



Dave Yost • Auditor of State



**WAVERLY CITY SCHOOL DISTRICT  
PIKE COUNTY**

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WAVERLY CITY SCHOOL DISTRICT  
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, 2012, 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 the Waverly City School District, Pike County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2013, 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 14, 2013

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The discussion and analysis of the Waverly City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- In total, net assets of governmental activities decreased \$845,162 from the prior fiscal year.
- General revenues accounted for \$14,700,569 while program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,879,038. Total revenues for the School District were \$19,579,607. The School District also had a Special Item of \$375,000 from the sale of land.
- The School District had \$20,799,769 in expenses related to governmental activities; only \$4,879,038 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily grants and entitlements and property taxes) totaling \$14,700,569 were not adequate enough to provide for these programs.

**Using this Basic Financial Statements**

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

The Statement of Net 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.

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2012?” 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 educational programs and other factors.

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

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

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

### **Fund Financial Statements**

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

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

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

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

**Waverly City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**Unaudited**

Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011:

	2012	2011	Change
<b>Table 1</b>			
<b>Net Assets</b>			
<b><u>Assets:</u></b>			
Current and Other Assets	\$8,949,406	\$8,711,063	\$238,343
Capital Assets, Net	37,860,535	39,546,296	(1,685,761)
<b>Total Assets</b>	<b>46,809,941</b>	<b>48,257,359</b>	<b>(1,447,418)</b>
<b><u>Liabilities:</u></b>			
Other Liabilities	5,145,240	5,227,153	(81,913)
Long-Term Liabilities	8,158,137	8,678,480	(520,343)
<b>Total Liabilities</b>	<b>13,303,377</b>	<b>13,905,633</b>	<b>(602,256)</b>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	31,031,879	32,293,373	(1,261,494)
Restricted	1,911,960	2,430,046	(518,086)
Unrestricted (Deficit)	562,725	(371,693)	934,418
<b>Total Net Assets</b>	<b>\$33,506,564</b>	<b>\$34,351,726</b>	<b>(\$845,162)</b>

An insignificant decrease occurred within Current and Other Assets compared to the prior fiscal year. However, Capital Assets, Net had a significant decrease compared to the prior fiscal year. This resulted from current year depreciation being greater than current year asset additions.

Total Liabilities of the School District decreased \$602,256 from the prior fiscal year. Other Liabilities decreased insignificantly from the prior fiscal year. Long-Term Liabilities demonstrated a significant decrease as a result of the School District making annual debt payments.

Invested in Capital Assets, Net of Related Debt decreased \$1,261,494 due to the School District's depreciation additions exceeding current fiscal year debt payments. Restricted Net Assets decreased due to the School District expending grant dollars that had been carried over from the prior fiscal year. Unrestricted Net Assets of the School District demonstrated a significant increase as a result of the School District reporting a smaller liability for compensated absences, as well as not having to support other programs during the fiscal year.

**Waverly City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**Unaudited**

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Table 2  
Change in Net Assets

	2012	2011	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,175,923	\$1,190,009	(\$14,086)
Operating Grants and Contributions	3,651,518	3,961,607	(310,089)
Capital Grants and Contributions	51,597	12,538	39,059
Total Program Revenues	<u>4,879,038</u>	<u>5,164,154</u>	<u>(285,116)</u>
General Revenues:			
Property Taxes	3,885,335	3,823,598	61,737
Grants and Entitlements not Restricted to Specific Programs	10,722,690	10,915,776	(193,086)
Interest	13,845	14,069	(224)
Miscellaneous	78,699	64,890	13,809
Total General Revenues	<u>14,700,569</u>	<u>14,818,333</u>	<u>(117,764)</u>
 Total Revenues	 <u>19,579,607</u>	 <u>19,982,487</u>	 <u>(402,880)</u>
 <b>Program Expenses</b>			
Instruction:			
Regular	8,162,239	8,848,933	(686,694)
Special	2,803,339	2,278,157	525,182
Vocational	214,640	200,456	14,184
Student Intervention Services	110,282	136,491	(26,209)
Support Services:			
Pupils	711,373	930,886	(219,513)
Instructional Staff	1,591,833	1,526,791	65,042
Board of Education	46,407	55,505	(9,098)
Administration	1,418,958	1,326,843	92,115
Fiscal	514,204	481,932	32,272
Operation and Maintenance of Plant	1,958,645	2,106,566	(147,921)
Pupil Transportation	1,203,159	1,173,837	29,322
Central	31,317	1,825	29,492
Operation of Non-Instructional Services:			
Food Services	885,987	948,119	(62,132)
Other	233,318	87,038	146,280
Extracurricular Activities	539,627	558,324	(18,697)
Interest and Fiscal Charges	374,441	379,404	(4,963)
Total Expenses	<u>20,799,769</u>	<u>21,041,107</u>	<u>(241,338)</u>
 Special Item-Sale of Land	 375,000	 0	 375,000
Change in Net Assets	<u>(845,162)</u>	<u>(1,058,620)</u>	<u>213,458</u>
Net Assets at Beginning of Year	<u>34,351,726</u>	<u>35,410,346</u>	<u>(1,058,620)</u>
Net Assets at End of Year	<u>\$33,506,564</u>	<u>\$34,351,726</u>	<u>(\$845,162)</u>

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenue were \$4,879,038 for fiscal year 2012. Operating Grants and Contributions decreased significantly as a result of the School District receiving additional monies in the prior fiscal year through the Title I grants.

As previously mentioned, general revenues were \$14,700,569 for fiscal year 2012. The majority of these revenues are in the form of Grants and Entitlements not Restricted to Specific Programs and Property Taxes. A significant decrease occurred within Grants and Entitlements not Restricted to Specific Programs due to the phase-out of the tangible personal property tax reimbursement.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2012. In total, these costs experienced insignificant fluctuations when compared to the prior fiscal year.

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

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

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,078,186 and total expenditures of \$19,653,242.

The net change in fund balance for the fiscal year in the General Fund was an increase of \$708,721. This increase was primarily the result of the School District receiving a greater amount of State aid during this fiscal year than it had in the prior fiscal year.

The Debt Service Fund balance increased \$26,947. 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 2012, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. The most significant budgeted fund is the General Fund.

**Waverly City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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For the General Fund, original budgeted revenues were \$15,035,915 and final budgeted revenues were \$15,527,251. This represents an increase in estimated revenues of \$491,336, which was due primarily to an increase in tuition and fees as the result of the School District estimating conservatively at the beginning of the fiscal year. The difference between actual budget basis revenues and final budgeted revenues was insignificant.

Original budgeted expenditures in the General Fund were \$15,430,105 and final budgeted expenditures were \$15,267,094, which is an insignificant decrease. Actual budget basis expenditures and final budgeted expenditures were equal.

The School District's ending unobligated cash balance was \$967 above the final budgeted amount in the General Fund.

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

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

At the end of fiscal year 2012, the School District had \$37,860,535 invested in capital assets (net of accumulated depreciation). Additions to capital assets primarily consisted of construction in progress related to the athletic facility, in addition to various furniture and equipment. Disposals for the fiscal year consisted of school buses.

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

#### ***Debt***

At June 30, 2012, the School District had \$5,841,385 in outstanding long-term general obligation debt, which includes serial and capital appreciation bonds as well as the accretion on the capital appreciation bonds. The School District's long-term liabilities also include bond premiums, a gain on refunding, capital leases, and compensated absences.

The School District's overall legal debt margin was \$10,000,183, with an unvoted debt margin of \$171,780, and an Energy Conservation debt margin of \$1,546,017 at June 30, 2012.

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, 2012***  
***Unaudited***

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

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

**Waverly City School District**  
*Statement of Net Assets*  
For the Fiscal Year Ended June 30, 2012

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,335,272
Prepaid Items	27,313
Inventory Held for Resale	1,429
Materials and Supplies Inventory	2,958
Intergovernmental Receivable	391,482
Property Taxes Receivable	4,118,902
Deferred Charges	72,050
Capital Assets:	
Land	679,800
Construction in Progress	205,389
Depreciable Capital Assets, Net	36,975,346
<i>Total Assets</i>	46,809,941
<b><u>Liabilities:</u></b>	
Accounts Payable	74,034
Contracts Payable	131,758
Accrued Wages and Benefits Payable	1,285,563
Intergovernmental Payable	310,405
Deferred Revenue	3,302,846
Undistributed Monies	202
Accrued Interest Payable	17,000
Claims Payable	23,432
Long-Term Liabilities:	
Due Within One Year	683,281
Due Within More Than One Year	7,474,856
<i>Total Liabilities</i>	13,303,377
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	31,031,879
Restricted for:	
Capital Projects	678,061
Debt Service	977,900
Set-Asides	57,076
Athletics	66,232
Title I Program	87,968
Other Purposes	44,723
Unrestricted	562,725
<i>Total Net Assets</i>	\$33,506,564

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b><u>Governmental Activities:</u></b>			
Instruction:			
Regular	\$8,162,239	\$675,816	\$504,250
Special	2,803,339	30,532	1,741,370
Vocational	214,640	0	34,513
Student Intervention Services	110,282	0	60,929
Support Services:			
Pupils	711,373	5,631	33,776
Instructional Staff	1,591,833	17,556	355,957
Board of Education	46,407	0	0
Administration	1,418,958	0	155,081
Fiscal	514,204	0	665
Operation and Maintenance of Plant	1,958,645	3,244	52,163
Pupil Transportation	1,203,159	0	36,135
Central	31,317	0	0
Operation of Non-Instructional Services:			
Food Services	885,987	252,266	595,574
Other	233,318	190,878	74,924
Extracurricular Activities	539,627	0	6,181
Interest and Fiscal Charges	374,441	0	0
<b><i>Total Governmental Activities</i></b>	<b><u>\$20,799,769</u></b>	<b><u>\$1,175,923</u></b>	<b><u>\$3,651,518</u></b>

**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*

Special Item - Sale of Land

*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	(\$6,982,173)
0	(1,031,437)
0	(180,127)
0	(49,353)
0	(671,966)
0	(1,218,320)
0	(46,407)
0	(1,263,877)
0	(513,539)
0	(1,903,238)
0	(1,167,024)
0	(31,317)
0	(38,147)
0	32,484
51,597	(481,849)
0	(374,441)
\$51,597	(15,920,731)

3,243,416
581,738
60,181
10,722,690
13,845
78,699
14,700,569
375,000
(845,162)
34,351,726
\$33,506,564

**Waverly City School District**

*Balance Sheet  
Governmental Funds  
June 30, 2012*

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,113,736	\$867,431	\$1,025,452	\$4,006,619
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	57,076	0	0	57,076
Receivables:				
Property Taxes	3,387,317	664,517	67,068	4,118,902
Intergovernmental	30,176	0	361,306	391,482
Interfund Receivable	154,368	0	0	154,368
Prepaid Items	27,313	0	0	27,313
Inventory Held for Resale	0	0	1,429	1,429
Materials and Supplies Inventory	0	0	2,958	2,958
<i>Total Assets</i>	<u>\$5,769,986</u>	<u>\$1,531,948</u>	<u>\$1,458,213</u>	<u>\$8,760,147</u>
<b><u>Liabilities and Fund Balances:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$40,060	\$0	\$33,974	\$74,034
Contracts Payable	7,800	0	123,958	131,758
Accrued Wages and Benefits Payable	1,017,344	0	268,219	1,285,563
Interfund Payable	0	0	154,368	154,368
Intergovernmental Payable	276,114	0	34,291	310,405
Deferred Revenue	3,082,501	605,189	231,886	3,919,576
Undistributed Monies	202	0	0	202
<i>Total Liabilities</i>	<u>4,424,021</u>	<u>605,189</u>	<u>846,696</u>	<u>5,875,906</u>
<b><u>Fund Balances:</u></b>				
Nonspendable	27,515	0	2,958	30,473
Restricted	0	926,759	782,442	1,709,201
Committed	11,000	0	0	11,000
Assigned	273,926	0	0	273,926
Unassigned (Deficit)	1,033,524	0	(173,883)	859,641
<i>Total Fund Balances</i>	<u>1,345,965</u>	<u>926,759</u>	<u>611,517</u>	<u>2,884,241</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,769,986</u>	<u>\$1,531,948</u>	<u>\$1,458,213</u>	<u>\$8,760,147</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, 2012*

**Total Governmental Fund Balances** \$2,884,241

***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	679,800	
Construction in progress	205,389	
Other capital assets	53,989,871	
Accumulated depreciation	<u>(17,014,525)</u>	
Total capital assets		37,860,535

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

Delinquent property taxes	415,270	
Intergovernmental	<u>201,460</u>	
		616,730

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.

248,145

Bond issuance costs reported as an expenditure in governmental funds are recognized as an asset and allocated as an expense over the life of the bond on a full accrual basis.

72,050

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

(17,000)

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

Bonds payable	(5,459,992)	
Accretion on capital appreciation bonds	(381,393)	
Premium on debt issue	(264,913)	
Deferred gain on refunding	192,811	
Capital leases	(1,368,612)	
Compensated absences	<u>(876,038)</u>	
Total liabilities		<u>(8,158,137)</u>

**Net Assets of Governmental Activities** \$33,506,564

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, 2012*

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$3,207,990	\$568,941	\$59,838	\$3,836,769
Intergovernmental	11,535,522	95,727	3,305,444	14,936,693
Interest	13,512	0	333	13,845
Tuition and Fees	687,136	0	23,187	710,323
Extracurricular Activities	19,212	0	190,878	210,090
Customer Services	0	0	252,266	252,266
Rent	3,244	0	0	3,244
Gifts and Donations	8,655	0	57,778	66,433
Miscellaneous	21,601	0	26,922	48,523
<i>Total Revenues</i>	<u>15,496,872</u>	<u>664,668</u>	<u>3,916,646</u>	<u>20,078,186</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	6,804,862	0	482,831	7,287,693
Special	1,496,309	0	1,238,107	2,734,416
Vocational	196,773	0	0	196,773
Student Intervention Services	18,519	0	84,757	103,276
Support Services:				
Pupils	573,680	0	52,238	625,918
Instructional Staff	850,467	0	467,360	1,317,827
Board of Education	46,407	0	0	46,407
Administration	1,112,837	0	144,832	1,257,669
Fiscal	462,235	25,041	3,714	490,990
Operation and Maintenance of Plant	1,711,964	0	135,269	1,847,233
Pupil Transportation	1,065,801	0	30,730	1,096,531
Central	31,317	0	0	31,317
Operation of Non-Instructional Services:				
Food Services	0	0	883,272	883,272
Other	7,988	0	87,101	95,089
Extracurricular Activities	273,692	0	250,993	524,685
Capital Outlay	44,206	0	317,488	361,694
Debt Service:				
Principal Retirement	75,138	400,000	0	475,138
Interest and Fiscal Charges	64,634	212,680	0	277,314
<i>Total Expenditures</i>	<u>14,836,829</u>	<u>637,721</u>	<u>4,178,692</u>	<u>19,653,242</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>660,043</u>	<u>26,947</u>	<u>(262,046)</u>	<u>424,944</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	12,272	0	0	12,272
Inception of Capital Lease	36,406	0	0	36,406
<i>Total Other Financing Sources (Uses)</i>	<u>48,678</u>	<u>0</u>	<u>0</u>	<u>48,678</u>
Special Item - Sale of Land	<u>0</u>	<u>0</u>	<u>375,000</u>	<u>375,000</u>
<i>Net Change in Fund Balances</i>	708,721	26,947	112,954	848,622
<i>Fund Balances at Beginning of Year</i>	<u>637,244</u>	<u>899,812</u>	<u>498,563</u>	<u>2,035,619</u>
<i>Fund Balances at End of Year</i>	<u>\$1,345,965</u>	<u>\$926,759</u>	<u>\$611,517</u>	<u>\$2,884,241</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, 2012*

**Net Change in Fund Balances - Total Governmental Funds** \$848,622

*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	265,695	
Depreciation expense	(1,868,156)	
Excess of capital outlay under depreciation expense		(1,602,461)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a gain or loss on the sale of capital assets in the Statement of Activities.

Proceeds from sale of capital assets	(12,272)	
Loss on disposal of capital assets	(71,028)	
		(83,300)

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

Delinquent property taxes	48,566	
Intergovernmental	(577,321)	
Miscellaneous	30,176	
		(498,579)

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.

(9,600)

Accretion and amortization of bond issuance costs, bond premiums, the deferred gain on the refunding of debt, as well as accrued interest payable on the bonds are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Decrease in accrued interest	832	
Amortization of bond issuance costs	(21,019)	
Amortization of gain on refunding	(17,529)	
Amortization of bond premium	38,565	
Accretion on capital appreciation bonds	(97,976)	
		(97,127)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets the lease obligation is reported as a liability.

(36,406)

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

Bond principal retirement	400,000	
Capital lease payments	75,138	
Total long-term debt repayment		475,138

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

Decrease in compensated absences payable	158,551	
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**Change in Net Assets of Governmental Activities** (\$845,162)

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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,698,274	\$3,246,302	\$3,246,302	\$0
Intergovernmental	11,331,641	11,535,398	11,535,522	124
Interest	0	12,669	13,512	843
Tuition and Fees	6,000	687,136	687,136	0
Extracurricular Activities	0	19,212	19,212	0
Rent	0	3,244	3,244	0
Gifts and Donations	0	8,655	8,655	0
Miscellaneous	0	14,635	14,635	0
<i>Total Revenues</i>	15,035,915	15,527,251	15,528,218	967
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	6,748,158	6,158,044	6,158,044	0
Special	1,273,526	1,584,928	1,584,928	0
Vocational	203,760	196,618	196,618	0
Student Intervention Services	0	18,519	18,519	0
Other	641,538	789,776	789,776	0
Support Services:				
Pupils	777,369	579,653	579,653	0
Instructional Staff	634,961	866,642	866,642	0
Board of Education	52,818	49,759	49,759	0
Administration	1,058,299	1,149,050	1,149,050	0
Fiscal	429,805	467,275	467,275	0
Operation and Maintenance of Plant	2,067,909	1,882,663	1,882,663	0
Pupil Transportation	1,120,524	1,106,288	1,106,288	0
Central	2,273	1,650	1,650	0
Operation of Non-Instructional Services	8,697	7,987	7,987	0
Extracurricular Activities	278,136	277,220	277,220	0
Debt Service:				
Principal Retirement	68,390	67,329	67,329	0
Interest and Fiscal Charges	63,942	63,693	63,693	0
<i>Total Expenditures</i>	15,430,105	15,267,094	15,267,094	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(394,190)	260,157	261,124	967
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	0	5,796	5,796	0
Refund of Prior Year Receipts	0	(4,197)	(4,197)	0
Proceeds from Sale of Capital Assets	0	13,442	13,442	0
Advances Out	0	0	(95,041)	(95,041)
Transfers In	0	17,980	0	(17,980)
Transfers Out	(227,699)	(113,021)	0	113,021
<i>Total Other Financing Sources (Uses)</i>	(227,699)	(80,000)	(80,000)	0
<i>Net Change in Fund Balance</i>	(621,889)	180,157	181,124	967
<i>Fund Balance at Beginning of Year</i>	1,485,703	1,485,703	1,485,703	0
<i>Prior Year Encumbrances Appropriated</i>	197,567	197,567	197,567	0
<i>Fund Balance at End of Year</i>	\$1,061,381	\$1,863,427	\$1,864,394	\$967

See accompanying notes to the basic financial statements

*Waverly City School District  
Statement of Fund Net Assets  
Internal Service Fund  
June 30, 2012*

	MAX 105 Plan
<hr/>	
<b><u>Assets:</u></b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$271,577
<b><u>Liabilities:</u></b>	
Current Liabilities:	
Claims Payable	23,432
<hr/>	
<b><u>Net Assets:</u></b>	
Unrestricted	\$248,145
<hr/> <hr/>	

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, 2012

	MAX 105 Plan
<u>Operating Revenues:</u>	
Charges for Services	<u>\$164,363</u>
 <u>Operating Expenses:</u>	
Purchased Services	61,007
Claims	<u>112,956</u>
 Total Operating Expenses	 <u>173,963</u>
 Change in Net Assets	 (9,600)
 Net Assets at Beginning of Year	 <u>257,745</u>
 Net Assets at End of Year	 <u><u>\$248,145</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, 2012

	MAX 105 Plan
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Interfund Services Provided	\$164,363
Cash Payments to Suppliers for Goods and Services	(61,007)
Cash Payments for Claims	(121,347)
<i>Net Decrease in Cash and Cash Equivalents</i>	(17,991)
<i>Cash and Cash Equivalents at Beginning of Year</i>	289,568
<i>Cash and Cash Equivalents at End of Year</i>	\$271,577
<b><u>Reconciliation of Operating Loss to Net Cash Used for Provided Operating Activities:</u></b>	
Operating Loss	(\$9,600)
<b><i>Adjustments to Reconcile Operating Loss to Net Cash Used for Provided Operating Activities;</i></b>	
Decrease in Claims Payable	(8,391)
<i>Net Cash Provided by Operating Activities</i>	(\$17,991)

See accompanying notes to the basic financial statements

**Waverly City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust Fund	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$23,353	\$41,894
<b><u>Liabilities:</u></b>		
Undistributed Monies		\$41,894
<b><u>Net Assets:</u></b>		
Held in Trust for Scholarships	\$23,353	

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, 2012*

	Private Purpose Trust
	Scholarship
<b><u>Additions:</u></b>	
Contributions and Donations	\$10,525
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	1,000
<i>Change in Net Assets</i>	9,525
<i>Net Assets at Beginning of Year</i>	13,828
<i>Net Assets at End of Year</i>	\$23,353

See accompanying notes to the basic financial statements

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*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

The School District was established in 1969 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 119 square miles. It is located in Pike County, and includes all of the City of Waverly and portions of Pebble, Pee Pee, Jackson, and Franklin Townships. It is staffed by 81 non-certificated employees, 99 certificated full-time teaching personnel and 12 administrative employees who provide services to 2,061 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, 2012*

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**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 SchoolComp Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

**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, 2012*

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**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.

**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, 2012*

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

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

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.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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.

**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, 2012*

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**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, grants, and miscellaneous.

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, 2012, but which were levied to finance fiscal year 2013 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.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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.

**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. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 2012 amounted to \$13,512, which includes \$6,739 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, 2012.

**Inventory**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Restricted Assets**

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

**Capital Assets**

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

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

**Interfund Balances**

On fund financial statements, 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.

**Compensated Absences**

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

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

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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.

**Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds/Gain on Refunding**

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. The accounting gain on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt.

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

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.

**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, 2012*

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**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.

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

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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.

**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.

**Special Item**

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the School District sold land. The amount of the proceeds is recorded as a special item.

**Estimates**

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

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**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:

<u>Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
<b><i>Nonspendable</i></b>				
Prepays	\$27,313	\$0	\$0	\$27,313
Unclaimed Monies	202	0	0	202
Inventory	0	0	2,958	2,958
<b><i>Total Nonspendable</i></b>	<b>27,515</b>	<b>0</b>	<b>2,958</b>	<b>30,473</b>
<b><i>Restricted for</i></b>				
Debt Payments	0	926,759	0	926,759
Latchkey Program	0	0	16,288	16,288
Miscellaneous Grants	0	0	2,326	2,326
District Managed Activity	0	0	66,232	66,232
Construction Maintenance	0	0	19,535	19,535
Capital Maintenance	0	0	530,348	530,348
Capital Improvements	0	0	147,713	147,713
<b><i>Total Restricted</i></b>	<b>0</b>	<b>926,759</b>	<b>782,442</b>	<b>1,709,201</b>
<b><i>Committed to</i></b>				
Underground Storage	11,000	0	0	11,000
<b><i>Assigned to</i></b>				
Unpaid Obligations	273,926	0	0	273,926
<b><i>Unassigned (Deficit)</i></b>	<b>1,033,524</b>	<b>0</b>	<b>(173,883)</b>	<b>859,641</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,345,965</b>	<b>\$926,759</b>	<b>\$611,517</b>	<b>\$2,884,241</b>

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2012, the Food Services, Auxiliary Services, Preschool, Education Stabilization, Title VI-B, Title II-D, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$75,041, \$119, \$134, \$5,681, \$27,259, \$5,006, \$47,850, and \$9,835, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$708,721
Adjustments:	
Revenue Accruals	1,906
Expenditure Accruals	(122,337)
Encumbrances	(312,125)
Advances	(95,041)
Budget Basis	<u><u>\$181,124</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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 (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Pike 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, 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, 2012*

**NOTE 7 - PROPERTY TAXES** (Continued)

The amounts available as an advance at June 30, 2012, were \$334,992 in the General Fund, \$59,328 in the Debt Service Fund, and \$6,466 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2011, was \$373,304 in the General Fund, \$66,763 in the Debt Service Fund, and \$7,582 in the Nonmajor Governmental Funds.

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

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$160,515,610	93.44%	\$168,653,640	93.19%
Public Utility Personal	11,264,110	6.56%	12,317,730	6.81%
Total Assessed Value	\$171,779,720	100.00%	\$180,971,370	100.00%
Tax rate per \$1,000 of assessed valuation	\$31.75		\$31.75	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2012, 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	\$169,026
Education Jobs Grant	70,899
Title I, School Improvement, Sub A Grant	47,786
Special Education, Part B-IDEA Grant	40,286
Overpayment of SERS	30,176
Improving Teacher Quality, Title II-A Grant	19,867
Title VI-B Grant	13,442
Total Intergovernmental Receivables	\$391,482

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Ending Balance 6/30/2011	Additions	Deletions	Ending Balance 6/30/2012
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$763,100	\$0	(\$83,300)	\$679,800
Construction in Progress	0	205,389	0	205,389
Total Capital Assets, Not Being Depreciated	<u>763,100</u>	<u>205,389</u>	<u>(83,300)</u>	<u>885,189</u>
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	1,839,111	60,306	0	1,899,417
Vehicles	2,013,401	0	(207,807)	1,805,594
Books and Educational Media	936,075	0	0	936,075
Total Capital Assets Being Depreciated	<u>54,137,372</u>	<u>60,306</u>	<u>(207,807)</u>	<u>53,989,871</u>
Less Accumulated Depreciation:				
Land Improvements	(1,464,234)	(166,893)	0	(1,631,127)
Buildings and Improvements	(10,486,075)	(1,468,236)	0	(11,954,311)
Furniture and Equipment	(959,886)	(122,543)	0	(1,082,429)
Vehicles	(1,507,906)	(110,484)	207,807	(1,410,583)
Books and Educational Media	(936,075)	0	0	(936,075)
Total Accumulated Depreciation	<u>(15,354,176)</u>	<u>(1,868,156) *</u>	<u>207,807</u>	<u>(17,014,525)</u>
Total Capital Assets Being Depreciated, Net	<u>38,783,196</u>	<u>(1,807,850)</u>	<u>0</u>	<u>36,975,346</u>
Governmental Activities Capital Assets, Net	<u>\$39,546,296</u>	<u>(\$1,602,461)</u>	<u>(\$83,300)</u>	<u>\$37,860,535</u>

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 9 - CAPITAL ASSETS** (Continued)

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

Instruction:	
Regular	\$903,236
Special	169,234
Vocational	17,765
Student Intervention Services	14,166
Support Services:	
Pupils	83,931
Instructional Staff	261,703
Administration	115,459
Fiscal	33,572
Operation and Maintenance of Plant	8,941
Pupil Transportation	107,016
Operation of Non-Instructional Services:	
Food Services	138,229
Extracurricular Activities	14,904
Total Depreciation Expense	<u><u>\$1,868,156</u></u>

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 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, 2012, 2011, and 2010 were \$277,678, \$362,772 and \$329,031, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

**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 plan. 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$910,196, \$1,031,326, and \$1,058,380, respectively. For fiscal year 2012, 83.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$11,028 made by the School District and \$7,877 made by the plan members. In addition, member contributions of \$60 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$31,184 in surcharge.

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, 2012, 2011, and 2010 were \$43,209, \$85,974, and \$56,541, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,398, \$23,345, and \$19,567, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

**State Teachers Retirement System of Ohio**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$70,015, \$79,333, and \$81,424 respectively. For fiscal year 2012, 83.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**NOTE 12 - EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 12 - EMPLOYEE BENEFITS** (Continued)

**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.

**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 2012, the School District entered into capitalized leases for equipment. During fiscal year 2006, the School District entered into a lease-purchase agreement for the locally funded portion of the new School District buildings which was primarily related to the construction of an auditorium. The School District is leasing the project from Central Ohio Loan Services, Inc. Central Ohio Loan Services, Inc. will retain title to the project during the lease term. As part of the lease agreement, Central Ohio Loan Services, Inc. deposited \$1,650,000 into the School District's bank account. The School District had previously paid all contractors as work progressed, and the proceeds of the lease were used to replenish these monies. Capital assets acquired by lease were initially capitalized in the amount of \$1,650,000 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2012 totaled \$75,138. Payments were paid from the General Fund.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 13 - LEASES - LESSEE DISCLOSURE** (Continued)

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

The book value of the assets acquired through capital leases as of June 30, 2012 is as follows:

Asset Class	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$1,650,000	\$462,000	\$1,188,000
Furniture and Equipment	36,406	3,641	32,765
Total	<u>\$1,686,406</u>	<u>\$465,641</u>	<u>\$1,220,765</u>

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, 2012.

Fiscal Year Ending June 30,	Total Payments
2013	\$142,228
2014	142,229
2015	137,769
2016	132,804
2017	131,022
2018-2022	655,110
2023-2026	524,088
Total	<u>1,865,250</u>
Less: Amount Representing Interest	<u>(496,638)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,368,612</u>

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2001 Classroom Facilities Bonds:					
Serial Bonds 4.00 to 5.10%	\$340,000	\$0	\$340,000	\$0	\$0
Premium on Debt Issue	14,482	0	14,482	0	0
2006 Classroom Facilities			0		
Refunding Bonds:					
Serial Bonds 4.00%	5,160,000	0	60,000	5,100,000	0
Capital Appreciation Bonds 13.79%	359,992	0	0	359,992	191,977
Accretion on Capital Appreciation Bonds	283,417	97,976	0	381,393	233,023
Premium on Debt Issue	288,996	0	24,083	264,913	0
Gain on Refunding	(210,340)	17,529	0	(192,811)	0
Compensated Absences	1,034,589	164,406	322,957	876,038	177,309
Capital Leases	1,407,344	36,406	75,138	1,368,612	80,972
Total Governmental Activities Long-Term Obligations	<u>\$8,678,480</u>	<u>\$316,317</u>	<u>\$836,660</u>	<u>\$8,158,137</u>	<u>\$683,281</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 were serial bonds and \$1,200,000 were term bonds. The remaining amount of \$275,906 was 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. On December 15, 2006, the serial bonds in the amount of \$6,610,000 were refunded. The remaining bonds were retired from the Debt Service Fund.

**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.

**Waverly City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

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 2012, the capital appreciation bonds were accreted \$97,976.

As of June 30, 2012, \$5,100,000 of the 2001 Classroom Facilities Bonds were unmatured and unpaid.

Compensated absences will be paid from the General, Food Services, 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 \$10,000,183 with an unvoted debt margin of \$171,780, and an Energy Conservation debt margin of \$1,546,017 at June 30, 2012.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	2006 Classroom Facilities Refunding Bonds				Total
	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	
2013	\$0	\$204,000	\$191,977	\$233,023	\$629,000
2014	0	204,000	168,015	256,985	629,000
2015	425,000	195,500	0	0	620,500
2016	445,000	178,100	0	0	623,100
2017	460,000	160,000	0	0	620,000
2018-2022	2,585,000	503,500	0	0	3,088,500
2023-2025	1,185,000	47,900	0	0	1,232,900
Total	<u>\$5,100,000</u>	<u>\$1,493,000</u>	<u>\$359,992</u>	<u>\$490,008</u>	<u>\$7,443,000</u>

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 15 - RISK MANAGEMENT**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

**Workers' Compensation**

For fiscal year 2012, 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.

**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 \$23,432 reported in the Internal Service Fund at June 30, 2012, 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:

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 15 - RISK MANAGEMENT** (Continued)

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2011	\$25,480	\$135,499	\$129,156	\$31,823
2012	31,823	112,956	121,347	23,432

**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2012, the Nonmajor Governmental Funds owed the General Fund \$154,368. General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receipt of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**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 \$111,186 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.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

**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.

**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 paid \$325 to the Coalition for services provided during the fiscal year.

**NOTE 18 - INSURANCE PURCHASING POOLS**

**Ohio School Plan**

The School District participates in the Ohio School Plan (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.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 18 - INSURANCE PURCHASING POOLS** (Continued)

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

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

**NOTE 19 - SET-ASIDE CALCULATIONS**

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

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

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

	Capital Improvements	Budget Stabilization
Set-aside Balance as of June 30, 2011	\$0	\$57,076
Current Fiscal Year Set-aside Requirement	333,847	0
Current Fiscal Year Off-sets	(117,990)	0
Current Fiscal Year Qualifying Expenditures	(215,857)	0
Totals	\$0	\$57,076
Set-aside Balance as of June 30, 2012	\$0	\$57,076
Required Set-aside Balances Carried Forward to FY 2013	\$0	\$57,076

Amounts of offsets and qualifying disbursements presented in the table for capital improvements were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for capital improvements during the fiscal year, this extra amount may not be used to reduce the set-aside requirements of future fiscal years. In previous fiscal years, the School District was required to have a textbook set-aside. Effective July 1, 2011, House Bill 30 of the 129<sup>th</sup> General Assembly repealed the textbook requirement.

*Waverly City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 20 - CONTRACTUAL COMMITMENTS**

The School District has entered into the following contracts as of June 30, 2012:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/12</u>
RVC Architects, Inc.	\$70,000	\$11,034	\$58,966
Outdoor Aluminum	355,887	47,100	308,787
Greenlawn Landscape	54,714	38,590	16,124
Schooley Caldwell Associates	146,990	82,867	64,123

**NOTE 21 - CONTINGENCIES**

**Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**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, 2012*

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**NOTE 22 - SUBSEQUENT EVENT**

After fiscal year-end June 30, 2012, the School District signed the following contracts related to the construction on the athletic facility:

<u>Contractor</u>	<u>Contract Amount</u>
Greenlawn Landscape	\$7,670
Greenlawn Landscape	9,200
Landmark Properties, LLCS	51,000

Also, the School District resolved to remediate defects discovered which were related to the Master Facilities Plan Project. The Ohio School Facilities Commission (OSFC) has received authority to file suit against the original project consultants, contractors, and sureties responsible for the defects discovered, but the filing is unlikely to occur before the start of the necessary remediation. The OSFC has amended the Master Facilities Plan Project to include the above-referenced remediation, which is estimated to cost \$7,641,717. The School District will be responsible for 18 percent of the cost of remediation, or \$1,354,629. The School District has been offered an interest-free loan through the OSFC Hardship Loan Program to cover its portion of the remediation costs. The hardship loan will provide the School District with an interest-free means to pay for its portion of the aforementioned remediation. Therefore, the School District's Board of Education has authorized and directed the Treasurer and Board President to sign and take all necessary action to secure and enter into the above-referenced hardship loan.

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WAVERLY CITY SCHOOL DISTRICT  
PIKE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2011/2012	10.555	\$ 19,476	\$ 19,476
Cash Assistance:				
School Breakfast Program	2011/2012	10.553	158,846	158,846
National School Lunch Program	2011/2012	10.555	381,255	381,255
Cash Assistance Subtotal			<u>540,101</u>	<u>540,101</u>
Total Child Nutrition Cluster			<u>559,577</u>	<u>559,577</u>
Total U.S. Department of Agriculture			559,577	559,577
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	108,984	123,624
Title I Grants to Local Educational Agencies	2012	84.010	723,116	722,121
School Improvement Subsidy A Grant	2011	84.010	124,379	117,763
School Improvement Subsidy A Grant	2012	84.010	89,636	101,778
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	292,929	299,005
Total Title I Cluster			1,339,044	1,364,291
Special Education Cluster:				
Special Education - Grants to States	2012	84.027	373,824	368,870
ARRA - Special Education - Grants to States, Recovery Act	2011	84.391		14,831
Total Special Education Cluster			373,824	383,701
Education Technology State Grants				
	2011	84.318	(40)	707
	2012		40	5,047
Total Education Technology State Grants			<u>0</u>	<u>5,754</u>
Rural Education				
	2011	84.358	41,607	46,285
	2012		24,896	24,779
Total Rural Education			<u>66,503</u>	<u>71,064</u>
Improving Teacher Quality State Grants				
	2011	84.367	16,351	20,183
	2012		119,779	120,480
Total Improving Teacher Quality State Grants			<u>136,130</u>	<u>140,663</u>
ARRA - Race to the Top Grant				
	2012	84.395	350	350
Education Jobs Fund				
	2011	84.410	20,001	
	2012		500,483	495,846
Total Education Jobs Fund			<u>520,484</u>	<u>495,846</u>
Total U.S. Department of Education			<u>2,416,334</u>	<u>2,461,669</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$2,975,911</u></b>	<b><u>\$ 3,021,246</u></b>

*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, 2012**

**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 2011 to 2012 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Education Technology State Grant	84.318	\$40



# 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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 14, 2013. 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 14, 2013.

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 14, 2013



# 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, 2012. 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, 2012.

### 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 a matter 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 14, 2013.

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 14, 2013

**WAVERLY CITY SCHOOL DISTRICT  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	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 Child Nutrition Cluster – CFDA # 10.553 and 10.555 Education Jobs – CFDA # 84.410
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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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 26, 2013