

Waverly City School District
Pike County
Single Audit
For the Fiscal Year Ended June 30, 2014



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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, 2013 through June 30, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 5, 2015

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Waverly City School District
Pike County
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For the Fiscal Year Ended June 30, 2014

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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, 2014, 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, 2014, 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.

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 9 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 December 31, 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.

December 31, 2014

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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, 2014. 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 \$402,402 from the prior fiscal year.
- General revenues accounted for \$16,073,231 while program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,564,138. Total revenues for the School District were \$20,637,369.
- The School District had \$20,234,967 in expenses related to governmental activities; only \$4,564,138 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 \$16,073,231 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.

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 2014?" 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, liabilities, and deferred inflows/outflows of resources 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.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 8. 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 bond retirement debt service fund and the Ohio School Facilities Commission capital projects fund.

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. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer and faculty advisor. Fiduciary funds use the accrual basis of accounting.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2014 and 2013:

Table 1
Net Position

	2014	2013
Assets:		
Current and Other Assets	\$14,107,865	\$16,561,540
Capital Assets, Net	40,749,929	36,784,166
Total Assets	54,857,794	53,345,706
 Deferred Outflows of Resources	 157,753	 175,282
Liabilities:		
Current and Other Liabilities	2,233,734	1,570,582
Long-Term Liabilities	9,385,013	9,157,849
Total Liabilities	11,618,747	10,728,431
 Deferred Inflows of Resources	 3,764,644	 3,562,803
Net Position:		
Net Investment in Capital Assets	32,857,576	30,118,658
Restricted	4,131,370	7,484,744
Unrestricted	2,643,210	1,626,352
Total Net Position	\$39,632,156	\$39,229,754

There was a significant decrease within current and other assets compared to the prior fiscal year. This was primarily due to a decrease in intergovernmental receivable and cash received related to the funding provided by the Ohio School Facilities Commission (OSFC) for the remediation project that was received and spent during 2014. Cash was also received from lease-purchase proceeds issued for the School District's local portion of the OSFC project. Capital assets, net had a significant increase compared to the prior fiscal year. This resulted from current year additions being greater than current year depreciation.

Current and other liabilities increased significantly. This is due to a significant increase in contracts payable related to the ongoing OSFC project. Long-term liabilities increased due to the School District receiving lease-purchase proceeds to refinance the 2006 lease-purchase agreement and to provide additional funding for the OSFC project. This increase was partially offset by regular principal payments made during the fiscal year.

Net investment in capital assets increased \$2,738,918 due to the School District's current fiscal year additions exceeding depreciation and debt issuances. Restricted net position decreased due to the School District expensing a grant received from the OSFC for the remediation project.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Change in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,186,465	\$1,140,929
Operating Grants and Contributions	3,375,052	3,122,738
Capital Grants and Contributions	2,621	35,145
Total Program Revenues	<u>4,564,138</u>	<u>4,298,812</u>
General Revenues:		
Property Taxes	4,131,822	3,846,900
Grants and Entitlements Not Restricted to Specific Programs	11,838,830	17,090,053
Unrestricted Grants and Donations	8,000	0
Proceeds from Sale of Assets	13,200	0
Investment Earnings	23,582	13,531
Miscellaneous	57,797	90,584
Total General Revenues	<u>16,073,231</u>	<u>21,041,068</u>
Total Revenues	<u>20,637,369</u>	<u>25,339,880</u>
Program Expenses:		
Instruction:		
Regular	7,547,029	7,700,594
Special	3,225,028	2,750,477
Vocational	209,720	211,571
Other	964,398	29,250
Support Services:		
Pupils	767,589	738,624
Instructional Staff	631,403	1,303,354
Board of Education	40,979	49,922
Administration	1,420,837	1,387,580
Fiscal	483,629	463,739
Operation and Maintenance of Plant	1,800,268	1,796,296
Pupil Transportation	1,094,710	1,108,542
Central	0	780
Operation of Non-Instructional Services	1,173,979	1,146,190
Extracurricular Activities	575,143	518,484
Interest and Fiscal Charges	300,255	411,287
Total Expenses	<u>20,234,967</u>	<u>19,616,690</u>
Change in Net Position	402,402	5,723,190
Net Position at Beginning of Year	39,229,754	33,506,564
Net Position at End of Year	<u>\$39,632,156</u>	<u>\$39,229,754</u>

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenue, were \$4,564,138 for fiscal year 2014. Program revenues were relatively consistent between years.

As previously mentioned, general revenues were \$16,073,231 for fiscal year 2014. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs and property taxes. A significant decrease occurred within grants and entitlements not restricted to specific programs mainly due to the receipt of the OSFC grant in the prior year. This decrease was partially offset by an increase in foundation funding.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2014. The most significant increases were in special and other instruction. These increases were partially offset by decreases in regular instruction and instructional staff. The increase in special instruction is directly related to the decrease in instructional staff due to a change in coding structure for certain types of employees. The decrease in regular instruction partially relates to the increase in other instruction as certain expenses, such as open enrollment and community school foundation deductions, were previously reported as regular instruction but as other instruction in the current year. The decrease in regular instruction as a result of this reclassification was partially offset by an increase in expenses related to an increase in foundation funding.

The statement of activities shows the cost of program services and the charges for services, 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 School District's students.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,138,815 and total expenditures of \$25,971,125.

The net change in fund balance for the fiscal year in the general fund was an increase of \$1,473,806. This increase was the result of the School District receiving a greater amount of foundation funding during this fiscal year than it had in the prior fiscal year. The School District had a related increase in expenditures to spend the additional foundation funds.

The bond retirement fund balance increased \$52,712, which is not significant.

The Ohio School Facilities Commission fund balance decreased \$3,935,649. This decrease was due to the expenditure of the previously received Ohio School Facilities Commission grant and proceeds from 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 2014, 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 \$15,472,872 and final budgeted revenues were \$17,065,280. This represents an increase in estimated revenues of \$1,592,408, which was due primarily to increases in foundation funding 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 not significant.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Original budgeted expenditures in the general fund were \$15,178,647 and final budgeted expenditures were \$17,210,713. This increase is due to the increase in appropriation of the additional foundation funding received. The difference between actual budgeted expenditures and final budgeted expenditures was not significant.

The School District's ending unobligated cash balance was \$6,408 above the final budgeted amount in the general fund.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$40,749,929 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. For more information on capital assets, refer to note 9 in the notes to the basic financial statements.

Debt

At June 30, 2014, the School District had \$5,316,747 in outstanding long-term general obligation debt, which includes serial bonds and related premium. The School District's long-term liabilities also include a loan, capital leases, and compensated absences.

The School District's overall legal debt margin was \$10,719,290 with an unvoted debt margin of \$175,770, and an energy conservation debt margin of \$1,581,929 at June 30, 2014. For more information on debt, refer to note 14 in the notes to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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.

Waverly City School District
Statement of Net Position
As of June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,296,682
Materials and Supplies Inventory	2,759
Intergovernmental Receivable	246,261
Prepaid Items	5,835
Property Taxes Receivable	4,556,328
Capital Assets:	
Land	679,800
Construction in Progress	6,130,210
Depreciable Capital Assets, net	33,939,919
<i>Total Assets</i>	54,857,794
Deferred Outflows of Resources:	
Deferred Charge on Refunding	157,753
Liabilities:	
Accounts Payable	73,058
Accrued Wages and Benefits	1,179,729
Contracts Payable	547,421
Intergovernmental Payable	289,613
Undistributed Monies	202
Accrued Interest Payable	16,164
Retainage Payable	95,432
Claims Payable	32,115
Long-Term Liabilities:	
Due Within One Year	1,307,764
Due in More Than One Year	8,077,249
<i>Total Liabilities</i>	11,618,747
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	3,764,644
Net Position:	
Net Investment in Capital Assets	32,857,576
Restricted for Debt Service	1,195,566
Restricted for Capital Outlay	2,715,990
Restricted for Other Purposes	162,738
Restricted for Set-Asides	57,076
Unrestricted	2,643,210
<i>Total Net Position</i>	\$39,632,156

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

Waverly City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$7,547,029	\$373,870	\$169,045	\$0	(\$7,004,114)
Special	3,225,028	106,899	2,110,189	0	(1,007,940)
Vocational	209,720	10,184	22,504	0	(177,032)
Other	964,398	50,619	0	0	(913,779)
Support Services:					
Pupils	767,589	40,901	34,905	0	(691,783)
Instructional Staff	631,403	18,022	29,556	0	(583,825)
Board of Education	40,979	2,178	0	0	(38,801)
Administration	1,420,837	76,571	147,841	0	(1,196,425)
Fiscal	483,629	21,308	2,508	7	(459,806)
Operation and Maintenance of Plant	1,800,268	82,449	0	2,614	(1,715,205)
Pupil Transportation	1,094,710	56,391	732	0	(1,037,587)
Operation of Non-Instructional Services	1,173,979	122,488	855,754	0	(195,737)
Extracurricular Activities	575,143	224,585	2,018	0	(348,540)
Interest and Fiscal Charges	300,255	0	0	0	(300,255)
<i>Total Governmental Activities</i>	<u>\$20,234,967</u>	<u>\$1,186,465</u>	<u>\$3,375,052</u>	<u>\$2,621</u>	(15,670,829)
General Revenues:					
Property Taxes Levied for:					
General Purposes					3,434,255
Debt Service					623,876
Capital Outlay					73,691
Grants and Entitlements not					
Restricted for Specific Programs					11,838,830
Unrestricted Grants and Donations					8,000
Proceeds from Sale of Assets					13,200
Investment Earnings					23,582
Miscellaneous					57,797
<i>Total General Revenues</i>					<u>16,073,231</u>
<i>Change in Net Position</i>					402,402
<i>Net Position Beginning of Year</i>					<u>39,229,754</u>
<i>Net Position End of Year</i>					<u>\$39,632,156</u>

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

Waverly City School District
Balance Sheet
Governmental Funds
As of June 30, 2014

	General Fund	Bond Retirement Fund	Ohio School Facilities Commission Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$4,485,859	\$930,243	\$2,401,379	\$1,158,960	\$8,976,441
Materials and Supplies Inventory	0	0	0	2,759	2,759
Interfund Receivable	98,057	0	0	0	98,057
Intergovernmental Receivable	72,646	0	0	173,615	246,261
Prepaid Items	5,835	0	0	0	5,835
Property Taxes Receivable	3,767,583	709,198	0	79,547	4,556,328
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	57,076	0	0	0	57,076
<i>Total Assets</i>	<u>\$8,487,056</u>	<u>\$1,639,441</u>	<u>\$2,401,379</u>	<u>\$1,414,881</u>	<u>\$13,942,757</u>
Liabilities:					
Accounts Payable	\$56,190	\$0	\$0	\$15,698	\$71,888
Accrued Wages and Benefits	1,016,628	0	0	163,101	1,179,729
Contracts Payable	0	0	305,041	242,380	547,421
Interfund Payable	0	0	0	98,057	98,057
Intergovernmental Payable	272,052	0	0	17,561	289,613
Undistributed Monies	202	0	0	0	202
Retainage Payable	0	0	82,009	13,423	95,432
<i>Total Liabilities</i>	1,345,072	0	387,050	550,220	2,282,342
Deferred Inflows of Resources:					
Property Taxes not Levied to Finance Current Year Operations	3,111,167	585,464	0	68,013	3,764,644
Unavailable Revenue	413,163	64,896	0	29,598	507,657
<i>Deferred Inflows of Resources</i>	3,524,330	650,360	0	97,611	4,272,301
Fund Balances:					
Nonspendable	9,702	0	0	2,759	12,461
Restricted	0	989,081	2,014,329	858,333	3,861,743
Committed	369,688	0	0	0	369,688
Assigned	154,565	0	0	0	154,565
Unassigned (Deficit)	3,083,699	0	0	(94,042)	2,989,657
<i>Total Fund Balances</i>	<u>3,617,654</u>	<u>989,081</u>	<u>2,014,329</u>	<u>767,050</u>	<u>7,388,114</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$8,487,056</u>	<u>\$1,639,441</u>	<u>\$2,401,379</u>	<u>\$1,414,881</u>	<u>\$13,942,757</u>

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

Waverly City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2014*

Total Governmental Fund Balances \$7,388,114

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. 40,749,929

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Intergovernmental	96,271	
Taxes	411,386	
Total	411,386	507,657

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 governmental activities in the statement of net position. 229,880

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds. 157,753

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (16,164)

Long-term liabilities, including bonds and related liabilities, capital leases, loans, lease-purchase agreements, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	(5,100,000)	
Premium on Bond Issuance	(216,747)	
Hardship Loan	(1,354,629)	
Lease-Purchase Agreement	(2,000,000)	
Capital Leases	(8,332)	
Compensated Absences	(705,305)	
Total	(9,385,013)	(9,385,013)

Net Position of Governmental Activities \$39,632,156

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

Waverly City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Bond Retirement Fund	Ohio School Facilities Commission Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$3,446,569	\$622,720	\$0	\$73,908	\$4,143,197
Intergovernmental	12,729,548	102,657	1,447,663	2,358,256	16,638,124
Interest	11,198	0	12,309	75	23,582
Tuition and Fees	794,263	0	0	25,256	819,519
Rent	4,055	0	0	0	4,055
Extracurricular Activities	26,888	0	0	213,762	240,650
Gifts and Donations	26,014	0	0	4,681	30,695
Customer Sales and Services	0	0	0	122,241	122,241
Miscellaneous	107,788	0	0	8,964	116,752
<i>Total Revenues</i>	<u>17,146,323</u>	<u>725,377</u>	<u>1,459,972</u>	<u>2,807,143</u>	<u>22,138,815</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,439,962	0	0	212,619	6,652,581
Special	2,023,717	0	0	1,002,354	3,026,071
Vocational	190,951	0	0	0	190,951
Other	952,525	0	0	0	952,525
Support Services:					
Pupils	639,790	0	0	37,746	677,536
Instructional Staff	358,501	0	0	30,579	389,080
Board of Education	40,979	0	0	0	40,979
Administration	1,200,028	0	0	140,408	1,340,436
Fiscal	401,851	43,665	0	5,427	450,943
Operation and Maintenance of Plant	1,565,681	0	50,129	178,292	1,794,102
Pupil Transportation	1,070,869	0	0	0	1,070,869
Operation of Non-Instructional Services	4,657	0	0	1,037,006	1,041,663
Extracurricular Activities	284,919	0	0	250,886	535,805
Capital Outlay	246,416	0	5,345,492	231,803	5,823,711
Debt Service:					
Principal	1,279,308	425,000	0	0	1,704,308
Interest	75,565	204,000	0	0	279,565
<i>Total Expenditures</i>	<u>16,775,719</u>	<u>672,665</u>	<u>5,395,621</u>	<u>3,127,120</u>	<u>25,971,125</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	370,604	52,712	(3,935,649)	(319,977)	(3,832,310)
Other Financing Sources (Uses):					
Transfers In	0	0	0	909,998	909,998
Proceeds from Lease-Purchase Agreement	2,000,000	0	0	0	2,000,000
Proceeds from Sale of Assets	13,200	0	0	0	13,200
Transfers Out	(909,998)	0	0	0	(909,998)
<i>Total Other Financing Sources</i>	<u>1,103,202</u>	<u>0</u>	<u>0</u>	<u>909,998</u>	<u>2,013,200</u>
<i>Net Change in Fund Balances</i>	1,473,806	52,712	(3,935,649)	590,021	(1,819,110)
<i>Fund Balance at Beginning 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>
<i>Fund Balance at End of Year</i>	<u><u>\$3,617,654</u></u>	<u><u>\$989,081</u></u>	<u><u>\$2,014,329</u></u>	<u><u>\$767,050</u></u>	<u><u>\$7,388,114</u></u>

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

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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$1,819,110)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.

Capital Asset Additions	5,823,711	
Current Year Depreciation	(1,857,948)	
Total	3,965,763	3,965,763

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

Intergovernmental	(1,444,316)	
Taxes	(11,375)	
Miscellaneous	(58,955)	
Total	(1,514,646)	(1,514,646)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

14,252

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.

Lease-Purchase Proceeds		(2,000,000)
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Accretion, amortization of bond premiums, and the deferred loss on the refunding of debt, are not reported in the funds, but are 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	(28,080)	
Total	(21,526)	(21,526)

Repayments of long-term debt are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

Bond Principal Retirement	425,000	
Capital Lease Payments	1,279,308	
Total	1,704,308	1,704,308

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:

Decrease in Compensated Absences	72,525	
Decrease in Accrued Interest	836	
Total	73,361	73,361

Net Change in Net Position of Governmental Activities \$402,402

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

Waverly City School District
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$3,043,561	\$3,414,952	\$3,414,952	\$0
Intergovernmental	11,664,997	12,729,548	12,729,548	0
Interest	10,325	11,910	13,028	1,118
Tuition and Fees	706,306	794,263	794,263	0
Rent	3,200	4,055	4,055	0
Gifts and Donations	6,200	8,000	8,000	0
Miscellaneous	38,283	102,552	102,552	0
<i>Total Revenues</i>	15,472,872	17,065,280	17,066,398	1,118
Expenditures:				
Current:				
Instruction:				
Regular	6,449,005	6,471,521	6,471,520	1
Special	1,660,029	2,028,315	2,028,315	0
Vocational	183,831	192,850	192,850	0
Other	905,033	952,525	952,525	0
Support Services:				
Pupils	619,091	633,780	628,619	5,161
Instructional Staff	371,653	393,557	393,557	0
Board of Education	39,240	47,340	47,341	(1)
Administration	1,100,735	1,210,492	1,210,491	1
Fiscal	453,056	415,058	415,058	0
Operation and Maintenance of Plant	1,901,710	1,811,240	1,811,241	(1)
Pupil Transportation	1,122,841	1,100,530	1,100,530	0
Central	500	829	700	129
Operation of Non-Instructional Services	5,629	5,663	5,663	0
Extracurricular Activities	235,272	287,273	287,273	0
Capital Outlay	0	45,147	45,147	0
Debt Service:				
Principal	70,391	1,540,064	1,540,064	0
Interest	60,631	74,529	74,529	0
<i>Total Expenditures</i>	15,178,647	17,210,713	17,205,423	5,290
<i>Excess of Revenues Over (Under) Expenditures</i>	294,225	(145,433)	(139,025)	6,408
Other Financing Sources (Uses):				
Advances In	95,041	43,467	43,467	0
Proceeds from Lease-Purchase Agreement	0	2,000,000	2,000,000	0
Proceeds from Sale of Capital Assets	650	13,200	13,200	0
Transfers Out	0	(856,378)	(856,378)	0
Advances Out	0	(98,057)	(98,057)	0
<i>Total Other Financing Sources (Uses)</i>	95,691	1,102,232	1,102,232	0
<i>Net Change in Fund Balance</i>	389,916	956,799	963,207	6,408
<i>Fund Balance at Beginning of Year</i>	2,856,873	2,856,873	2,856,873	0
<i>Prior Year Encumbrances Appropriated</i>	158,451	158,451	158,451	0
<i>Fund Balance at End of Year</i>	\$3,405,240	\$3,972,123	\$3,978,531	\$6,408

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

Waverly City School District
Statement of Fund Net Position
Internal Service Fund
As of June 30, 2014

	<u>Max 105 Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$263,165</u>
<i>Total Assets</i>	263,165
Liabilities:	
Accounts Payable	1,170
Claims Payable	<u>32,115</u>
<i>Total Liabilities</i>	33,285
Net Position:	
Unrestricted	<u>229,880</u>
<i>Total Net Position</i>	<u><u>\$229,880</u></u>

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

Waverly City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	<u>Max 105 Fund</u>
Operating Revenues:	
Charges for Services	<u>\$156,393</u>
<i>Total Operating Revenues</i>	156,393
Operating Expenses:	
Purchased Services	14,310
Claims	<u>127,831</u>
<i>Total Operating Expenses</i>	<u>142,141</u>
<i>Operating Income</i>	14,252
<i>Net Position Beginning of Year</i>	<u>215,628</u>
<i>Net Position End of Year</i>	<u><u>\$229,880</u></u>

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

Waverly City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	<u>Max 105 Fund</u>
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Charges for Services	\$156,393
Purchased Services	(13,140)
Claims	<u>(121,722)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	21,531
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>241,634</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$263,165</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$14,252
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Increase in Accounts Payable	1,170
Increase in Claims Payable	<u>6,109</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$21,531</u></u>

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

Waverly City School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2014

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$16,328	\$44,325
<i>Total Assets</i>	\$16,328	\$44,325
Liabilities:		
Undistributed Monies		\$44,325
<i>Total Liabilities</i>		\$44,325
Net Position:		
Held in Trust for Scholarships	\$16,328	
<i>Total Net Position</i>	\$16,328	

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

Waverly City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and Contributions	<u>\$4,500</u>
<i>Total Additions</i>	4,500
Deductions:	
Payments in Accordance with Trust Agreements	<u>4,000</u>
<i>Total Deductions</i>	<u>4,000</u>
<i>Change in Net Position</i>	500
<i>Net Position Beginning of Year</i>	<u>15,828</u>
<i>Net Position End of Year</i>	<u><u>\$16,328</u></u>

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 77 non-certificated employees, 106 certificated full-time teaching personnel and 12 administrative employees who provide services to 1,997 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.

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 District
- 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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Bond Retirement Fund - The bond retirement 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.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 bases of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources, 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental funds balance sheet. 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.

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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

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, Ohio School Facilities Commission fund, and other governmental funds during fiscal year 2014 amounted to \$11,198, \$12,309, and \$75, respectively.

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 consumable supplies.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014 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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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". 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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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.

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. The School District reported no matured compensated absences payable as of June 30, 2014.

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.

Fund Balance

Fund balance is divided into five classifications 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 classifications are as follows:

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the 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. 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.

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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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	Bond Retirement	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepays	\$5,835	\$0	\$0	\$0	\$5,835
Unclaimed Monies	3,867	0	0	0	3,867
Inventory	0	0	0	2,759	2,759
Total	9,702	0	0	2,759	12,461
<i>Restricted for</i>					
Debt Payments	0	989,081	0	0	989,081
Latchkey Program	0	0	0	8,653	8,653
Miscellaneous Federal Grants	0	0	0	21,782	21,782
District Managed Activities	0	0	0	47,129	47,129
Miscellaneous State Grants	0	0	0	5,624	5,624
Capital Maintenance	0	0	0	73,484	73,484
Capital Improvements	0	0	2,014,329	701,661	2,715,990
Total	0	989,081	2,014,329	858,333	3,861,743
<i>Committed for</i>					
Underground Storage	11,000	0	0	0	11,000
Purchases on Order	358,688	0	0	0	358,688
Total	369,688	0	0	0	369,688

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 – Fund Balances (Continued)

Fund Balances	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<i>Assigned for</i>					
Purchases on Order	\$102,266	\$0	\$0	\$0	\$102,266
Public School Support	52,299	0	0	0	52,299
Total	154,565	0	0	0	154,565
<i>Unassigned (Deficit)</i>					
	3,083,699	0	0	(94,042)	2,989,657
Total	\$3,617,654	\$989,081	\$2,014,329	\$767,050	\$7,388,114

Note 4 – Accountability

At June 30, 2014, the food service and title II-A special revenue funds had deficit fund balances of \$91,042 and \$241, respectively. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 and actual (budgetary basis) 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:

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).

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 – Budgetary Basis of Accounting (Continued)

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	\$1,473,806
Adjustments:	
Revenue Accruals	(29,787)
Expenditure Accruals	26,740
Encumbrances	(497,156)
Transfers	53,620
Advances	(54,590)
Perspective Differences	<u>(9,426)</u>
Budget Basis	<u>\$963,207</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
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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 – Deposits and Investments (Continued)

Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at federal reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the federal reserve bank in the name of the School District. The School District’s policy does not address this risk beyond the requirements of the Ohio Revised Code.

At June 30, 2014, the carrying amount of all School District deposits was \$8,857,135. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of June 30, 2014, \$1,256,343 of the School District’s bank balance of \$9,109,953 was covered by Federal Deposit Insurance. The remaining \$7,853,610 was collateralized with securities held by the School District or its agent in the School District’s name.

Investments – As of June 30, 2014, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
FHLB	\$500,200	1 to 3 Years

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the School District to meet all operating requirements.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits its investments to U.S. Government agency securities as described in Ohio Revised Code Section 135.143A(2). Investments in FHLB securities were rated AA+ by Standard & Poor’s.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in eligible securities as described in the Ohio Revised Code. The School District has invested 100 percent of its investments in FHLB.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. All of the School District’s investments are either insured and registered in the name of the School District or at least registered in the name of the School District.

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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 – Property Taxes (Continued)

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected in calendar year 2014 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 Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2014, are available to finance fiscal year 2014 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, 2014 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.

The amounts available as an advance at June 30, 2014 were \$315,899 in the general fund, \$58,838 in the bond retirement fund, and \$5,561 in the other governmental funds. The amount available as an advance at June 30, 2013 was \$284,282 in the general fund, \$49,397 in the bond retirement fund, and \$5,017 in the other 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 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$161,167,380	92.89%	\$161,426,300	91.84%
Public Utility	12,342,440	7.11%	14,343,590	8.16%
Total Assessed Value	\$173,509,820	100.00%	\$175,769,890	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$31.80		\$32.00	

Note 8 – Receivables

Receivables at June 30, 2014, 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:

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 – Receivables (Continued)

<i>Major Fund:</i>	
General	\$72,646
<i>Other Governmental Funds:</i>	
Title I	106,067
Title I, School Improvement, Sub A	4,244
Special Education	46,340
Improving Teacher Quality	16,964
Total Other Governmental Funds	<u>173,615</u>
Total All Funds	<u>\$246,261</u>

Note 9 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Ending Balance 6/30/13	Additions	Deletions	Ending Balance 6/30/14
<i>Governmental Activities</i>				
Capital Assets Not Being Depreciated				
Land	\$679,800	\$0	\$0	\$679,800
Construction in Progress	552,915	5,577,295	0	6,130,210
Total Capital Assets Not Being Depreciated	<u>1,232,715</u>	<u>5,577,295</u>	<u>0</u>	<u>6,810,010</u>
Capital Assets Being Depreciated				
Land Improvements	3,696,743	0	0	3,696,743
Buildings and Improvements	46,074,120	124,259	0	46,198,379
Furniture and Equipment	1,915,072	122,157	0	2,037,229
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>54,427,604</u>	<u>246,416</u>	<u>0</u>	<u>54,674,020</u>
Less Accumulated Depreciation				
Land Improvements	(1,796,522)	(165,397)	0	(1,961,919)
Buildings and Improvements	(13,445,198)	(1,498,695)	0	(14,943,893)
Furniture and Equipment	(1,201,887)	(154,787)	0	(1,356,674)
Vehicles	(1,496,471)	(39,069)	0	(1,535,540)
Books and Educational Media	(936,075)	0	0	(936,075)
Total Accumulated Depreciation	<u>(18,876,153)</u>	<u>(1,857,948)</u>	<u>0</u>	<u>(20,734,101)</u>
Total Capital Assets Being Depreciated, Net	<u>35,551,451</u>	<u>(1,611,532)</u>	<u>0</u>	<u>33,939,919</u>
Governmental Activities Capital Assets, Net	<u>\$36,784,166</u>	<u>\$3,965,763</u>	<u>0</u>	<u>\$40,749,929</u>

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 – Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$913,541
Special	169,358
Vocational	18,092
Other	11,873
<i>Support Services:</i>	
Pupils	83,931
Instructional Staff	261,702
Administration	115,458
Fiscal	33,572
Operation and Maintenance of Plant	20,376
Pupil Transportation	52,478
Operation of Non-Instructional Services	138,229
Extracurricular Activities	39,338
Total Depreciation Expense	<u>\$1,857,948</u>

Note 10 – Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$389,205, \$263,025, and \$277,678, respectively, which equaled the required contributions each year.

State Teachers Retirement System of Ohio

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Note 10 – Defined Benefit Pension Plans (Continued)

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Note 10 – Defined Benefit Pension Plans (Continued)

Benefits are increased by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2014, 2013 and 2012, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$886,689, \$910,412, and \$910,196, respectively; 84 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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, 2014, 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

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Note 11 – Postemployment Benefits (Continued)

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013 and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the School District, contributions for the years ended June 30, 2014, 2013 and 2012, were \$39,032, \$39,341, and \$43,209, respectively, which equaled the required allocation for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2014, 2013 and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, contributions assigned to health care for the years ending June 30, 2014, 2013, and 2012 were \$22,580, \$14,858, and \$16,398, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Note 11 – Postemployment Benefits (Continued)

State Teachers Retirement System of Ohio

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan that is a hybrid of the Defined Benefit Plan and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$68,207, \$70,032, and \$70,015, for fiscal years 2014, 2013 and 2012, respectively.

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.

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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 12 – Employee Benefits (Continued)

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. The assets obtained under these leases were capitalized in the amount of \$36,406. 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. During fiscal year 2014, the School District entered into a lease-purchase agreement to refinance the 2006 lease-purchase agreement and to provide additional funds to finance construction projects. None of the additional funds were spent by June 30, 2014 except as necessary to refinance the 2006 lease-purchase agreement. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2014 totaled \$1,279,308. Payments were paid from the general fund.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

Fiscal Year Ending June 30,	
2015	\$177,477
2016	177,531
2017	175,479
2018	175,460
2019	175,496
2020-2024	877,794
2025-2029	877,602
Total	2,636,809
Less: Amount Representing Interest	(628,477)
Present Value of Net Minimum Lease Payments	\$2,008,332

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Due Within One Year
<i>Governmental Activities</i>					
2006 Refunding Bonds					
Serial Bonds 4%	\$5,100,000	\$0	\$0	\$5,100,000	\$425,000
Capital Appreciation Bonds 13.79%	168,015	0	(168,015)	0	0
Accretion on Capital Appreciation Bonds	228,905	28,080	(256,985)	0	0
Premium on Debt Issue	240,830	0	(24,083)	216,747	0
2013 Hardship Loan	1,354,629	0	0	1,354,629	541,852
Total	7,092,379	28,080	(449,083)	6,671,376	966,852
Compensated Absences	777,830	311,350	(383,875)	705,305	231,842
Capital Leases	1,287,640	2,000,000	(1,279,308)	2,008,332	109,070
Total Governmental Activities Long-Term Obligations	\$9,157,849	\$2,339,430	(\$2,112,266)	\$9,385,013	\$1,307,764

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 bond retirement 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 matured in fiscal years 2013 and 2014. The maturity amount of the capital appreciation bonds was \$425,000 per year in 2013 and 2014. For fiscal year 2014, the capital appreciation bonds accreted \$28,080.

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. The payment due in 2014 was not paid until after fiscal year end.

Compensated absences will be paid from the general, food service, and title VI-B funds. Capital lease obligations will be paid from the general fund.

The School District’s overall legal debt margin was \$10,719,290 with an unvoted debt margin of \$175,770, and an energy conservation debt margin of \$1,581,929 at June 30, 2014.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 – Long-Term Obligations (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	2006 Classroom Facilities Refunding Bonds			Hardship Loan	Total
	Serial Bonds	Serial Bonds			
	Principal	Interest			
2015	\$425,000	\$195,500	\$541,852	\$1,162,352	
2016	445,000	178,100	270,926	894,026	
2017	460,000	160,000	270,926	890,926	
2018	480,000	141,200	270,925	892,125	
2019	495,000	121,700	0	616,700	
2020-2024	2,795,000	288,500	0	3,083,500	
Total	\$5,100,000	\$1,085,000	\$1,354,629	\$7,539,629	

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.

Workers' Compensation

For fiscal year 2014, 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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 – Risk Management (Continued)

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 \$32,115 reported in the internal service fund at June 30, 2014, 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
2013	\$23,432	\$145,733	\$143,159	\$26,006
2014	26,006	127,831	121,722	32,115

Note 16 – Interfund Activity

As of June 30, 2014, interfund receivables and payables that resulted from interfund transactions were as follows:

	Receivables	Payables
<i>Major Fund:</i>		
General	\$98,057	\$0
<i>Other Governmental Funds:</i>		
Food Service	0	44,612
Athletics	0	16,438
Special Education	0	814
Title I	0	35,993
Title II-A	0	200
Total Other Governmental Funds	0	98,057
Total	\$98,057	\$98,057

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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 – Interfund Activity (Continued)

	Transfers In	Transfers Out
<i>Major Fund:</i>		
General	\$0	\$909,998
<i>Other Governmental Funds:</i>		
Permanent Improvement	856,378	0
Food Service	51,516	0
Athletics	2,104	0
Total Other Governmental Funds	909,998	0
Total	\$909,998	\$909,998

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 \$139,206 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 District (Vocational School District) 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 Vocational School District 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 District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Note 17 – Jointly Governed Organizations (Continued)

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, 2014

Note 19 – Set-Aside Calculations (Continued)

	Capital Improvements	Budget Stabilization
Set-Aside Balance as of June 30, 2013	\$0	\$57,076
Current Fiscal Year Set-Aside Requirement	332,307	0
Current Fiscal Year Off-Sets	(160,390)	0
Current Fiscal Year Qualifying Expenditures	(171,917)	0
Set-Aside Balance as of June 30, 2014	\$0	\$57,076
Required Set-Aside Balance Carried Forward to Fiscal Year 2015	\$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, 2014:

	Contract Amount	Amount Expended	Balance at 6/30/14
Robertson Construction Services, Inc.	\$6,183,031	\$4,873,653	\$1,309,378
Schooley Caldwell Associates	248,500	186,020	62,480
Greenlawn Landscape	165,900	0	165,900
WAI Construction Group	342,794	0	342,794

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2014, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<i>Major Funds:</i>	
General	\$498,854
Ohio School Facilities Commission	315,982
<i>Other Governmental Funds:</i>	
Permanent Improvement	619,996
Food Service	400
Classroom Facilities Maintenance	13,557
Athletics	16,162
Auxiliary	8,327
Title I, School Improvement, Sub A	720
Title I	38,265
Title II-A	200
Total Other Governmental Funds	697,627
Total All Funds	\$1,512,463

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, if applicable, cannot be determined at this time.

Litigation

The School District is not party to any legal proceedings.

Note 22 – Subsequent Events

On August 19, 2014, the School District entered into a site work contract with Greenlawn Landscaping for \$130,100. A subsequent increased change order was approved on September 10, 2014 in the amount of \$9,000.

On October 22, 2014, the School District approved the issuance of certificates of participation for energy conservation purposes for an amount not to exceed \$2,500,000 at an interest rate of 7 percent.

Waverly City School District
Pike County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$ 263,632	\$ -	\$ 263,632	\$ -
National School Lunch Program	3L60	10.555	464,278	35,720	464,278	35,720
Total Child Nutrition Cluster			727,910	35,720	727,910	35,720
Total United States Department of Agriculture			727,910	35,720	727,910	35,720
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	409,993	-	410,808	-
Title I Grants to Local Educational Agencies	3M00	84.010	763,739	-	733,870	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top						
Incentive Grants, Recovery Act	3FD0	84.395	3,500	-	3,500	-
Rural Education	3Y80	84.358	33,202	-	41,176	-
Improving Teacher Quality State Grants	3Y60	84.367	120,368	-	120,564	-
Total United States Department of Education			1,330,802	-	1,309,918	-
Total Federal Financial Assistance			\$2,058,712	\$35,720	\$2,037,828	\$35,720

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, 2014

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 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, 2014, 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 December 31, 2014.

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.

December 31, 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 each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are 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 each of the School District's major federal programs 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 each 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 each of its major federal programs for the year ended June 30, 2014.

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.

December 31, 2014

Waverly City School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2014

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); Special Education Grants to States (CFDA #84.027)
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



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
MARCH 17, 2015**