receive all of their accrued but unused sick leave up to a maximum of nine hundred sixty hours. All other full-time employees with ten or more years of service, who were hired after August 8, 1983, are entitled to receive one-fourth of the value of their unused sick leave up to a maximum of two hundred forty hours.

NOTE 14 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2014, were as follows:

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
<u>Governmental Activities</u>					
General Obligation Bond					
Anticipation Notes					
2013 Various Purpose	1.5%	\$109,882	\$0	\$109,882	\$0
2014 Various Purpose	1.0	0	105,699	0	105,699
Total Bond Anticipation Notes		<u>\$109,882</u>	<u>\$105,699</u>	<u>\$109,882</u>	<u>\$105,699</u>
<u>Business-Type Activities</u>					
General Obligation Bond					
Anticipation Notes					
Enterprise Funds					
2013 Water Improvements	1.5%	\$845,549	\$0	\$845,549	\$0
2014 Water Improvements	1.0	0	1,286,234	0	1,286,234
2013 Wastewater Improvements	1.5	858,229	0	858,229	0
2014 Wastewater Improvements	1.0	0	789,665	0	789,665
Total Bond Anticipation Notes		<u>\$1,703,778</u>	<u>\$2,075,899</u>	<u>\$1,703,778</u>	<u>\$2,075,899</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 14 - NOTES PAYABLE (continued)

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds. All of the City's bond anticipation notes are backed by the full faith and credit of the City of Waterville.

The bond anticipation notes, in the amount of \$105,699, were issued on July 30, 2014, to partially retire notes previously issued in 2013 for various purposes. The notes have an interest rate of 1 percent and mature on July 29, 2015. The notes will be paid from the Various Improvements capital projects fund.

The bond anticipation notes in the Water enterprise fund, in the amount of \$1,286,234, were issued on July 30, 2014, to retire notes previously issued as well as for additional resources to improve water lines and water towers. The notes have an interest rate of 1 percent and mature on July 29, 2015. As of December 31, 2014, all proceeds were spent.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$789,665, were issued on July 30, 2014, to partially retire notes previously issued to improve sanitary sewer lines and storm sewer lines. The notes have an interest rate of 1 percent and mature on July 29, 2015. As of December 31, 2014, all proceeds were spent.

NOTE 15 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2014, was as follows:

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<u>Governmental Activities</u>						
Bond Anticipation Notes						
2013 Various Purpose	1.5%	\$824,101	\$0	\$824,101	\$0	\$0
2014 Various Purpose	1.0	0	718,402	0	718,402	718,402
Total Bond Anticipation Notes		824,101	718,402	824,101	718,402	718,402
General Obligation Bonds						
2012 Various Purpose Refunding (Original Amount \$2,545,000)	2	2,345,000	0	135,000	2,210,000	135,000
OPWC Loans						
1999 OPWC Loans Payable (Original Amount \$157,946)	0	43,435	0	7,897	35,538	7,897
2008 OPWC Loans Payable (Original Amount \$246,242)	0	178,525	0	12,312	166,213	12,312
Total OPWC Loans		221,960	0	20,209	201,751	20,209
Other Long-Term Obligations						
Capital Leases Payable		644	0	644	0	0
Compensated Absences Payable		118,671	13,147	0	131,818	52,595
Total Other Long-Term Obligations		119,315	13,147	644	131,818	52,595
Total Governmental Activities		\$3,510,376	\$731,549	\$979,954	\$3,261,971	\$926,206

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<u>Business-Type Activities</u>						
OPWC Loans						
1999 OPWC Loans Payable (Original Amount \$128,489)	0%	\$35,336	\$0	\$6,426	\$28,910	\$6,423
2004 OPWC Loans Payable (Original Amount \$57,585)	0	31,673	0	2,879	28,794	2,879
2005 OPWC Loans Payable (Original Amount \$150,689)	0	22,603	0	15,069	7,534	7,534
2006 OPWC Loans Payable (Original Amount \$129,202)	.01	90,004	0	6,259	83,745	6,322
2009 OPWC Loans Payable (Original Amount \$127,307)	0	98,664	0	6,366	92,298	6,364
2010 OPWC Loans Payable (Original Amount \$152,550)	0	129,666	0	7,627	122,039	7,628
2011 OPWC Loans Payable (Original Amount \$125,456)	0	116,048	0	6,272	109,776	6,272
Total OPWC Loans		523,994	0	50,898	473,096	43,422
OWDA Loans						
1995 OWDA Loans Payable (Original Amount \$508,000)	5.85	41,332	0	41,332	0	0
2010 OWDA Loans Payable (Original Amount \$172,380)	2.75	41,255	0	1,933	39,322	1,987
Total OWDA Loans		82,587	0	43,265	39,322	1,987
Other Long-Term Obligations						
Due to Lucas County		2,045,134	0	124,773	1,920,361	155,119
Compensated Absences Payable		18,823	3,841	0	22,664	6,162
Total Other Long-Term Obligations		2,063,957	3,841	124,773	1,943,025	161,281
Total Business-Type Activities		\$2,670,538	\$3,841	\$218,936	\$2,455,443	\$206,690

Bond Anticipation Notes

On July 30, 2014, the City issued bond anticipation notes, in the amount of \$718,402 to partially retire notes previously issued in 2013 for various purposes. The notes have an interest rate of 1 percent and mature on July 29, 2015. The notes will be paid from the Various Improvements capital projects fund.

General Obligation Bonds

On August 2, 2012, the City issued unvoted general obligation bonds, in the amount of \$2,545,000; \$1,040,000 to retire bond anticipation notes previously issued and \$1,505,000 to advance refund 2002 various purpose bonds. The refunding bond issue includes serial and term bonds. The bonds were issued for a twenty-three year period, with final maturity in 2035. The bonds are being retired through the Various Improvements capital projects fund.

At December 31, 2014, \$1,305,000 of the refunded bonds was still outstanding.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2019	\$140,000

The remaining principal, in the amount of \$145,000, will be paid at stated maturity on December 1, 2020.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2021	\$145,000

The remaining principal, in the amount of \$160,000, will be paid at stated maturity on December 1, 2022.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2023	\$165,000

The remaining principal, in the amount of \$170,000, will be paid at stated maturity on December 1, 2024.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2025	\$170,000

The remaining principal, in the amount of \$180,000, will be paid at stated maturity on December 1, 2026.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2027	\$55,000
2028	55,000
2029	55,000
2030	60,000

The remaining principal, in the amount of \$60,000, will be paid at stated maturity on December 1, 2031.

The bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2032	\$15,000
2033	15,000
2034	15,000

The remaining principal, in the amount of \$15,000, will be paid at stated maturity on December 1, 2035.

The serial bonds maturing on or after December 1, 2022, are subject to optional redemption prior to maturity, either in whole or in part, in inverse order of maturity, in integral multiples of \$5,000, on any date on or after December 31, 2012, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Compensated Absences

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance special revenue fund, and the Water and Sewer enterprise funds.

OPWC Loans Payable

The City has entered into loan agreements with the Ohio Public Works Commission for various street related and water and sewer related projects. With the exception of Dutch Road lift station, the loans are interest free. The loans will be paid from resources of the Various Improvements capital projects fund and the Water and Sewer enterprise funds.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

OWDA Loans Payable

The City has entered into loan agreements with the Ohio Water Development Authority for construction of a water line and a sanitary sewer project. The loans will be paid from resources of the Water and Sewer enterprise funds.

The OPWC and OWDA loans for water and sewer projects are to be paid from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the OPWC and OWDA loans are \$478,651 and \$48,870, respectively. Principal and interest paid for the current year and net revenues (loss) were \$71,458 and (\$2,230) for the Water enterprise fund and \$27,129 and \$302,488 for the Sewer enterprise fund.

Due to Lucas County

In 1973, the City entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Wastewater Treatment Plant with the City paying a portion of the construction cost to Lucas County over a 40 year period. In 1996, the plant was expanded and the City agreed to pay a portion of expansion costs based on the City's quarterly consumption rate. In 2007, the plant again expanded. The City agreed to pay 13.33 percent of these improvement costs to Lucas County over a 20 year period. In 2010, the plant was once again expanded and the City agreed to pay a portion of the expansion costs based on the City's quarterly consumption rate. As of December 31, 2014, the expansion is still ongoing.

In 2011, the City entered into an agreement with Lucas County to pay for their portion of the North River Road water line. As of December 31, 2014, this project is still ongoing.

The City's legal debt margin was \$9,466,186 at December 31, 2014.

The North River Road water line funded by Lucas County has not been completed. An amortization schedule for the repayment of this loan will not be available until the project is completed and, therefore, is not included in the following schedule.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2014, were as follows:

Year	General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal
2015	\$135,000	\$62,188	\$20,209
2016	140,000	59,487	20,209
2017	140,000	56,688	20,210
2018	145,000	53,887	20,209
2019	140,000	50,988	16,261
2020-2024	785,000	195,337	61,560
2025-2029	515,000	78,498	43,093
2030-2034	195,000	19,762	0
2035	15,000	600	0
Total	<u>\$2,210,000</u>	<u>\$577,435</u>	<u>\$201,751</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014, from the business-type activities were as follows:

Year	OPWC Loans		OWDA Loans		Due to Lucas County
	Principal	Interest	Principal	Interest	Principal
2015	\$43,422	\$822	\$1,987	\$1,068	\$155,119
2016	35,953	759	2,042	1,013	100,738
2017	36,018	694	2,098	956	95,259
2018	36,082	630	2,157	898	89,035
2019	32,939	564	2,216	838	92,181
2020-2024	149,623	1,821	12,034	3,237	512,547
2025-2029	115,744	265	13,796	1,476	611,711
2030-2032	23,315	0	2,992	62	0
Total	<u>\$473,096</u>	<u>\$5,555</u>	<u>\$39,322</u>	<u>\$9,548</u>	<u>\$1,656,590</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 16 - FUND BALANCE

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

Fund Balance	General	Various Improvements	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$19,125	\$0	\$5,704	\$24,829
Materials and Supplies Inventory	15,092	0	27,791	42,883
Total Nonspendable	34,217	0	33,495	67,712
Restricted for:				
Permanent Improvements	0	902,495	0	902,495
Police Department Operations	0	0	15,956	15,956
Street Construction and Maintenance	0	0	203,937	203,937
Total Restricted	0	902,495	219,893	1,122,388
Committed for:				
Parks and Green Space Improvement	0	0	126,473	126,473
Future Severance Payments	52,279	0	0	52,279
Total Committed	52,279	0	126,473	178,752
Unassigned	1,225,497	0	0	1,225,497
Total Fund Balance	\$1,311,993	\$902,495	\$379,861	\$2,594,349

NOTE 17 - INTERFUND TRANSFERS

During 2014, the General Fund made transfers to the Various Improvements capital projects fund and the Sewer enterprise fund, in the amount of \$30,000 and \$15,000, respectively, as debt payments became due. The General Fund also made transfers to other governmental funds, in the amount of \$15,000, to subsidize activities of the various funds.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 18 - INSURANCE POOL

The City participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

NOTE 19 - CONTINGENT LIABILITIES

A. Litigation

There are currently no matters of litigation with the City as defendant.

B. Federal and State Grants

For the period January 1, 2014, to December 31, 2014, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.



Auditor of State

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