

Waverly City School District  
Pike County  
Single Audit  
For the Fiscal Year Ended June 30, 2013



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# Dave Yost • Auditor of State

Board of Education  
Waverly City School District  
1 Tiger Drive  
Waverly, Ohio 45690

We have reviewed the *Independent Auditor's Report* of the Waverly City School District, Pike County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Waverly City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 1, 2014

**Waverly City School District**  
**Pike County**  
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For the Fiscal Year Ended June 30, 2013

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**Independent Auditor's Report**

Board of Education  
Waverly City School District  
1 Tiger Drive  
Waverly, Ohio 45690

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly City School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly City School District, Pike County, Ohio, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 22 to the financial statements, during 2013, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinions regarding these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

January 17, 2014



**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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The discussion and analysis of the Waverly City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- In total, net position of governmental activities increased \$5,723,190 from the prior fiscal year.
- General revenues accounted for \$21,041,068 while program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,298,812. Total revenues for the School District were \$25,339,880.
- The School District had \$19,616,690 in expenses related to governmental activities; only \$4,298,812 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily grants and entitlements and property taxes) totaling \$21,041,068 were adequate enough to provide for these programs.

**Using this Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column.

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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## **Reporting the School District as a Whole**

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2013?” The Statement of Net Position and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has only one kind of activity:

Governmental Activities – All of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, extracurricular activities, and food service operations.

## **Reporting the School District’s Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School District’s major funds begins on page nine. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds. The major funds for the School District are the General Fund, the Debt Service Fund and the Ohio School Facilities Commission Capital Projects Fund.

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**Governmental Funds** – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The internal service fund is used to account for the financing services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The internal service fund is used to account for the reimbursement to employees for deductibles on their health insurance.

**Fiduciary Funds** – The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The private purpose trust fund is used to account for college scholarship programs. Fiduciary funds use the accrual basis of accounting.

### **The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

**Waverly City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2012:

	2013	2012 *	Change
<b><u>Assets:</u></b>			
Current and Other Assets	\$16,561,540	\$8,949,406	\$7,612,134
Capital Assets, Net	36,784,166	37,860,535	(1,076,369)
<i>Total Assets</i>	53,345,706	46,809,941	6,535,765
<b><u>Deferred Outflows of Resources</u></b>	175,282	192,811	(17,529)
<b><u>Liabilities:</u></b>			
Other Liabilities	1,570,582	1,842,394	(271,812)
Long-Term Liabilities	9,157,849	8,350,948	806,901
<i>Total Liabilities</i>	10,728,431	10,193,342	535,089
<b><u>Deferred Inflows of Resources</u></b>	3,562,803	3,302,846	259,957
<b><u>Net Position:</u></b>			
Net Investment in Capital Assets	30,118,658	31,031,879	(913,221)
Restricted	7,484,744	1,911,960	5,572,784
Unrestricted	1,626,352	562,725	1,063,627
<i>Total Net Position</i>	\$39,229,754	\$33,506,564	\$5,723,190

\* Certain reclassifications were required for consistency with current year reporting, which resulted from the implementation of new accounting pronouncements as discussed in Note 22 of the Notes to the Basic Financial Statements.

There was a significant increase within Current and Other Assets compared to the prior fiscal year. This was primarily due to an intergovernmental receivable and cash received related to the funding provided by the Ohio School Facilities Commission (OSFC) for the remediation project. Cash was also received from loan proceeds issued for the School District's local portion of the OSFC project. Capital Assets, Net had a significant decrease compared to the prior fiscal year. This resulted from current year depreciation being greater than current year asset additions.

Long-term liabilities increased due to the School District receiving an OSFC Hardship Loan to assist in paying for the remediation project.

Net Investment in Capital Assets decreased \$913,221 due to the School District's depreciation additions exceeding current fiscal year asset additions. Restricted Net Position increased due to the School District receiving a grant from the OSFC for the remediation project.

**Waverly City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Table 2  
Change in Net Position

	2013	2012	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,140,929	\$1,175,923	(\$34,994)
Operating Grants and Contributions	3,122,738	3,651,518	(528,780)
Capital Grants and Contributions	35,145	51,597	(16,452)
Total Program Revenues	<u>4,298,812</u>	<u>4,879,038</u>	<u>(580,226)</u>
General Revenues:			
Property Taxes	3,846,900	3,885,335	(38,435)
Grants and Entitlements not Restricted to Specific Programs	17,090,053	10,722,690	6,367,363
Interest	13,531	13,845	(314)
Miscellaneous	90,584	78,699	11,885
Total General Revenues	<u>21,041,068</u>	<u>14,700,569</u>	<u>6,340,499</u>
Total Revenues	<u>25,339,880</u>	<u>19,579,607</u>	<u>5,760,273</u>
<b>Program Expenses</b>			
Instruction:			
Regular	7,700,594	8,162,239	(461,645)
Special	2,750,477	2,803,339	(52,862)
Vocational	211,571	214,640	(3,069)
Student Intervention Services	29,250	110,282	(81,032)
Support Services:			
Pupils	738,624	711,373	27,251
Instructional Staff	1,303,354	1,591,833	(288,479)
Board of Education	49,922	46,407	3,515
Administration	1,387,580	1,418,958	(31,378)
Fiscal	463,739	514,204	(50,465)
Operation and Maintenance of Plant	1,796,296	1,958,645	(162,349)
Pupil Transportation	1,108,542	1,203,159	(94,617)
Central	780	31,317	(30,537)
Operation of Non-Instructional Services:			
Food Services	912,938	885,987	26,951
Other	233,252	233,318	(66)
Extracurricular Activities	518,484	539,627	(21,143)
Interest and Fiscal Charges	411,287	374,441	36,846
Total Expenses	<u>19,616,690</u>	<u>20,799,769</u>	<u>(1,183,079)</u>
Special Item-Sale of Land	<u>0</u>	<u>375,000</u>	<u>(375,000)</u>
Change in Net Position	5,723,190	(845,162)	6,568,352
Net Position at Beginning of Year	33,506,564	34,351,726	(845,162)
Net Position at End of Year	<u>\$39,229,754</u>	<u>\$33,506,564</u>	<u>\$5,723,190</u>

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenue were \$4,298,812 for fiscal year 2013. Operating Grants and Contributions decreased significantly due to a decrease in the Title I grants and the discontinuation of the Education Jobs grant.

As previously mentioned, general revenues were \$21,041,068 for fiscal year 2013. The majority of these revenues are in the form of Grants and Entitlements not Restricted to Specific Programs and Property Taxes. A significant increase occurred within Grants and Entitlements not Restricted to Specific Programs mainly due to the receipt of the OSFC grant.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2013. The most significant decrease was in regular instruction. This was primarily due to the discontinuation of the Education Jobs program.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. That is, it identifies the cost of these services supported by tax revenues and unrestricted grants and entitlements. The community and the State of Ohio, as a whole, provide the vast majority of resources for the Waverly City School District students.

### **The School District's Funds**

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,934,307 and total expenditures of \$18,965,953.

The net change in fund balance for the fiscal year in the General Fund was an increase of \$797,883. This increase was the result of the School District receiving a greater amount of State aid during this fiscal year than it had in the prior fiscal year. The School District also continues to monitor spending as expenditures decreased slightly during fiscal year 2013 compared to fiscal year 2012.

The Debt Service Fund balance increased \$9,610, which is insignificant.

The Ohio School Facilities Commission Capital Projects Fund balance increased \$5,802,265. This increase was due to the receipt of the Ohio School Facilities Commission grant and the issuance of the Hardship Loan, both of which are associated with the building remediation project.

### **General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2013, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. The most significant budgeted fund is the General Fund.

For the General Fund, original budgeted revenues were \$15,295,230 and final budgeted revenues

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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were \$15,689,123. This represents an increase in estimated revenues of \$393,893, which was due primarily to increases in taxes and State aid as the result of the School District estimating conservatively at the beginning of the fiscal year. The difference between actual budget basis revenues and final budgeted revenues was insignificant.

Original budgeted expenditures in the General Fund were \$14,770,377 and final budgeted expenditures were \$14,911,618, which is an insignificant increase. The difference between actual budgeted expenditures and final budgeted expenditures was insignificant.

The School District's ending unobligated cash balance was \$415 above the final budgeted amount in the General Fund.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2013, the School District had \$36,784,166 invested in capital assets (net of accumulated depreciation). Additions to capital assets primarily consisted of construction in progress related to the athletic facility and remediation projects, in addition to various furniture and equipment. Disposals for the fiscal year consisted of a computer server.

For more information on capital assets, refer to Note 9 in the notes to the basic financial statements.

#### ***Debt***

At June 30, 2013, the School District had \$5,496,920 in outstanding long-term general obligation debt, which includes serial and capital appreciation bonds as well as the accretion on the capital appreciation bonds. The School District's long-term liabilities also include a loan, bond premiums, capital leases, and compensated absences.

The School District's overall legal debt margin was \$10,347,869, with an unvoted debt margin of \$173,510, and an Energy Conservation debt margin of \$1,561,588 at June 30, 2013.

For more information on debt, refer to Note 14 in the notes to the basic financial statements.

***Waverly City School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Claudia Zaler, Treasurer/Chief Financial Officer of Waverly City Board of Education, 1 Tiger Drive, Waverly, OH 45690 or e-mail at [czaler@waverly.k12.oh.us](mailto:czaler@waverly.k12.oh.us).



**Waverly City School District**  
*Statement of Net Position*  
June 30, 2013

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$10,498,183
Prepaid Items	4,809
Inventory Held for Resale	11,580
Materials and Supplies Inventory	2,643
Intergovernmental Receivable	1,720,065
Property Taxes Receivable	4,324,260
Capital Assets:	
Land	679,800
Construction in Progress	552,915
Depreciable Capital Assets, Net	35,551,451
<i>Total Assets</i>	53,345,706
 <b><u>Deferred Outflows of Resources</u></b>	
<i>Deferred Charges on Refunding</i>	175,282
 <b><u>Liabilities:</u></b>	
Accounts Payable	44,915
Contracts Payable	22,250
Accrued Wages and Benefits Payable	1,177,610
Matured Compensated Absences Payable	44,241
Intergovernmental Payable	238,358
Undistributed Monies	202
Accrued Interest Payable	17,000
Claims Payable	26,006
Long-Term Liabilities:	
Due Within One Year	972,393
Due Within More Than One Year	8,185,456
<i>Total Liabilities</i>	10,728,431
 <b><u>Deferred Inflows of Resources</u></b>	
Property Taxes	3,562,803
 <b><u>Net Position:</u></b>	
Net Investment in Capital Assets	30,118,658
Restricted for:	
Capital Projects	6,225,086
Debt Service	983,109
Set-Asides	57,076
Athletics	76,261
Facilities Maintenance	66,862
Title I Program	47,200
Latchkey Program	13,660
Other Purposes	15,490
Unrestricted	1,626,352
<i>Total Net Position</i>	\$39,229,754

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b><u>Governmental Activities:</u></b>			
Instruction:			
Regular	\$7,700,594	\$691,628	\$135,404
Special	2,750,477	33,564	1,811,696
Vocational	211,571	0	34,513
Student Intervention Services	29,250	0	0
Support Services:			
Pupils	738,624	6,720	29,596
Instructional Staff	1,303,354	19,458	343,002
Board of Education	49,922	0	0
Administration	1,387,580	0	0
Fiscal	463,739	0	0
Operation and Maintenance of Plant	1,796,296	3,200	0
Pupil Transportation	1,108,542	0	27,635
Central	780	0	0
Operation of Non-Instructional Services:			
Food Services	912,938	140,407	646,819
Other	233,252	0	88,282
Extracurricular Activities	518,484	245,952	5,791
Interest and Fiscal Charges	411,287	0	0
<b><i>Total Governmental Activities</i></b>	<b><u>\$19,616,690</u></b>	<b><u>\$1,140,929</u></b>	<b><u>\$3,122,738</u></b>

**General Revenues:**

Property Taxes Levied for:

    General Purposes

    Debt Service

    Capital Outlay

Grants and Entitlements not Restricted to Specific Programs:

    Operating

    Capital

Interest

Miscellaneous

*Total General Revenues*

*Change in Net Position*

*Net Position at Beginning of Year*

*Net Position at End of Year*

See accompanying notes to the basic financial statements

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> Governmental Activities
\$0	(\$6,873,562)
0	(905,217)
0	(177,058)
0	(29,250)
0	(702,308)
0	(940,894)
0	(49,922)
0	(1,387,580)
0	(463,739)
0	(1,793,096)
0	(1,080,907)
0	(780)
0	(125,712)
0	(144,970)
35,145	(231,596)
0	(411,287)
<u>\$35,145</u>	<u>(15,317,878)</u>

3,229,667
559,843
57,390
10,918,962
6,171,091
13,531
90,584
<u>21,041,068</u>
5,723,190
<u>33,506,564</u>
<u>\$39,229,754</u>

**Waverly City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Debt Service	Ohio School Facilities Commission	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$3,015,987	\$886,972	\$5,970,228	\$326,286	\$10,199,473
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	57,076	0	0	0	57,076
Receivables:					
Property Taxes	3,621,392	637,915	0	64,953	4,324,260
Intergovernmental	58,954	0	1,447,663	213,448	1,720,065
Interfund Receivable	43,467	0	0	0	43,467
Prepaid Items	3,709	0	0	1,100	4,809
Inventory Held for Resale	0	0	0	11,580	11,580
Materials and Supplies Inventory	0	0	0	2,643	2,643
Advances to Other Funds	53,620	0	0	0	53,620
<i>Total Assets</i>	<u>\$6,854,205</u>	<u>\$1,524,887</u>	<u>\$7,417,891</u>	<u>\$620,010</u>	<u>\$16,416,993</u>
<b><u>Liabilities:</u></b>					
Accounts Payable	\$35,066	\$0	\$0	\$9,849	\$44,915
Contracts Payable	0	0	20,250	2,000	22,250
Accrued Wages and Benefits Payable	1,017,145	0	0	160,465	1,177,610
Matured Compensated Absences Payable	44,241	0	0	0	44,241
Interfund Payable	0	0	0	43,467	43,467
Intergovernmental Payable	217,639	0	0	20,719	238,358
Undistributed Monies	202	0	0	0	202
Advances From Other Funds	0	0	0	53,620	53,620
<i>Total Liabilities</i>	<u>1,314,293</u>	<u>0</u>	<u>20,250</u>	<u>290,120</u>	<u>1,624,663</u>
<b><u>Deferred Inflows of Resources:</u></b>					
Property Taxes	2,984,279	524,778	0	53,746	3,562,803
Unavailable Revenue	411,785	63,740	1,447,663	99,115	2,022,303
<i>Total Deferred Inflows of Resources</i>	<u>3,396,064</u>	<u>588,518</u>	<u>1,447,663</u>	<u>152,861</u>	<u>5,585,106</u>
<b><u>Fund Balances:</u></b>					
Nonspendable	61,196	0	0	3,743	64,939
Restricted	0	936,369	5,949,978	302,878	7,189,225
Committed	11,000	0	0	0	11,000
Assigned	682,172	0	0	0	682,172
Unassigned (Deficit)	1,389,480	0	0	(129,592)	1,259,888
<i>Total Fund Balances (Deficit)</i>	<u>2,143,848</u>	<u>936,369</u>	<u>5,949,978</u>	<u>177,029</u>	<u>9,207,224</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,854,205</u>	<u>\$1,524,887</u>	<u>\$7,417,891</u>	<u>\$620,010</u>	<u>\$16,416,993</u>

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013*

**Total Governmental Fund Balances** \$9,207,224

**Amounts reported for governmental activities in the  
 Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	679,800	
Construction in progress	552,915	
Other capital assets	54,427,604	
Accumulated depreciation	(18,876,153)	
Total capital assets		36,784,166

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	422,761	
Intergovernmental	1,599,542	
		2,022,303

The Internal Service Fund is used by management to charge the costs of deductible reimbursement to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.

215,628

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds.

175,282

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(17,000)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(5,268,015)	
Accretion on capital appreciation bonds	(228,905)	
Premium on debt issue	(240,830)	
Hardship Loan	(1,354,629)	
Capital leases	(1,287,640)	
Compensated absences	(777,830)	
Total liabilities		(9,157,849)

**Net Position of Governmental Activities**

\$39,229,754

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Debt Service	Ohio School Facilities Commission	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$3,217,851	\$564,244	\$0	\$57,314	\$3,839,409
Intergovernmental	11,682,805	98,941	4,723,428	2,300,123	18,805,297
Interest	10,411	0	2,782	1,295	14,488
Tuition and Fees	710,369	0	0	26,178	736,547
Extracurricular Activities	14,823	0	0	245,952	260,775
Customer Services	0	0	0	140,407	140,407
Rent	3,200	0	0	0	3,200
Gifts and Donations	31,442	0	0	40,936	72,378
Miscellaneous	45,483	0	0	16,323	61,806
<i>Total Revenues</i>	<u>15,716,384</u>	<u>663,185</u>	<u>4,726,210</u>	<u>2,828,528</u>	<u>23,934,307</u>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	6,836,677	0	0	89,749	6,926,426
Special	1,694,339	0	0	864,956	2,559,295
Vocational	193,490	0	0	0	193,490
Student Intervention Services	6,432	0	0	9,473	15,905
Support Services:					
Pupils	612,592	0	0	38,992	651,584
Instructional Staff	692,039	0	0	346,910	1,038,949
Board of Education	46,495	0	0	3,427	49,922
Administration	1,114,489	0	0	129,777	1,244,266
Fiscal	399,807	24,575	20	3,505	427,907
Operation and Maintenance of Plant	1,737,910	0	0	70,539	1,808,449
Pupil Transportation	1,013,150	0	0	9,961	1,023,111
Central	780	0	0	0	780
Operation of Non-Instructional Services:					
Food Services	0	0	0	907,717	907,717
Other	8,576	0	0	86,447	95,023
Extracurricular Activities	269,325	0	0	258,052	527,377
Capital Outlay	18,500	0	278,554	427,470	724,524
Debt Service:					
Principal Retirement	80,972	425,000	0	0	505,972
Interest and Fiscal Charges	61,256	204,000	0	0	265,256
<i>Total Expenditures</i>	<u>14,786,829</u>	<u>653,575</u>	<u>278,574</u>	<u>3,246,975</u>	<u>18,965,953</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>929,555</u>	<u>9,610</u>	<u>4,447,636</u>	<u>(418,447)</u>	<u>4,968,354</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Loan Proceeds - Hardship Loan	0	0	1,354,629	0	1,354,629
Transfers In	0	0	0	131,672	131,672
Transfers Out	(131,672)	0	0	0	(131,672)
<i>Total Other Financing Sources (Uses)</i>	<u>(131,672)</u>	<u>0</u>	<u>1,354,629</u>	<u>131,672</u>	<u>1,354,629</u>
<i>Net Change in Fund Balances</i>	797,883	9,610	5,802,265	(286,775)	6,322,983
<i>Fund Balances at Beginning of Year</i>	<u>1,345,965</u>	<u>926,759</u>	<u>147,713</u>	<u>463,804</u>	<u>2,884,241</u>
<i>Fund Balances at End of Year</i>	<u>\$2,143,848</u>	<u>\$936,369</u>	<u>\$5,949,978</u>	<u>\$177,029</u>	<u>\$9,207,224</u>

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

**Net Change in Fund Balances - Total Governmental Funds** \$6,322,983

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	790,748	
Depreciation expense	(1,867,117)	
Excess of depreciation expense over capital outlay		(1,076,369)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	7,491	
Intergovernmental	1,369,304	
Miscellaneous	28,778	
		1,405,573

The Internal Service Fund is used by management to charge the costs of deductible reimbursements to individual funds. The assets and liabilities of the Internal Service Fund are included in government activities in the Statement of Net Position. (32,517)

Long-term debt proceeds are other financing sources in the governmental funds but the issuance increases the long-term liabilities on the Statement of Net Position. (1,354,629)

Loan Proceeds

Accretion, amortization of bond premiums, and the deferred loss on the refunding of debt, are not reported in the funds, but allocated as expenses over the life of the debt in the Statement of Activities.

Amortization of deferred charges on refunding	(17,529)	
Amortization of bond premium	24,083	
Accretion on capital appreciation bonds	(80,535)	
		(73,981)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond principal retirement	425,000	
Capital lease payments	80,972	
Total long-term debt repayment		505,972

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These activities consist of:

Increase in accrued interest	(72,050)	
Decrease in compensated absences payable	98,208	
		26,158

**Change in Net Position of Governmental Activities** \$5,723,190

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$3,066,302	\$3,268,561	\$3,268,561	\$0
Intergovernmental	11,535,616	11,682,805	11,682,805	0
Interest	13,766	10,325	10,411	86
Tuition and Fees	666,084	710,369	710,369	0
Rent	3,044	3,200	3,200	0
Gifts and Donations	6,200	6,200	6,200	0
Miscellaneous	4,218	7,663	7,663	0
<i>Total Revenues</i>	15,295,230	15,689,123	15,689,209	86
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	6,776,355	6,930,642	6,929,941	701
Special	1,538,504	1,688,065	1,688,065	0
Vocational	203,897	194,614	194,614	0
Student Intervention Services	12,692	6,432	6,432	0
Support Services:				
Pupils	623,733	598,866	598,866	0
Instructional Staff	793,495	723,425	723,425	0
Board of Education	47,526	44,553	44,488	65
Administration	1,071,985	1,063,305	1,063,305	0
Fiscal	390,977	401,954	401,954	0
Operation and Maintenance of Plant	1,799,708	1,806,813	1,806,750	63
Pupil Transportation	1,108,706	1,040,630	1,040,630	0
Central	1,650	0	500	(500)
Operation of Non-Instructional Services	7,224	11,857	11,857	0
Extracurricular Activities	262,903	269,440	269,440	0
Debt Service:				
Principal Retirement	70,748	70,748	70,748	0
Interest and Fiscal Charges	60,274	60,274	60,274	0
<i>Total Expenditures</i>	14,770,377	14,911,618	14,911,289	329
<i>Excess of Revenues Over Expenditures</i>	524,853	777,505	777,920	415
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	13,442	0	0	0
Refund of Prior Year Expenditures	5,796	31,270	31,270	0
Advances In	95,041	95,041	95,041	0
Advances Out	0	(43,467)	(43,467)	0
Transfers Out	(17,005)	(116,518)	(116,518)	0
<i>Total Other Financing Sources (Uses)</i>	97,274	(33,674)	(33,674)	0
<i>Net Change in Fund Balance</i>	622,127	743,831	744,246	415
<i>Fund Balance at Beginning of Year - Restated</i>	1,800,841	1,800,841	1,800,841	0
<i>Prior Year Encumbrances Appropriated</i>	311,786	311,786	311,786	0
<i>Fund Balance at End of Year</i>	\$2,734,754	\$2,856,458	\$2,856,873	\$415

See accompanying notes to the basic financial statements



*Waverly City School District  
Statement of Fund Net Position  
Internal Service Fund  
June 30, 2013*

	<u>MAX 105 Plan</u>
<b><u>Assets:</u></b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$241,634
<b><u>Liabilities:</u></b>	
Current Liabilities:	
Claims Payable	<u>26,006</u>
<b><u>Net Position:</u></b>	
Unrestricted	<u><u>\$215,628</u></u>

See accompanying notes to the basic financial statements

*Waverly City School District  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2013*

	MAX 105 Plan
<b><u>Operating Revenues:</u></b>	
Charges for Services	<u>\$152,389</u>
<b><u>Operating Expenses:</u></b>	
Purchased Services	39,173
Claims	<u>145,733</u>
<i>Total Operating Expenses</i>	<u>184,906</u>
<i>Change in Net Position</i>	(32,517)
<i>Net Position at Beginning of Year</i>	<u>248,145</u>
<i>Net Position at End of Year</i>	<u><u>\$215,628</u></u>

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2013

	MAX 105 Plan
<hr/>	
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Interfund Services Provided	\$152,389
Cash Payments to Suppliers for Goods and Services	(39,173)
Cash Payments for Claims	(143,159)
	<hr/>
<i>Net Decrease in Cash and Cash Equivalents</i>	(29,943)
<i>Cash and Cash Equivalents at Beginning of Year</i>	271,577
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$241,634
	<hr/> <hr/>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$32,517)
<b><i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities;</i></b>	
Increase in Claims Payable	2,574
	<hr/>
<i>Net Cash Used for Operating Activities</i>	(\$29,943)
	<hr/> <hr/>
See accompanying notes to the basic financial statements	

**Waverly City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2013*

	Private Purpose Trust Fund	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$15,828	\$42,847
<b><u>Liabilities:</u></b>		
Undistributed Monies		\$42,847
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	\$15,828	

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Private Purpose Trust
	Scholarship
<b><u>Additions:</u></b>	
Contributions and Donations	\$2,500
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	10,025
<i>Change in Net Position</i>	(7,525)
<i>Net Position at Beginning of Year</i>	23,353
<i>Net Position at End of Year</i>	\$15,828

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Waverly City School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1969 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 119 square miles. It is located in Pike County, and includes all of the City of Waverly and portions of Pebble, Pee Pee, Jackson, and Franklin Townships. It is staffed by 75 non-certificated employees, 102 certificated full-time teaching personnel and 13 administrative employees who provide services to 2,050 students and other community members. The School District currently operates four instructional buildings, one athletic facility, and one garage.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District. The following is also included within the reporting entity:

*Parochial School* – Within the School District boundaries, Pike Christian Academy is operated as a private school. Current State legislation provides funding to this parochial school. Monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

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

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are:

- South Central Ohio Computer Association Regional Council of Governments (SCOCA)
- Pike County Joint Vocational School
- Coalition of Rural and Appalachian Schools
- Ohio School Plan
- Ohio SchoolComp Workers' Compensation Group Rating Plan.

These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

The financial statements of the School District 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. The more significant of the School District's accounting policies are described below.

**Basis of Presentation**

The School District's basic financial statements consist of government-wide 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. However, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

#### Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

#### Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District are divided into three categories: governmental, proprietary, and fiduciary.

#### Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is the operating fund of the School District and is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The Debt Service Fund is used to account for and report property taxes restricted for the payment of general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.



**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Capital Projects Fund is used to account for and report restricted State resources in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the school facilities project.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The School District reports the following proprietary fund:

Internal Service Fund - Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The Internal Service Fund is used to account for the reimbursement to employees for deductibles on their health insurance.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer and faculty advisor.

**Measurement Focus**

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District 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.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets 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 Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the flow of economic resources measurement focus.

**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 and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, “available” means expected to be received within 60 days of fiscal year-end.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, grants, and miscellaneous.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

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

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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 the governmental funds.

**Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate appropriations to the function and object level without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year, including all supplemental appropriations.

**Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$10,411, which includes \$5,106 assigned from other School District funds.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund are amounts required by statute to be set-aside by the School District for budget stabilization. See Note 19 for additional information regarding set-asides.

**Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. 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.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	10 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	10 years
Books and Educational Media	5 years

**Interfund Balances**

On fund financial statements, outstanding interfund loans are reported as "Interfund Receivable / Payable". Long-term interfund loan receivables, reported as "Advances to Other Funds" or "Advances from Other Funds", are classified as nonspendable fund balance which indicates that they are not in spendable form even though it is a component of net current position. Interfund balances are eliminated in the Statement of Net Position.

**Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave after 20 years of current service with the School District.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees will be paid.

The entire compensated absences liability is reported on the government-wide financial statements.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the 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 governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds, loans, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

**Bond Premiums and Compound Interest on Capital Appreciation Bonds**

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued. Accretion on the capital appreciation bonds is not reported. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflow of resources on the Statement of Net Position.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Fund Balance**

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

**Nonspendable** – The nonspendable fund balance category 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” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the School District 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. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. The future appropriation amount assigned in the General Fund represents fiscal year 2014 appropriations that exceed estimated resources. State Statute authorizes the Treasurer 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 fund balance.

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



*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Net Position**

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances 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 their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Position restricted for other purposes includes federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.

**Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for 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 non-operating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

The preparation of financial statements in conformity with 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.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**NOTE 3 - FUND BALANCES**

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

Fund Balances	General	Debt Service	Ohio School Facilities Commission	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Prepays	\$3,709	\$0	\$0	\$1,100	\$4,809
Unclaimed Monies	3,867	0	0	0	3,867
Inventory	0	0	0	2,643	2,643
Long-Term Advances	53,620	0	0	0	53,620
<b><i>Total Nonspendable</i></b>	<b>61,196</b>	<b>0</b>	<b>0</b>	<b>3,743</b>	<b>64,939</b>
<b><i>Restricted for</i></b>					
Debt Payments	0	936,369	0	0	936,369
Latchkey Program	0	0	0	13,660	13,660
Miscellaneous Federal Grants	0	0	0	7,974	7,974
District Managed Activity	0	0	0	76,261	76,261
Miscellaneous State Grants	0	0	0	6,542	6,542
Capital Maintenance	0	0	0	60,672	60,672
Capital Improvements	0	0	5,949,978	137,769	6,087,747
<b><i>Total Restricted</i></b>	<b>0</b>	<b>936,369</b>	<b>5,949,978</b>	<b>302,878</b>	<b>7,189,225</b>
<b><i>Committed to</i></b>					
Underground Storage	11,000	0	0	0	11,000
<b><i>Assigned to</i></b>					
Future Appropriations	548,367	0	0	0	548,367
Purchases on Order	133,805	0	0	0	133,805
<b><i>Total Assigned</i></b>	<b>682,172</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>682,172</b>
<b><i>Unassigned (Deficit)</i></b>	<b>1,389,480</b>	<b>0</b>	<b>0</b>	<b>(129,592)</b>	<b>1,259,888</b>
<b><i>Total Fund Balances</i></b>	<b>\$2,143,848</b>	<b>\$936,369</b>	<b>\$5,949,978</b>	<b>\$177,029</b>	<b>\$9,207,224</b>

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2013, the Food Services, Preschool, Title VI-B, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$79,014, \$170, \$24,398, \$13,983, and \$8,284, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are 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. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$797,883
Adjustments:	
Revenue Accruals	50,710
Expenditure Accruals	(18,777)
Encumbrances	(158,451)
Transfers	15,154
Advances	51,574
Perspective Differences	6,153
Budget Basis	<u><u>\$744,246</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can 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 or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;

***Waverly City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Pike County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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The amounts available as an advance at June 30, 2013, were \$284,282 in the General Fund, \$49,397 in the Debt Service Fund, and \$5,017 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2012, was \$334,992 in the General Fund, \$59,328 in the Debt Service Fund, and \$6,466 in the Nonmajor Governmental Funds.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$168,653,640	93.19%	\$161,167,380	92.89%
Public Utility Personal	12,317,730	6.81%	12,342,440	7.11%
Total Assessed Value	\$180,971,370	100.00%	\$173,509,820	100.00%
Tax rate per \$1,000 of assessed valuation	\$31.75		\$31.80	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2013, consisted of property taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The intergovernmental receivables are as follows:

	Amount
<u>Governmental Activities:</u>	
Title I	\$109,580
Ohio School Facilities Commission	1,447,663
Title I, School Improvement, Sub A Grant	35,694
Special Education, Part B-IDEA Grant	44,967
Retirement Contributions Overpayment	58,954
Improving Teacher Quality, Title II-A Grant	17,402
Food Service Programs	5,805
Total Intergovernmental Receivables	\$1,720,065

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Ending Balance <u>6/30/2012</u>	Additions	Deletions	Ending Balance <u>6/30/2013</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$679,800	\$0	\$0	\$679,800
Construction in Progress	205,389	769,604	(422,078)	552,915
Total Capital Assets, Not Being Depreciated	<u>885,189</u>	<u>769,604</u>	<u>(422,078)</u>	<u>1,232,715</u>
Capital Assets Being Depreciated				
Land Improvements	3,696,743	0	0	3,696,743
Buildings and Improvements	45,652,042	422,078	0	46,074,120
Furniture and Equipment	1,899,417	21,144	(5,489)	1,915,072
Vehicles	1,805,594	0	0	1,805,594
Books and Educational Media	936,075	0	0	936,075
Total Capital Assets Being Depreciated	<u>53,989,871</u>	<u>443,222</u>	<u>(5,489)</u>	<u>54,427,604</u>
Less Accumulated Depreciation:				
Land Improvements	(1,631,127)	(165,395)	0	(1,796,522)
Buildings and Improvements	(11,954,311)	(1,490,887)	0	(13,445,198)
Furniture and Equipment	(1,082,429)	(124,947)	5,489	(1,201,887)
Vehicles	(1,410,583)	(85,888)	0	(1,496,471)
Books and Educational Media	(936,075)	0	0	(936,075)
Total Accumulated Depreciation	<u>(17,014,525)</u>	<u>(1,867,117)*</u>	<u>5,489</u>	<u>(18,876,153)</u>
Total Capital Assets Being Depreciated, Net	<u>36,975,346</u>	<u>(1,423,895)</u>	<u>0</u>	<u>35,551,451</u>
Governmental Activities Capital Assets, Net	<u>\$37,860,535</u>	<u>(\$654,291)</u>	<u>(\$422,078)</u>	<u>\$36,784,166</u>

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$903,643
Special	169,358
Vocational	18,092
Student Intervention Services	12,974
Support Services:	
Pupils	83,931
Instructional Staff	261,702
Administration	115,458
Fiscal	33,572
Operation and Maintenance of Plant	11,681
Pupil Transportation	82,420
Operation of Non-Instructional Services:	
Food Services	138,229
Extracurricular Activities	36,057
Total Depreciation Expense	\$1,867,117

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$263,025, \$277,678, and \$362,772, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.



**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$910,412, \$910,196, and \$1,031,326, respectively. For fiscal year 2013, 81.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$11,298 made by the School District and \$8,070 made by the plan members. In addition, member contributions of \$955 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2013, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$39,341 in surcharge.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$39,341, \$43,209, and \$85,974, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$14,858, \$16,398, and \$23,345, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$70,032, \$70,015, and \$79,333, respectively. For fiscal year 2013, 81.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**NOTE 12 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all certified and classified personnel. Upon retirement, payment is made to certified employees for 30 percent of accrued but unused sick leave. Classified employees receive 40 percent of accrued but unused sick leave up to a maximum of 55 days. Classified employees with a sick leave balance over 75 days will also receive an amount equal to 10 percent of accumulated sick leave days over 75 with a maximum of 69.5 days in total severance.

**Insurance Benefits**

Medical/surgical and prescription drug insurance is offered to employees through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the union contract. Dental insurance is provided by Delta Dental.

The School District provides life insurance and accidental death and dismemberment insurance to employees through Metropolitan Educational Council.

**Deferred Compensation**

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

**NOTE 13 - LEASES - LESSEE DISCLOSURE**

In prior years, the School District entered into capitalized leases for equipment. During fiscal year 2006, the School District entered into a lease-purchase agreement for the locally funded portion of the new School District buildings which was primarily related to the construction of an auditorium. The School District is leasing the project from Central Ohio Loan Services, Inc. Central Ohio Loan Services, Inc. will retain title to the project during the lease term. As part of the lease agreement, Central Ohio Loan Services, Inc. deposited \$1,650,000 into the School District's bank account. The School District had previously paid all contractors as work progressed, and the proceeds of the lease were used to replenish these monies. Capital assets acquired by lease were initially capitalized in the amount of \$1,650,000 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2013 totaled \$80,972. Payments were paid from the General Fund.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The book value of the assets acquired through capital leases as of June 30, 2013 is as follows:

Asset Class	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$1,650,000	\$528,000	\$1,122,000
Furniture and Equipment	36,406	11,462	24,944
Total	\$1,686,406	\$539,462	\$1,146,944

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013.

Fiscal Year Ending June 30,	Total Payments
2014	\$142,229
2015	137,769
2016	132,804
2017	131,022
2018	131,022
2019-2023	655,110
2024-2026	393,066
Total	1,723,022
Less: Amount Representing Interest	(435,382)
Present Value of Net Minimum Lease Payments	\$1,287,640

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12*	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
<u>Governmental Activities:</u>					
2006 Refunding Bonds:					
Serial Bonds 4.00%	\$5,100,000	\$0	\$0	\$5,100,000	\$0
Capital Appreciation Bonds 13.79%	359,992	0	191,977	168,015	168,015
Accretion on Capital Appreciation Bonds	381,393	80,535	233,023	228,905	228,905
Premium on Debt Issue	264,913	0	24,083	240,830	0
2013 Hardship Loan	0	1,354,629	0	1,354,629	270,926
Compensated Absences	876,038	256,332	354,540	777,830	219,974
Capital Leases	1,368,612	0	80,972	1,287,640	84,573
Total Governmental Activities					
Long-Term Obligations	<u>\$8,350,948</u>	<u>\$1,691,496</u>	<u>\$884,595</u>	<u>\$9,157,849</u>	<u>\$972,393</u>

\* Certain reclassifications were required for consistency with current year reporting, which resulted from the implementation of new accounting pronouncements as discussed in Note 22 of the Notes to the Basic Financial Statements.

**2006 Classroom Facilities Refunding Bonds**

On December 15, 2006, the School District issued \$5,739,992 in voted general obligation bonds for the purpose of advance refunding a portion of the 2001 Classroom Facilities General Obligation Bonds. The bonds were issued for a 17 year period, with final maturity in December 2023. The bonds will be retired from the Debt Service Fund.

The serial bonds maturing December 1, 2017, and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity on or after December 1, 2016, at par, which is 100 percent of the face value of the bonds.

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2013 and 2014. The maturity amount of the capital appreciation bonds will be \$425,000 per year in 2013 and 2014. For fiscal year 2013, the capital appreciation bonds were accreted \$80,535.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**2013 Hardship Loan**

During fiscal year 2013, the School District received a \$1,354,629 hardship loan through the Ohio School Facilities Commission to help fund the remediation project. The loan is an interest free loan and is scheduled to be retired on June 30, 2018.

Compensated absences will be paid from the General, Food Services, and Title VI-BI Funds. Capital lease obligations will be paid from the General Fund.

The School District's overall legal debt margin was \$10,347,869 with an unvoted debt margin of \$173,510, and an Energy Conservation debt margin of \$1,561,588 at June 30, 2013.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	2006 Classroom Facilities Refunding Bonds				Hardship Loan	Total
	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest		
2014	\$0	\$204,000	\$168,015	\$256,985	\$270,926	\$899,926
2015	425,000	195,500	0	0	270,926	891,426
2016	445,000	178,100	0	0	270,926	894,026
2017	460,000	160,000	0	0	270,926	890,926
2018	480,000	141,200	0	0	270,925	892,125
2019-2023	2,685,000	398,100	0	0	0	3,083,100
2024	605,000	12,100	0	0	0	617,100
<b>Total</b>	<b>\$5,100,000</b>	<b>\$1,289,000</b>	<b>\$168,015</b>	<b>\$256,985</b>	<b>\$1,354,629</b>	<b>\$8,168,629</b>

**NOTE 15 - RISK MANAGEMENT**

**Property and Liability**

The School District 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.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Hylant Administrative Services, LLC (see Note 18).

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in coverage from the prior fiscal year.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Workers' Compensation**

For fiscal year 2013, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

**Self-Insurance**

The School District manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Patrick Benefit Administrators, the third party administrator of the program, which reviews and pays the claims. Patrick Benefit Administrators charges the School District an annual fee of \$750, with a monthly administration fee of \$7.50 per employee. The claims liability of \$26,006 reported in the Internal Service Fund at June 30, 2013, is estimated by the third-party administrator and is based on the requirements of *Governmental Accounting Standards Board Statement No. 30*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes to the Internal Service Fund's claims liability amounts in the past two fiscal years follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2012	\$31,823	\$112,956	\$121,347	\$23,432
2013	23,432	145,733	143,159	26,006



*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2013, interfund receivables and payables that resulted from an interfund transaction were as follows:

		<b>Receivable</b>
		General
<b>Payable</b>	Nonmajor Governmental Funds	\$43,467

As of June 30, 2013, interfund loans that resulted from various interfund transactions were as follows:

		<b>Advances To</b>
		Nonmajor Governmental Funds
<b>Advances From</b>	General	\$53,620

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

		<b>Transfers To</b>
		Nonmajor Governmental Funds
<b>Transfers From</b>	General	\$131,672

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**South Central Ohio Computer Association Regional Council of Governments (SCOCA)**

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of the coalition including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCA \$118,818 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**Pike County Joint Vocational School**

The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board which consists of four of the 11 members of the Ross-Pike County Educational Service Center's Board of Education and one representative from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. The Vocational School District Board exercises total control over the operations of the coalition including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information write to the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools (the "Coalition") is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a board which is composed of 14 members. The board members are composed of one superintendent from each county elected by the school districts within that county.

The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the coalition including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid \$325 to the Coalition for services provided during the fiscal year.

**NOTE 18 - INSURANCE PURCHASING POOLS**

**Ohio School Plan**

The School District participates in the Ohio School 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 a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**Ohio SchoolComp Workers' Compensation Group Rating Plan**

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

**NOTE 19 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition or construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The School District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers' Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

The following cash-basis information identifies the change in the fiscal year-end set-aside amounts. Disclosure of this information is required by State statute.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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	Capital Improvements	Budget Stabilization
Set-aside Balance as of June 30, 2012	\$0	\$57,076
Current Fiscal Year Set-aside Requirement	333,885	0
Current Fiscal Year Off-sets	(156,167)	0
Current Fiscal Year Qualifying Expenditures	(177,718)	0
Set-aside Balance as of June 30, 2013	\$0	\$57,076
Required Set-aside Balances Carried Forward to FY 2014	\$0	\$57,076

Amounts of offsets and qualifying disbursements presented in the table for capital improvements were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for capital improvements during the fiscal year, this extra amount may not be used to reduce the set-aside requirements of future fiscal years.

**NOTE 20 - SIGNIFICANT COMMITMENTS**

**Contractual Commitments**

The School District has entered into the following contracts as of June 30, 2013:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/13
Robertson Construction Services, Inc.	\$6,183,031	\$124,431	\$6,058,600
Schooley Caldwell Associates	248,500	85,250	163,250
CTL Engineering, LLC	49,783	2,184	47,599
Totals	\$6,481,314	\$211,865	\$6,269,449

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$158,454
Ohio School Facilities Commission Fund	47,598
Nonmajor Governmental Funds	83,983
Total	\$290,035

## **NOTE 21 - CONTINGENCIES**

### **Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

### **Litigation**

The School District is not party to any legal proceedings.

## **NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, "Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

*GASB Statement No. 61* modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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*GASB Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however there was no effect on the beginning net position and/or fund balance.

*GASB Statement No. 66* resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

**NOTE 23 - SUBSEQUENT EVENT**

On August 19, 2013, the Ohio School Facilities Commission (OSFC) filed suit against the original project consultants, contractors, and sureties responsible for the defects discovered which related to the Master Facilities Plan Project. The School District is a party to the litigation.

On September 5, 2013, the School District entered into a lease agreement for copiers valued at \$29,997.

**Waverly City School District**  
**Pike County**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2013*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$ 149,798	\$ -	\$ 149,798	\$ -
National School Lunch Program	3L60	10.555	436,449	52,214	436,449	52,214
Total Child Nutrition Cluster			586,247	52,214	586,247	52,214
<b>Total United States Department of Agriculture</b>			586,247	52,214	586,247	52,214
<b><u>United States Department of Education</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Education Jobs Fund	3ET0	84.410	70,899	-	75,536	-
Special Education-Grants to States	3M20	84.027	401,012	-	405,964	-
Title I Grants to Local Educational Agencies	3M00	84.010	845,585	-	942,684	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top						
Incentive Grants, Recovery Act	3FD0	84.395	700	-	700	-
Rural Education	3Y80	84.358	46,621	-	52,325	-
Educational Technology State Grants	3S20	84.318	5,007	-	-	-
Improving Teacher Quality State Grants	3Y60	84.367	128,154	-	127,257	-
<b>Total United States Department of Education</b>			1,497,978	-	1,604,466	-
<b>Total Federal Financial Assistance</b>			\$ 2,084,225	\$ 52,214	\$ 2,190,713	\$ 52,214

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**Waverly City School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Education  
Waverly City School District  
1 Tiger Drive  
Waverly, Ohio 45690

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Waverly City School District, Pike County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 17, 2014, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

January 17, 2014

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Education  
Waverly City School District  
1 Tiger Drive  
Waverly, Ohio 45690

**Report on Compliance for Each Major Federal Program**

We have audited Waverly City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2013. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

January 17, 2014

**Waverly City School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2013*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Title I Gants to Local Educational Agencies (CFDA #84.010)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		Yes

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**Independent Accountant's Report on Applying Agreed-Upon Procedure**

Board of Education  
Waverly City School District  
1 Tiger Drive  
Waverly, Ohio 45690

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Waverly City School District (the School District) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 11, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than this specified party.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

January 17, 2014



# Dave Yost • Auditor of State

**WAVERLY CITY SCHOOL DISTRICT**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2014**