



Dave Yost • Auditor of State

**WAVERLY CITY SCHOOL DISTRICT
PIKE COUNTY**

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PIKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Waverly City School District
Pike County
1 Tiger Drive
Waverly, Ohio 45690

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waverly City School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Title I Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 13, 2012

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

As management of the Waverly City School District (the School District), we offer readers of the School District's financial statements this narrative, overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in the basic financial statements to enhance their understanding of the School District's financial performance.

Government-wide Financial Statements

Financial Highlights

- The assets of the School District exceeded its liabilities at June 30, 2011 by \$34,351,726.
- In total, net assets decreased \$1,058,620.

Using the 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 Assets* 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 2011?" The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those net assets. This change in net assets 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

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educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial statements 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, Title I Fund and the Debt Service 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 Assets 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 assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The internal service fund is used to account for the financing services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The internal service fund is used to account for the reimbursement to employees for deductibles on their health insurance.

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

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010:

(Table 1)
Net Assets
Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$8,711,063	\$8,989,549	(\$278,486)
Capital Assets, Net	39,546,296	41,419,217	(1,872,921)
Total Assets	<u>48,257,359</u>	<u>50,408,766</u>	<u>(2,151,407)</u>
Liabilities			
Other Liabilities	5,227,153	5,685,973	(458,820)
Long-Term Liabilities	8,678,480	9,312,447	(633,967)
Total Liabilities	<u>13,905,633</u>	<u>14,998,420</u>	<u>(1,092,787)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	32,293,373	33,722,617	(1,429,244)
Restricted	2,430,046	2,424,711	5,335
Unrestricted (Deficit)	<u>(371,693)</u>	<u>(736,982)</u>	<u>365,289</u>
Total Net Assets	<u>\$34,351,726</u>	<u>\$35,410,346</u>	<u>(\$1,058,620)</u>

Total net assets decreased \$1,058,620. Capital assets, net decreased by \$1,872,921 and invested in capital assets, net of related debt decreased by \$1,429,244, primarily due to depreciation recognized during fiscal year 2011. Current and other assets decreased \$278,486, mainly due to a decrease in intergovernmental receivable of \$261,079.

Table 2, on the following page, shows the changes in net assets for fiscal years 2011 and 2010.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 2)
Change in Net Assets

	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,190,009	\$1,170,293	\$19,716
Operating Grants and Contributions	3,961,607	3,887,481	74,126
Capital Grants and Contributions	12,538	4,460	8,078
Total Program Revenues	<u>5,164,154</u>	<u>5,062,234</u>	<u>101,920</u>
General Revenues:			
Property Taxes	3,823,598	3,739,047	84,551
Grants and Entitlements not Restricted to Specific Programs	10,915,776	10,903,589	12,187
Payments in Lieu of Taxes	0	10,525	(10,525)
Interest	14,069	8,881	5,188
Miscellaneous	64,890	111,516	(46,626)
Gain on Sale of Capital Assets	0	800	(800)
Total General Revenues	<u>14,818,333</u>	<u>14,774,358</u>	<u>43,975</u>
Total Revenues	<u>19,982,487</u>	<u>19,836,592</u>	<u>145,895</u>
Program Expenses			
Instruction:			
Regular	8,848,933	9,378,819	(529,886)
Special	2,278,157	2,286,499	(8,342)
Vocational	200,456	185,200	15,256
Student Intervention Services	136,491	121,728	14,763
Support Services:			
Pupils	930,886	951,914	(21,028)
Instructional Staff	1,526,791	1,633,604	(106,813)
Board of Education	55,505	43,644	11,861
Administration	1,326,843	1,292,490	34,353
Fiscal	481,932	465,894	16,038
Operation and Maintenance of Plant	2,106,566	2,184,215	(77,649)
Pupil Transportation	1,173,837	1,160,507	13,330
Central	1,825	4,310	(2,485)
Operation of Non-Instructional Services:			
Food Services	948,119	919,416	28,703
Other	87,038	74,175	12,863
Extracurricular Activities	558,324	503,278	55,046
Interest and Fiscal Charges	379,404	393,701	(14,297)
Total Expenses	<u>21,041,107</u>	<u>21,599,394</u>	<u>(558,287)</u>
Change in Net Assets	(1,058,620)	(1,762,802)	704,182
Net Assets at Beginning of Year	<u>35,410,346</u>	<u>37,173,148</u>	<u>(1,762,802)</u>
Net Assets at End of Year	<u>\$34,351,726</u>	<u>\$35,410,346</u>	<u>(\$1,058,620)</u>

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Unaudited

Operating grants and contributions increased \$74,126, due to overall increases in funding received by the School District. Property Taxes increased by \$84,551, due to an increase in the amount of taxes available for advance. Grants and Entitlements not Restricted for Specific Purposes increased \$12,187 due to increases in State foundation funding.

Program expenses decreased \$558,288. Regular instruction decreased \$529,886, due to a large decrease in accrued liabilities for sick leave. In addition, teacher salaries were frozen during the fiscal year, with the exception of step increases.

Governmental Activities

Grants and Entitlements not Restricted to Specific Programs made up 74 percent of general revenues for governmental activities of the School District for fiscal year 2011. The School District is benefiting from State funding received for instructional purposes and professional development.

Instruction comprises 55 percent of governmental program expenses. Support services expenses make up 36 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenues and unrestricted State entitlements.

(Table 3)
Governmental Activities

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
Instruction	\$11,464,037	\$11,972,246	\$8,603,011	\$8,843,296
Support Services	7,604,185	7,736,578	6,540,551	6,691,440
Operation of Non-				
Instructional Services	1,035,157	993,591	46,020	307,669
Extracurricular Activities	558,324	503,278	307,967	301,054
Interest and Fiscal Charges	379,404	393,701	379,404	393,701
Total Expenses	<u>\$21,041,107</u>	<u>\$21,599,394</u>	<u>\$15,876,953</u>	<u>\$16,537,160</u>

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,650,170 and total expenditures of \$19,871,737.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The net change in fund balance for the fiscal year in the General Fund was a decrease of \$282,715. General Fund revenues decreased in fiscal year 2011 by \$44,197, due primarily to a decrease in intergovernmental revenue of \$149,694 offset by an increase in property taxes of \$66,442. General Fund expenditures decreased in fiscal year 2011 by \$83,845. This is due primarily to a decrease in regular instruction of \$140,414.

The Title I Fund had a decrease of \$106,706 due to expenditures exceeding revenues for the fiscal year.

The Debt Service Fund had an increase of \$51,290. The increase in the Debt Service Fund was due to property tax collections that exceeded principal, interest and fiscal charges paid on long-term obligations.

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 2011 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

The School District's ending unobligated cash balance was \$340,440 above the final budgeted amount in the General Fund.

For the General Fund, original budgeted revenues were \$14,929,437 and final budgeted revenues were \$14,739,297. This represents a decrease in estimated revenues of \$190,140, which was due mainly to a decrease in property taxes offset by an increase in intergovernmental revenue. The difference between actual budget basis revenues and final budgeted revenues was zero.

Original budgeted expenditures in the General Fund were \$15,567,476 and final budgeted expenditures were \$15,661,387. This represents an increase in estimated expenditures of \$93,911, which was due primarily to increases in Regular and Special Instruction. The difference between actual budget basis expenditures and final budgeted expenditures was \$335,499.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011 the School District had \$39,546,296 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and books and educational media. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	2011	2010
Land	\$763,100	\$763,100
Land Improvements	2,232,509	2,401,089
Buildings and Improvements	35,165,967	36,634,203
Furniture and Equipment	879,225	947,565
Vehicles	505,495	595,253
Books and Educational Media	0	78,007
Totals	\$39,546,296	\$41,419,217

The primary decrease occurred in buildings and improvements. This is due to the recognition of depreciation expense on buildings.

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

Debt

At June 30, 2011, the School District had \$6,236,547 in bonds and loans outstanding. \$400,000 of the bonds outstanding represent the amounts due within one year. Table 5 summarizes bonds and loans outstanding:

(Table 5)
Outstanding Debt, at Fiscal Year-end

	2011	2010
Loans Payable:		
General Obligation Bonds:		
2001 Classroom Facilities Bonds	\$354,482	\$680,596
2006 Classroom Facilities Bonds	5,519,992	5,574,992
Accretion on Capital		
Appreciation Bonds	283,417	198,389
Premium on Debt Issue	288,996	313,079
Deferred Gain on Refunding	(210,340)	(227,869)
Totals	\$6,236,547	\$6,539,187

The School District's overall legal debt margin was \$10,475,973, with an unvoted debt margin of \$171,513, and an Energy Conservation debt margin of \$1,543,615 at June 30, 2011.

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

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Current Issues

The School District is considered to be a low wealth district. Therefore, as indicated in the preceding financial information, the State of Ohio provides the majority of the funding received by the School District. Careful financial planning and the passage of a building levy have permitted our School District to provide a quality education for our students along with new facilities for the future, despite our low wealth status. The unemployment rate in the School District is currently rising, due to the loss of jobs in our area. Mills Pride, which is a large cabinet making factory in our city, is closing and a buyer for the plant has yet to be found. Several small independent businesses throughout our area have had to close as well. The economics of our area make it unlikely to pass a levy for increased revenue for operations of the School District. Our free and reduced percentages are also increasing, which again, reflects the economic plight of our area.

The School District is unable to predict what effect the budget problems of the State of Ohio may have on its financial operations. The School District is very concerned with the State budget decisions because the School District receives such a substantial amount of funding from the State of Ohio. In addition, the School District is concerned about the increased costs of operating new facilities and the effect these costs are having on the School District's bottom line. Expenditures are increasing at a higher rate than revenues and cuts are being made to maintain a sound financial condition.

Contacting the School District's Financial Management

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

Waverly City School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,686,754
Prepaid Items	7,869
Inventory Held for Resale	3,413
Materials and Supplies Inventory	1,356
Intergovernmental Receivable	826,218
Property Taxes Receivable	4,092,384
Deferred Charges	93,069
Capital Assets:	
Land	763,100
Depreciable Capital Assets, Net	38,783,196
<i>Total Assets</i>	48,257,359
 <u>Liabilities:</u>	
Accounts Payable	129,775
Accrued Wages and Benefits Payable	1,376,367
Intergovernmental Payable	393,123
Deferred Revenue	3,278,031
Undistributed Monies	202
Accrued Interest Payable	17,832
Claims Payable	31,823
Long-Term Liabilities:	
Due Within One Year	590,911
Due Within More Than One Year	8,087,569
<i>Total Liabilities</i>	13,905,633
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	32,293,373
Restricted for:	
Capital Projects	570,675
Debt Service	922,842
Set-Asides	57,076
Athletics	93,289
Special Education	601,177
Other Purposes	184,987
Unrestricted (Deficit)	(371,693)
<i>Total Net Assets</i>	\$34,351,726

See accompanying notes to the basic financial statements

Waverly City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$8,848,933	\$722,959	\$309,901
Special	2,278,157	0	1,793,653
Vocational	200,456	0	34,513
Student Intervention Services	136,491	0	0
Support Services:			
Pupils	930,886	1,181	115,241
Instructional Staff	1,526,791	21,864	510,132
Board of Education	55,505	0	0
Administration	1,326,843	0	190,859
Fiscal	481,932	0	188,312
Operation and Maintenance of Plant	2,106,566	2,775	11,114
Pupil Transportation	1,173,837	0	22,156
Central	1,825	0	0
Operation of Non-Instructional Services:			
Food Services	948,119	223,272	697,856
Other	87,038	0	68,009
Extracurricular Activities	558,324	217,958	19,861
Interest and Fiscal Charges	379,404	0	0
<i>Total Governmental Activities</i>	<u>\$21,041,107</u>	<u>\$1,190,009</u>	<u>\$3,961,607</u>

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
	Governmental Activities	
\$0		(\$7,816,073)
0		(484,504)
0		(165,943)
0		(136,491)
0		(814,464)
0		(994,795)
0		(55,505)
0		(1,135,984)
0		(293,620)
0		(2,092,677)
0		(1,151,681)
0		(1,825)
0		(26,991)
0		(19,029)
12,538		(307,967)
0		(379,404)
<u>\$12,538</u>		<u>(15,876,953)</u>

3,193,518
568,142
61,938
10,915,776
14,069
64,890
<u>14,818,333</u>
(1,058,620)
<u>35,410,346</u>
<u>\$34,351,726</u>

Waverly City School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Title I	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,599,577	\$20,708	\$833,049	\$886,776	\$3,340,110
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	57,076	0	0	0	57,076
Receivables:					
Property Taxes	3,418,426	0	601,287	72,671	4,092,384
Intergovernmental	0	753,444	0	72,774	826,218
Interfund Receivable	80,237	0	0	0	80,237
Prepaid Items	7,079	0	0	790	7,869
Inventory Held for Resale	0	0	0	3,413	3,413
Materials and Supplies Inventory	0	0	0	1,356	1,356
<i>Total Assets</i>	<u>\$5,162,395</u>	<u>\$774,152</u>	<u>\$1,434,336</u>	<u>\$1,037,780</u>	<u>\$8,408,663</u>
 <u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$86,783	\$15,296	\$0	\$27,696	\$129,775
Accrued Wages and Benefits Payable	1,032,019	102,194	0	242,154	1,376,367
Interfund Payable	0	6,616	0	73,621	80,237
Intergovernmental Payable	361,025	14,252	0	17,846	393,123
Deferred Revenue	3,045,122	675,831	534,524	137,863	4,393,340
Undistributed Monies	202	0	0	0	202
<i>Total Liabilities</i>	<u>4,525,151</u>	<u>814,189</u>	<u>534,524</u>	<u>499,180</u>	<u>6,373,044</u>
 <u>Fund Balances:</u>					
Nonspendable	7,079	0	0	1,356	8,435
Restricted	57,076	0	899,812	795,954	1,752,842
Committed	11,000	0	0	0	11,000
Assigned	152,847	0	0	0	152,847
Unassigned	409,242	(40,037)	0	(258,710)	110,495
<i>Total Fund Balances</i>	<u>637,244</u>	<u>(40,037)</u>	<u>899,812</u>	<u>538,600</u>	<u>2,035,619</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,162,395</u>	<u>\$774,152</u>	<u>\$1,434,336</u>	<u>\$1,037,780</u>	<u>\$8,408,663</u>

See accompanying notes to the basic financial statements

Waverly City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances \$2,035,619

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

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

Land	763,100	
Capital assets	54,137,372	
Accumulated depreciation	(15,354,176)	
Total capital assets	39,546,296	39,546,296

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

Taxes	366,704	
Intergovernmental	748,605	
	1,115,309	1,115,309

The Internal Service Fund is used by management to charge the costs of deductible reimbursement to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 257,745

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 93,069

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (17,832)

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

Bonds payable	(5,859,992)	
Accretion on capital appreciation bonds	(283,417)	
Premium on debt issue	(303,478)	
Deferred gain on refunding	210,340	
Capital leases	(1,407,344)	
Compensated absences	(1,034,589)	
Total liabilities	(8,678,480)	(8,678,480)

Net Assets of Governmental Activities \$34,351,726

See accompanying notes to the basic financial statements

Waverly City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Title I	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,159,712	\$0	\$561,796	\$61,285	\$3,782,793
Intergovernmental	10,798,446	806,863	122,320	2,650,069	14,377,698
Interest	14,008	0	0	61	14,069
Tuition and Fees	722,959	0	0	23,045	746,004
Extracurricular Activities	23,868	0	0	194,090	217,958
Customer Services	0	0	0	223,272	223,272
Rent	2,775	0	0	0	2,775
Gifts and Donations	12,538	0	0	208,173	220,711
Miscellaneous	16,608	0	0	48,282	64,890
<i>Total Revenues</i>	<u>14,750,914</u>	<u>806,863</u>	<u>684,116</u>	<u>3,408,277</u>	<u>19,650,170</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	7,221,393	3,374	0	884,346	8,109,113
Special	1,262,079	466,841	0	384,493	2,113,413
Vocational	185,584	0	0	0	185,584
Student Intervention Services	0	0	0	123,190	123,190
Support Services:					
Pupils	757,411	95,885	0	5,145	858,441
Instructional Staff	620,176	347,299	0	304,257	1,271,732
Board of Education	55,505	0	0	0	55,505
Administration	1,064,079	0	0	165,557	1,229,636
Fiscal	424,868	0	23,378	6,811	455,057
Operation and Maintenance of Plant	1,964,139	0	0	166,134	2,130,273
Pupil Transportation	1,059,501	170	0	987	1,060,658
Central	1,825	0	0	0	1,825
Operation of Non-Instructional Services:					
Food Services	0	0	0	824,529	824,529
Other	8,605	0	0	78,433	87,038
Extracurricular Activities	277,442	0	0	270,583	548,025
Capital Outlay	0	0	0	77,248	77,248
Debt Service:					
Principal Retirement	64,786	0	380,000	0	444,786
Interest and Fiscal Charges	66,236	0	229,448	0	295,684
<i>Total Expenditures</i>	<u>15,033,629</u>	<u>913,569</u>	<u>632,826</u>	<u>3,291,713</u>	<u>19,871,737</u>
<i>Net Change in Fund Balances</i>	(282,715)	(106,706)	51,290	116,564	(221,567)
<i>Fund Balances at Beginning of Year -</i>					
<i>Restated - (See Note 21)</i>	<u>919,959</u>	<u>66,669</u>	<u>848,522</u>	<u>422,036</u>	<u>2,257,186</u>
<i>Fund Balances at End of Year</i>	<u>\$637,244</u>	<u>(\$40,037)</u>	<u>\$899,812</u>	<u>\$538,600</u>	<u>\$2,035,619</u>

See accompanying notes to the basic financial statements

Waverly City School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$221,567)

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

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

Capital assets additions	93,959	
Depreciation expense	(1,958,216)	
Excess of capital outlay under depreciation expense		(1,864,257)

When capital assets are disposed of, the cost of the capital assets is removed from the capital assets account in the Statement of Net Assets resulting in a gain or loss on sale of capital assets in the Statement of Activities.

Loss on disposal of capital assets		(8,664)
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Because some revenues will not be collected for several months after the School District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by this amount this fiscal year.

Delinquent Property Taxes	40,805	
Intergovernmental	291,512	
		332,317

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

75,944

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:

Accrued interest on bonds and notes	1,303	
Amortization of bond issuance costs	(7,663)	
Amortization of gain on refunding	(17,529)	
Amortization of bond premium	25,197	
Accretion on capital appreciation bonds	(85,028)	
		(83,720)

Repayment of long-term debt and payments to the refunded bond escrow agent are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Bond principal retirement	380,000	
Capital lease payments	64,786	
Total long-term debt repayment		444,786

Compensated absences 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.

266,541

Change in Net Assets of Governmental Activities (\$1,058,620)

See accompanying notes to the basic financial statements

Waverly City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,895,223	\$3,156,571	\$3,156,571	\$0
Intergovernmental	10,275,684	10,786,491	10,786,491	0
Interest	16,659	17,487	17,487	0
Tuition and Fees	688,723	722,959	722,959	0
Extracurricular Activities	22,738	23,868	23,868	0
Rent	2,644	2,775	2,775	0
Gifts and Donations	11,944	12,538	12,538	0
Miscellaneous	15,822	16,608	16,608	0
<i>Total Revenues</i>	14,929,437	14,739,297	14,739,297	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,684,254	6,758,045	6,711,961	46,084
Special	1,153,631	1,278,092	1,260,922	17,170
Vocational	189,591	202,119	201,907	212
Other	654,863	635,186	635,186	0
Support Services:				
Pupils	807,740	793,171	771,622	21,549
Instructional Staff	611,158	648,257	628,709	19,548
Board of Education	45,786	55,542	52,299	3,243
Administration	1,046,916	1,086,064	1,062,060	24,004
Fiscal	421,479	437,326	425,560	11,766
Operation and Maintenance of Plant	2,180,865	2,146,018	2,048,408	97,610
Pupil Transportation	1,352,515	1,178,082	1,109,780	68,302
Central	10,105	6,105	2,250	3,855
Operation of Non-Instructional Services	6,053	9,261	8,609	652
Extracurricular Activities	271,472	297,097	275,593	21,504
Debt Service:				
Principal Retirement	58,589	67,713	64,786	2,927
Interest and Fiscal Charges	72,459	63,309	66,236	(2,927)
<i>Total Expenditures</i>	15,567,476	15,661,387	15,325,888	335,499
<i>Excess of Revenues Over</i> <i>(Under) Expenditures</i>	(638,039)	(922,090)	(586,591)	335,499
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	11,955	11,955	0
Refund of Prior Year Receipts	(88,466)	(8,466)	0	8,466
Advances In	0	8,782	8,782	0
Transfers In	0	3,525	0	(3,525)
Transfers Out	0	(1,302)	(1,302)	0
<i>Total Other Financing Sources (Uses)</i>	(88,466)	14,494	19,435	4,941
<i>Net Change in Fund Balance</i>	(726,505)	(907,596)	(567,156)	340,440
<i>Fund Balance at Beginning of Year</i>	1,722,261	1,722,261	1,722,261	0
<i>Prior Year Encumbrances Appropriated</i>	330,598	330,598	330,598	0
<i>Fund Balance at End of Year</i>	\$1,326,354	\$1,145,263	\$1,485,703	\$340,440

See accompanying notes to the basic financial statements

Waverly City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Title I Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	<u>\$1,017,736</u>	<u>\$1,844,893</u>	<u>\$1,091,449</u>	<u>(\$753,444)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	0	25,242	25,242	0
Special	653,284	883,935	718,487	165,448
Support Services:				
Pupils	0	128,930	105,966	22,964
Instructional Staff	156,433	568,318	412,013	156,305
Pupil Transportation	<u>0</u>	<u>16,754</u>	<u>16,754</u>	<u>0</u>
<i>Total Expenditures</i>	<u>809,717</u>	<u>1,623,179</u>	<u>1,278,462</u>	<u>344,717</u>
<i>Net Change in Fund Balance</i>	208,019	221,714	(187,013)	(408,727)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(276,252)	(276,252)	(276,252)	0
<i>Prior Year Encumbrances Appropriated</i>	<u>68,233</u>	<u>68,233</u>	<u>68,233</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$13,695</u></u>	<u><u>(\$395,032)</u></u>	<u><u>(\$408,727)</u></u>

See accompanying notes to the basic financial statements

*Waverly City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2011*

	<u>MAX 105 Plan</u>
<u>Assets:</u>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$289,568
<u>Liabilities:</u>	
Current Liabilities:	
Claims Payable	<u>31,823</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$257,745</u></u>

See accompanying notes to the basic financial statements

*Waverly City School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2011*

	MAX 105 Plan
<u>Operating Revenues:</u>	
Charges for Services	<u>\$226,029</u>
<u>Operating Expenses:</u>	
Purchased Services	14,586
Claims	<u>135,499</u>
<i>Total Operating Expenses</i>	<u>150,085</u>
<i>Change in Net Assets</i>	75,944
<i>Net Assets at Beginning of Year</i>	<u>181,801</u>
<i>Net Assets at End of Year</i>	<u><u>\$257,745</u></u>

See accompanying notes to the basic financial statements

Waverly City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	MAX 105 Plan
<hr/>	
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$226,029
Cash Payments to Suppliers for Goods and Services	(14,586)
Cash Payments for Claims	(129,156)
	<hr/>
<i>Net Increase in Cash and Cash Equivalents</i>	82,287
<i>Cash and Cash Equivalents at Beginning of Year</i>	207,281
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$289,568
	<hr/> <hr/>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$75,944
<i>Adjustments to Reconcile Operating Income to</i>	
<i>Net Cash Provided by Operating Activities;</i>	
Increase in Claims Payable	6,343
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	\$82,287
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Waverly City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Fund	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$13,828	\$38,032
<u>Liabilities:</u>		
Undistributed Monies		\$38,032
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$13,828	

See accompanying notes to the basic financial statements

Waverly City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	\$0
<u>Deductions:</u>	0
<i>Change in Net Assets</i>	0
<i>Net Assets at Beginning of Year</i>	13,828
<i>Net Assets at End of Year</i>	\$13,828

See accompanying notes to the basic financial statements

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 85 non-certificated employees, 118 certificated full-time teaching personnel and 12 administrative employees who provide services to 1,999 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. The School District has no component units.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(Continued)

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pike County Joint Vocational School, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, and the Ohio School Comp Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its Internal Service Fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets 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 Assets 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. The School District, however, has no business-type activities.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Assets 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.

B. 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. The funds of the School District fall within three categories: governmental, proprietary, and fiduciary.

Governmental Funds

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund - The General Fund is the operating fund of the School District and is used to account for 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.

Title I Fund – The Title I Fund is used to account for federal funds expended for services provided to meet special education needs of educationally deprived children.

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

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 assets, 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 assets and changes in net assets. 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 therefore 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)

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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 economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and grants.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

E. 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" on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$14,008, which includes \$6,399 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are reported on the financial statements as cash equivalents. The School District had no investments at June 30, 2011.

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 or enabling legislation. Restricted assets in the General Fund are amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

I. 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 Assets 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, 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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable." These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

L. 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 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.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music programs, and federal and State grants restricted to expenditures for specified purposes.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. 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. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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.

O. Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

In the government-wide financial statements, bond premiums and issuance costs 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 whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period when the debt is issued. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore, does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element prevents one classification from being overstated while another is understated by the same amount.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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.

Q. 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 Board appropriations to the function and object level within each fund.

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.

R. Fund Balance

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 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. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

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:

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - FUND BALANCES (Continued)

Fund Balances	General	Title I	Debt Service	All Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$7,079	\$0	\$0	\$0	\$7,079
Inventory	0	0	0	1,356	1,356
<i>Total Nonspendable</i>	7,079	0	0	1,356	8,435
<i>Restricted for</i>					
Debt Payment	0	0	899,812	0	899,812
Budget Stabilization	57,076	0	0	0	57,076
Miscellaneous Grants	0	0	0	89,676	89,676
District Managed Activity	0	0	0	93,289	93,289
Construction Maintenance	0	0	0	42,314	42,314
Capital Maintenance	0	0	0	230,580	230,580
Capital Improvements	0	0	0	340,095	340,095
<i>Total Restricted</i>	57,076	0	899,812	795,954	1,752,842
<i>Committed to</i>					
Underground Storage	11,000	0	0	0	11,000
<i>Assigned to</i>					
Other Purposes	152,847	0	0	0	152,847
<i>Unassigned (Deficit)</i>	409,242	(40,037)	0	(258,710)	110,495
<i>Total Fund Balances</i>	\$637,244	(\$40,037)	\$899,812	\$538,600	\$2,035,619

NOTE 4 - ACCOUNTABILITY

At June 30, 2011, the Food Services, Preschool, Education Stabilization, Title VI-B, Stimulus Funds, Title I and Title II-A Special Revenue Funds had deficit fund balances of \$40,965, \$16,468, \$20,619, \$68,771, \$97,654, \$40,037 and \$14,233, 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 (Non-GAAP Basis) and Actual is presented for the General Fund and Title I Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

	Net Change in Fund Balance	
	General Fund	Title I Fund
GAAP Basis	(\$282,715)	(\$106,706)
Adjustments:		
Revenue Accruals	338	284,586
Expenditure Accruals	(94,646)	44,236
Encumbrances	(197,613)	(409,129)
Transfers	(1,302)	0
Advances	8,782	0
Budget Basis	(\$567,156)	(\$187,013)

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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
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, 2011

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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 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.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Pike and Ross Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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 reported 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 revenue.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - PROPERTY TAXES (Continued)

The amounts available as an advance at June 30, 2011, were \$373,304 in the General Fund, \$66,763 in the Debt Service Fund, and \$7,582 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2010, was \$370,163 in the General Fund, \$66,850 in the Debt Service Fund, and \$7,369 in the Nonmajor Governmental Funds.

On a full 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.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$159,585,990	93.82%	\$160,515,610	93.44%
Public Utility Personal	10,257,080	6.03%	11,264,110	6.56%
General Business Personal	247,025	0.15%	0	0.00%
Total Assessed Value	\$170,090,095	100.00%	\$171,779,720	100.00%
Tax rate per \$1,000 of assessed valuation	\$31.75		\$31.75	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011, 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 will be received within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The intergovernmental receivables are as follows:

	Amount
<u>Governmental Activities:</u>	
Title I	\$753,444
Title II-A	30,666
Title II-D	42,108
Total Intergovernmental Receivables	\$826,218

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Ending Balance 6/30/2010	Additions	Deletions	Ending Balance 6/30/2011
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$763,100	\$0	\$0	\$763,100
Capital Assets Being Depreciated				
Land Improvements	3,696,743	0	0	3,696,743
Buildings and Improvements	45,652,042	0	0	45,652,042
Furniture and Equipment	1,820,060	78,409	(59,358)	1,839,111
Vehicles	1,997,851	15,550	0	2,013,401
Books and Educational Media	936,075	0	0	936,075
Total Capital Assets Being Depreciated	<u>54,102,771</u>	<u>93,959</u>	<u>(59,358)</u>	<u>54,137,372</u>
Less Accumulated Depreciation:				
Land Improvements	(1,295,654)	(168,580)	0	(1,464,234)
Buildings and Improvements	(9,017,839)	(1,468,236)	0	(10,486,075)
Furniture and Equipment	(872,495)	(138,085)	50,694	(959,886)
Vehicles	(1,402,598)	(105,308)	0	(1,507,906)
Books and Educational Media	(858,068)	(78,007)	0	(936,075)
Total Accumulated Depreciation	<u>(13,446,654)</u>	<u>(1,958,216) *</u>	<u>50,694</u>	<u>(15,354,176)</u>
Total Capital Assets Being Depreciated, Net	<u>40,656,117</u>	<u>(1,864,257)</u>	<u>(8,664)</u>	<u>38,783,196</u>
Governmental Activities Capital Assets, Net	<u>\$41,419,217</u>	<u>(\$1,864,257)</u>	<u>(\$8,664)</u>	<u>\$39,546,296</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,030,155
Special	146,196
Vocational	14,620
Student Intervention Services	14,166
Support Services:	
Pupils	73,098
Instructional Staff	280,546
Administration	102,549
Fiscal	29,239
Operation and Maintenance of Plant	9,563
Pupil Transportation	118,847
Operation of Non-Instructional Services:	
Food Services	123,063
Extracurricular Activities	16,174
Total Depreciation Expense	<u>\$1,958,216</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$362,772, \$329,031 and \$188,678, respectively. For fiscal year 2011, 68.44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,031,326, \$1,058,380, and \$1,020,884, respectively; 83.22 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$13,098 made by the School District and \$9,355 made by the plan members.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

C. 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. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$42,048 in surcharges.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$85,974, \$56,541, and \$128,708, respectively. For fiscal year 2011, 68.44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$23,345, \$19,567, and \$15,568, respectively; 68.44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$79,333, \$81,424, and \$78,530 respectively. For fiscal year 2011, 83.22 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - EMPLOYEE BENEFITS (Continued)

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.

B. 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 Coresource.

The School District provides life insurance and accidental death and dismemberment insurance to employees through CoreSource.

C. 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

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

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LEASES - LESSEE DISCLOSURE (Continued)

The book value of the assets acquired through capital leases as of June 30, 2011 is as follows:

Asset Class	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$1,650,000	\$396,000	\$1,254,000

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Total Payments
2012	\$131,022
2013	131,022
2014	131,022
2015	131,022
2016	131,022
2017-2021	655,110
2022-2026	655,336
Total	1,965,556
Less: Amount Representing Interest	(558,212)
Present Value of Net Minimum Lease Payments	\$1,407,344

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2001 Classroom Facilities Bonds:					
Serial Bonds 4.00 to 5.10%	\$665,000	\$0	\$325,000	\$340,000	\$340,000
Premium on Debt Issue	15,596	0	1,114	14,482	0
2006 Classroom Facilities			0		
Refunding Bonds:					
Serial Bonds 4.00%	5,215,000	0	55,000	5,160,000	60,000
Capital Appreciation Bonds 13.79%	359,992	0	0	359,992	0
Accretion on Capital Appreciation Bonds	198,389	85,028	0	283,417	0
Premium on Debt Issue	313,079	0	24,083	288,996	0
Gain on Refunding	(227,869)	17,529	0	(210,340)	0
Compensated Absences	1,301,130	166,278	432,819	1,034,589	123,209
Capital Leases	1,472,130	0	64,786	1,407,344	67,702
Total Governmental Activities Long-Term Obligations	<u>\$9,312,447</u>	<u>\$268,835</u>	<u>\$902,802</u>	<u>\$8,678,480</u>	<u>\$590,911</u>

2001 Classroom Facilities General Obligation Bonds

On June 14, 2001, the School District issued \$8,085,906 in voted general obligation bonds for the purpose of constructing new classroom facilities. Current interest bonds were issued in an aggregate principal amount of \$7,810,000. Of these bonds, \$6,610,000 are serial bonds and \$1,200,000 are term bonds. The remaining amount of \$275,906 were capital appreciation bonds, which matured in fiscal years 2006 and 2007. The bonds were issued for a 23 year period with final maturity in December 2023. The bonds will be retired from the Debt Service Fund.

The term bonds issued at \$1,200,000 and maturing on December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Year	Amount
2022	\$585,000
2023	615,000
Total	<u>\$1,200,000</u>

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The serial bonds, issued at \$6,610,000 with maturity dates of December 1, 2002 to December 1, 2021, are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2010, at the redemption price of 100 percent. These bonds were refunded December 15, 2006.

2006 Classroom Facilities Refunding Bonds

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

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

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2013 and 2014. The maturity amount of the capital appreciation bonds will be \$425,000 per year in 2013 and 2014. For fiscal year 2011, the capital appreciation bonds were accreted \$85,028.

As of June 30, 2011, \$5,160,000 of the 2001 Classroom Facilities Bonds were unmatured and unpaid.

Compensated absences will be paid from the General, Food Services, Poverty Based Assistance, Title VI-B, Education Stabilization, and Title I Funds. Capital lease obligations will be paid from the General Fund.

The School District's overall legal debt margin was \$10,475,973 with an unvoted debt margin of \$171,513, and an Energy Conservation debt margin of \$1,543,615 at June 30, 2011.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	2001 Classroom Facilities G.O. Bonds		2006 Classroom Facilities Refunding Bonds				Total
	Serial Bonds Principal	Serial Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	
2012	\$340,000	\$7,480	\$60,000	\$205,200	\$0	\$0	\$612,680
2013	0	0	0	204,000	191,977	233,023	629,000
2014	0	0	0	204,000	168,015	256,985	629,000
2015	0	0	425,000	195,500	0	0	620,500
2016	0	0	445,000	178,100	0	0	623,100
2017-2021	0	0	2,485,000	604,900	0	0	3,089,900
2022-2025	0	0	1,745,000	106,500	0	0	1,851,500
Total	\$340,000	\$7,480	\$5,160,000	\$1,698,200	\$359,992	\$490,008	\$8,055,680

NOTE 15 - RISK MANAGEMENT

A. 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 four fiscal years. There has been no significant decrease in coverage from the prior fiscal year.

B. Workers' Compensation

For fiscal year 2011, 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 applies 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, 2011

NOTE 15 - RISK MANAGEMENT (Continued)

C. 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 \$1,000, with a monthly administration fee of \$6.50 per employee. The claims liability of \$31,823 reported in the Internal Service Fund at June 30, 2011, 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:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2010	\$35,597	\$175,499	\$185,616	\$25,480
2011	25,480	135,499	129,156	31,823

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2011, receivables and payables that resulted from various interfund transactions were as follows:

			<u>Receivable General Fund</u>
Payable	Title I Fund		\$6,616
	Nonmajor Governmental Funds		73,621
	Total		<u><u>\$80,237</u></u>

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the special revenue funds.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, 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 body of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, and a representative of the fiscal agent. The School District paid SCOCA \$112,679 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, 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.

B. Pike County Joint Vocational School

The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board which consists of four of the 11 members of the Ross-Pike County Educational Service Center's Board of Education and one representative from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

C. 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 Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District made no financial contribution to the Coalition for services provided during the fiscal year.

NOTE 18 - INSURANCE PURCHASING POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the OSP. The Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

B. 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 purchase of textbooks and other instructional materials and an equal amount 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 describes 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, 2011

NOTE 19 - SET-ASIDE CALCULATIONS (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Balance as of June 30, 2010	(\$1,226,129)	\$0	\$57,076
Current Fiscal Year Set-aside Requirement	274,806	274,806	0
Prior Fiscal Year Offsets from Bond Proceeds	0	(201,936)	0
Current Fiscal Year Qualifying Expenditures	(320,823)	(72,870)	0
Totals	<u>(\$1,272,146)</u>	<u>\$0</u>	<u>\$57,076</u>
Set-aside Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$57,076</u>
Required Set-aside Balances Carried Forward to FY 2012	<u>(\$1,272,146)</u>	<u>\$0</u>	<u>\$57,076</u>

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 - CONTINGENCIES

A. 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 is 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

The School District is party to one legal proceeding. No liability has been accrued on the financial statements. The School District's management is of the opinion that the ultimate disposition of this legal proceeding will not have a material effect, if any, on the financial condition of the School District.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 21 - CHANGES IN ACCOUNTING PRINCIPLES

The School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

	General Fund	Title I Fund	All Other Governmental Funds
Fund Balance, June 30, 2010, as previously reported	\$842,488	\$0	\$1,348,029
Reclassification of Funds	77,471	0	(77,471)
Major Fund Reclassification	0	848,522	(848,522)
Fund Balance, June 30, 2010, as restated	<u>\$919,959</u>	<u>\$848,522</u>	<u>\$422,036</u>

**WAVERLY CITY SCHOOL DISTRICT
PIKE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 18,387	\$ 18,387
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	174,177	174,177
National School Lunch Program	2010/2011	10.555	458,790	458,790
Cash Assistance Subtotal			<u>632,967</u>	<u>632,967</u>
Total Child Nutrition Cluster			<u>651,354</u>	<u>651,354</u>
Total U.S. Department of Agriculture			651,354	651,354
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	172,766	86,280
Title I Grants to Local Educational Agencies	2011	84.010	602,753	588,112
School Improvement Subsidy A Grant	2010	84.010	7,800	7,800
School Improvement Subsidy A Grant	2011	84.010	4,200	10,816
Total Title I Grants to Local Educational Agencies			<u>787,519</u>	<u>693,008</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	125,163	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	124,766	118,691
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>249,929</u>	<u>118,691</u>
Total Title I Cluster			1,037,448	811,699
Special Education Cluster:				
Special Education - Grants to States	2011	84.027	412,662	412,662
ARRA - Special Education - Grants to States, Recovery Act	2010	84.391	322,728	113,441
ARRA - Special Education - Grants to States, Recovery Act	2011	84.391	165,799	150,968
Total ARRA - Special Education - Grants to States, Recovery Act			<u>488,527</u>	<u>264,409</u>
Total Special Education Cluster			901,189	677,071
Safe and Drug-Free Schools and Communities State Grants	2010	84.186	6,390	7,425
Education Technology State Grants	2010	84.318	6,014	12,277
	2011		2,950	2,203
Total Education Technology State Grants			<u>8,964</u>	<u>14,480</u>
Rural Education	2010	84.358	32,471	32,141
	2011		4,679	
Total Rural Education			<u>37,150</u>	<u>32,141</u>
Improving Teacher Quality State Grants	2010	84.367	43,694	49,490
	2011		113,703	109,871
Total Improving Teacher Quality State Grants			<u>157,397</u>	<u>159,361</u>
School Improvement Grant	2010	84.377	54,000	57,630
ARRA - State Fiscal Stabilization Fund-Education Grants to States, Recovery Act	2010	84.394	844,420	844,420
Education Jobs Fund	2011	84.410	22,629	42,630
Total U.S. Department of Education			<u>3,069,587</u>	<u>2,646,857</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 3,720,941</u>	<u>\$ 3,298,211</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**WAVERLY CITY SCHOOL DISTRICT
PIKE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the School District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers were reported in the Schedule as negative receipts. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Title I Grants to Local Educational Agencies, Subsidy A	84.010	\$4,200



Dave Yost • Auditor of State

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

Waverly City School District
Pike County
1 Tiger Drive
Waverly, Ohio 45690

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waverly City School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 13, 2012, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 13, 2012.

We intend this report solely for the information and use of management, the Board of Education and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 13, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Waverly City School District
Pike County
1 Tiger Drive
Waverly, Ohio 45690

To the Board of Education:

Compliance

We have audited the compliance of the Waverly City School District, Pike County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 13, 2012.

We intend this report solely for the information and use of management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 13, 2012

**WAVERLY CITY SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Part A Cluster: Title I Grants to Local Educational Agencies – CFDA # 84.010 ARRA – Title I Grants to Local Educational Agencies – CFDA 84.389 Special Education Cluster (IDEA): Special Education Grants to States – CFDA # 84.027 ARRA – Special Education Grants to States – CFDA 84.391 ARRA -State Fiscal Stabilization Fund – Education Grants to States – CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**WAVERLY CITY SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

WAVERLY CITY SCHOOL DISTRICT
PIKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	OMB Circular Number A-133 requires the School District to file its annual financial report with the federal clearinghouse.	Yes	

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Waverly City School District
Pike County
1 Tiger Drive
Waverly, Ohio 45690

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 24, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

March 13, 2012

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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 27, 2012**