

Waverly City School District
Pike County
Single Audit
For the Fiscal Year Ended June 30, 2015



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Dave Yost • Auditor of State

Board of Education
Waverly City School District
1 Tiger Dr.
Waverly, OH 45690

We have reviewed the *Independent Auditor Report* of the Waverly City School District, Pike County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 16, 2016

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Waverly City School District
Pike County
Table of Contents
For the Fiscal Year Ended June 30, 2015

Title	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Fund Net Position – Internal Service Fund.....	18
Statement of Revenues, Expenditures and Changes in Fund Net Position –Internal Service Fund	19
Statement of Cash Flows –Internal Service Fund	20
Statement of Net Position –Fiduciary Funds	21
Statement of Changes in Net Position –Fiduciary Funds.....	22
Notes to the Basic Financial Statements	23
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability-Last Two Fiscal Years	56
Schedule of School District Contributions – Last Ten Fiscal Years	57
Schedule of Federal Awards Expenditures.....	58
Notes to the Schedule of Federal Awards Expenditures	59

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	60
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	62
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505	65

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly City School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly City School District, Pike County, Ohio, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 24 to the financial statements, during 2015, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." The 2015 financial statements have been restated due to implementation of these pronouncements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the School District's proportionate share of the net pension liability, and the schedule of School District contributions on pages 4 through 10, 56, and 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



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

March 28, 2016

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Waverly City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net position of governmental activities increased \$1,952,178 from the prior fiscal year.
- General revenues accounted for \$16,568,688 while program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,935,336. Total revenues for the School District were \$21,504,024. The School District also reported a special item of \$586,537 for legal settlement proceeds.
- The School District had \$20,138,383 in expenses related to governmental activities; only \$4,935,336 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) were adequate enough to provide for these programs.

Using this Basic Financial Statements

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

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2015?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

In the statement of net position and the statement of activities, the School District has only one kind of activity:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds. The major funds for the School District are the general fund, the bond retirement debt service fund, and the permanent improvement and Ohio School Facilities Commission capital projects funds.

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

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

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

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2015 and 2014:

Table 1
Net Position

	2015	2014*
Assets:		
Current and Other Assets	\$16,084,212	\$14,107,865
Capital Assets, Net	44,209,392	40,749,929
Total Assets	60,293,604	54,857,794
Deferred Outflows of Resources	1,589,119	1,403,820
Liabilities:		
Current and Other Liabilities	2,919,396	2,233,734
Long-Term Liabilities	32,536,104	32,980,299
Total Liabilities	35,455,500	35,214,033
Deferred Inflows of Resources	7,192,108	3,764,644
Net Position:		
Net Investment in Capital Assets	32,288,971	32,857,576
Restricted	4,134,397	4,131,370
Unrestricted (Deficit)	(17,188,253)	(19,706,009)
Total Net Position	\$19,235,115	\$17,282,937

*Restated. See note 24 for additional information.

There was a significant increase in current and other assets compared to the prior fiscal year. This was primarily due to an increase in cash and cash equivalents, intergovernmental receivable and settlement receivables. Cash increased due to unspent proceeds and due to revenues in excess of expenses. Intergovernmental receivables increased due to timing of requests and increased program funding. A settlement receivable was recognized in 2015 due to the settlement of litigation between the School District and a contractor for which substandard work was performed. Capital assets, net had a significant increase compared to the prior fiscal year. This resulted from current year additions being greater than current year depreciation and deletions. Deferred outflows of resources increased due to an increase in subsequent payments in employer pension contributions between years.

Current and other liabilities increased significantly. This is due to a significant increase in contracts payable related to the ongoing OSFC project and in intergovernmental payable due to a large payable recognized for adjustments required by the State Foundation, which is further discussed in note 22 of the basic financial statements. Long-term liabilities decreased due to a reduction in net pension liability and principal payments, which was partially offset by new debt proceeds received in 2015. Deferred inflows of resources increased due to the implementation of GASB Statement No. 68, which will be discussed further below.

Net investment in capital assets decreased due to the School District's current fiscal year depreciation and deletions exceeding additions and debt repayments. Restricted net position remained relatively consistent between years. Unrestricted net position increased primarily due to the decrease in net pension liability.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is included within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from \$39,632,156 to \$17,282,937.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

Table 2
Change in Net Position

	2015	2014
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,187,713	\$1,186,465
Operating Grants and Contributions	3,687,875	3,375,052
Capital Grants and Contributions	59,748	2,621
Total Program Revenues	4,935,336	4,564,138
General Revenues:		
Property Taxes	4,303,846	4,131,822
Grants and Entitlements Not Restricted to Specific Programs	12,073,318	11,838,830
Unrestricted Grants and Donations	0	8,000
Proceeds from Sale of Assets	9,642	13,200
Investment Earnings	27,786	23,582
Miscellaneous	154,096	57,797
Total General Revenues	16,568,688	16,073,231
Total Revenues	21,504,024	20,637,369
Program Expenses:		
Instruction:		
Regular	7,191,306	7,547,029
Special	3,064,394	3,225,028
Vocational	283,667	209,720
Other	1,060,778	964,398
Support Services:		
Pupils	841,791	767,589
Instructional Staff	733,528	631,403
Board of Education	57,456	40,979
Administration	1,504,776	1,420,837
Fiscal	486,883	483,629
Operation and Maintenance of Plant	1,644,745	1,800,268
Pupil Transportation	1,125,604	1,094,710
Operation of Non-Instructional Services	1,176,648	1,173,979
Extracurricular Activities	578,736	575,143
Debt Service:		
Interest and Fiscal Charges	292,995	300,255
Issuance Costs	95,076	0
Total Expenses	20,138,383	20,234,967
Special Item	586,537	0
Change in Net Position	1,952,178	402,402
Net Position at Beginning of Year-Restated	17,282,937	N/A
Net Position at End of Year	\$19,235,115	\$17,282,937

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenue, were \$4,935,336 for fiscal year 2015. Program revenues were relatively consistent between years, with grant funding increasing moderately.

As previously mentioned, general revenues were \$16,568,688 for fiscal year 2015. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs and property taxes. These revenue sources were relatively consistent between years.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2015. Expenses remained relatively consistent between years.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,246,067 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$951,814. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$20,138,383
Pension expense under GASB 68	(951,814)
2015 contractually required contribution	<u>1,261,652</u>
Adjusted 2015 program expenses	20,448,221
Total 2014 program expenses under GASB 27	<u>20,234,967</u>
Increase in program expenses not related to pension	<u>\$213,254</u>

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

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,472,296 and total expenditures of \$27,475,938.

The net change in fund balance for the fiscal year in the general fund was an increase of \$1,321,128. This increase was the result of the School District receiving a greater amount of foundation funding during this fiscal year than it had in the prior fiscal year. The School District had relatively consistent expenditures between years.

The bond retirement fund balance increased \$115,496, due to an increase in property taxes and a decrease in fiscal support services expenditures.

The permanent improvement fund balance increased \$103,215, due to debt issuance proceeds which were only partially spent during the year.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The Ohio School Facilities Commission fund balance decreased \$857,534. This decrease was due to the expenditure of the previously received Ohio School Facilities Commission grant and proceeds from the Hardship Loan, both of which are associated with the building remediation project.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2015, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. The most significant budgeted fund is the general fund.

For the general fund, original budgeted revenues were \$17,244,592 and final budgeted revenues were \$18,063,142. This represents an increase in estimated revenues of \$818,550, which was due primarily to an increase in foundation funding. The difference between actual budget basis revenues and final budgeted revenues was not significant.

Original budgeted expenditures in the general fund were \$16,169,887 and final budgeted expenditures were \$16,311,340. This change was not significant.

The School District's ending unobligated cash balance was \$2,973 above the final budgeted amount in the general fund.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$44,209,392 invested in capital assets (net of accumulated depreciation). Additions to capital assets primarily consisted of construction in progress related to the athletic facility and remediation projects, in addition to various furniture and equipment. For more information on capital assets, refer to note 9 in the notes to the basic financial statements.

Debt

At June 30, 2015, the School District had \$4,867,664 in outstanding long-term general obligation debt, which includes serial bonds and related premium. The School District's long-term liabilities also include a loan, a note, certificates of participation, capital leases, and compensated absences. The School District also had a short-term note issued and repaid during 2015.

The School District's overall legal debt margin was \$11,659,512 with an unvoted debt margin of \$181,495, and an energy conservation debt margin of \$1,633,451 at June 30, 2015. For more information on debt, refer to note 14 in the notes to the basic financial statements.

Contacting the School District's Financial Management

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

Waverly City School District
Statement of Net Position
As of June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$10,560,220
Materials and Supplies Inventory	12,683
Settlement Receivable	586,537
Intergovernmental Receivable	324,390
Prepaid Items	350
Property Taxes Receivable	4,600,032
Capital Assets:	
Land	721,374
Construction in Progress	10,100,711
Depreciable Capital Assets, net	33,387,307
<i>Total Assets</i>	60,293,604
Deferred Outflows of Resources:	
Deferred Charge on Refunding	140,224
Pension	1,448,895
<i>Total Deferred Outflows of Resources</i>	1,589,119
Liabilities:	
Accounts Payable	134,836
Accrued Wages and Benefits	1,249,672
Contracts Payable	612,700
Intergovernmental Payable	736,014
Undistributed Monies	202
Accrued Interest Payable	26,036
Matured Compensated Absences Payable	49,268
Retainage Payable	82,008
Claims Payable	14,872
Early Retirement Incentive	13,788
Long-Term Liabilities:	
Due Within One Year	1,307,816
Due in More Than One Year	31,228,288
<i>Total Liabilities</i>	35,455,500
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	3,559,534
Pension	3,632,574
<i>Total Deferred Inflows of Resources</i>	7,192,108
Net Position:	
Net Investment in Capital Assets	32,288,971
Restricted for Debt Service	1,289,376
Restricted for Capital Outlay	2,548,208
Restricted for Other Purposes	239,737
Restricted for Set-Asides	57,076
Unrestricted (Deficit)	(17,188,253)
<i>Total Net Position</i>	\$19,235,115

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

Waverly City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$7,191,306	\$358,132	\$174,810	\$0	(\$6,658,364)
Special	3,064,394	102,239	2,281,469	0	(680,686)
Vocational	283,667	14,419	135,447	0	(133,801)
Other	1,060,778	57,539	0	0	(1,003,239)
Support Services:					
Pupils	841,791	48,723	2,018	0	(791,050)
Instructional Staff	733,528	21,042	89,998	0	(622,488)
Board of Education	57,456	3,119	0	0	(54,337)
Administration	1,504,776	83,163	141,194	0	(1,280,419)
Fiscal	486,883	23,062	0	59,748	(404,073)
Operation and Maintenance of Plant	1,644,745	82,834	0	0	(1,561,911)
Pupil Transportation	1,125,604	67,386	951	0	(1,057,267)
Operation of Non-Instructional Services	1,176,648	120,382	860,966	0	(195,300)
Extracurricular Activities	578,736	205,673	1,022	0	(372,041)
Debt Service:					
Interest and Fiscal Charges	292,995	0	0	0	(292,995)
Issuance Costs	95,076	0	0	0	(95,076)
<i>Total Governmental Activities</i>	<u>\$20,138,383</u>	<u>\$1,187,713</u>	<u>\$3,687,875</u>	<u>\$59,748</u>	(15,203,047)

General Revenues:

Property Taxes Levied for:	
General Purposes	3,582,367
Debt Service	659,335
Classroom Facilities Maintenance	62,144
Grants and Entitlements not	
Restricted for Specific Programs	12,073,318
Proceeds from Sale of Assets	9,642
Investment Earnings	27,786
Miscellaneous	154,096
<i>Total General Revenues</i>	16,568,688
Special Item-Settlement	586,537
<i>Change in Net Position</i>	1,952,178
<i>Net Position Beginning of Year-Restated</i>	17,282,937
<i>Net Position End of Year</i>	<u>\$19,235,115</u>

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

Waverly City School District
Balance Sheet
Governmental Funds
As of June 30, 2015

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Ohio School Facilities Commission Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$6,312,554	\$1,012,090	\$1,435,956	\$1,245,423	\$202,831	\$10,208,854
Materials and Supplies Inventory	0	0	0	0	12,683	12,683
Settlement Receivable	0	0	0	586,537	0	586,537
Interfund Receivable	57,680	0	0	0	0	57,680
Intergovernmental Receivable	65,975	0	0	0	258,415	324,390
Prepaid Items	350	0	0	0	0	350
Property Taxes Receivable	3,717,339	685,022	132,964	0	64,707	4,600,032
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	57,076	0	0	0	0	57,076
<i>Total Assets</i>	<u>\$10,210,974</u>	<u>\$1,697,112</u>	<u>\$1,568,920</u>	<u>\$1,831,960</u>	<u>\$538,636</u>	<u>\$15,847,602</u>
Liabilities:						
Accounts Payable	\$123,579	\$0	\$0	\$0	\$11,257	\$134,836
Accrued Wages and Benefits	1,074,865	0	0	0	174,807	1,249,672
Contracts Payable	0	0	606,080	6,620	0	612,700
Interfund Payable	0	0	25,000	0	32,680	57,680
Intergovernmental Payable	719,331	0	0	0	16,683	736,014
Undistributed Monies	202	0	0	0	0	202
Matured Compensated Absences Payable	49,268	0	0	0	0	49,268
Retainage Payable	0	0	0	82,008	0	82,008
Early Retirement Incentive Payable	13,788	0	0	0	0	13,788
<i>Total Liabilities</i>	1,981,033	0	631,080	88,628	235,427	2,936,168
Deferred Inflows of Resources:						
Property Taxes not Levied to Finance Current Year Operations	2,854,758	521,924	132,964	0	49,888	3,559,534
Unavailable Revenue	436,401	70,611	0	586,537	22,731	1,116,280
<i>Deferred Inflows of Resources</i>	3,291,159	592,535	132,964	586,537	72,619	4,675,814
Fund Balances:						
Nonspendable	4,217	0	0	0	12,683	16,900
Restricted	0	1,104,577	804,876	1,156,795	269,687	3,335,935
Committed	11,000	0	0	0	0	11,000
Assigned	159,807	0	0	0	0	159,807
Unassigned (Deficit)	4,763,758	0	0	0	(51,780)	4,711,978
<i>Total Fund Balances</i>	<u>4,938,782</u>	<u>1,104,577</u>	<u>804,876</u>	<u>1,156,795</u>	<u>230,590</u>	<u>8,235,620</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$10,210,974</u>	<u>\$1,697,112</u>	<u>\$1,568,920</u>	<u>\$1,831,960</u>	<u>\$538,636</u>	<u>\$15,847,602</u>

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

Waverly City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2015*

Total Governmental Fund Balances \$8,235,620

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 44,209,392

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

Intergovernmental	82,355	
Legal Settlement	586,537	
Taxes	447,388	
Total	1,116,280	1,116,280

The internal service fund is used by management to charge the costs of deductible reimbursements to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 279,418

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds. 140,224

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (26,036)

The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	1,448,895	
Deferred Inflows-Pension	(3,632,574)	
Net Pension Liability	(19,855,702)	
Total	(22,039,381)	(22,039,381)

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

Bonds Payable	(4,675,000)	
Premium on Bond Issuance	(192,664)	
Hardship Loan	(812,777)	
Certificates of Participation	(4,200,000)	
Premium on Certificates of Participation	(140,720)	
Lease-Purchase Agreement	(1,899,260)	
Compensated Absences	(759,981)	
Total	(12,680,402)	(12,680,402)

Net Position of Governmental Activities \$19,235,115

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

Waverly City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Ohio School Facilities Commission Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$3,552,458	\$653,620	\$0	\$0	\$61,766	\$4,267,844
Intergovernmental	13,259,593	108,186	0	0	2,390,981	15,758,760
Interest	24,052	0	34	3,667	33	27,786
Tuition and Fees	807,338	0	0	0	25,916	833,254
Rent	12,668	0	0	0	0	12,668
Extracurricular Activities	24,859	0	0	0	197,140	221,999
Gifts and Donations	15,281	0	59,748	0	1,068	76,097
Customer Sales and Services	0	0	0	0	119,792	119,792
Miscellaneous	142,892	0	5,198	0	6,006	154,096
<i>Total Revenues</i>	<u>17,839,141</u>	<u>761,806</u>	<u>64,980</u>	<u>3,667</u>	<u>2,802,702</u>	<u>21,472,296</u>
Expenditures:						
Current:						
Instruction:						
Regular	6,262,484	0	0	0	188,744	6,451,228
Special	1,923,733	0	0	0	1,009,628	2,933,361
Vocational	270,830	0	0	0	0	270,830
Other	1,059,797	0	0	0	0	1,059,797
Support Services:						
Pupils	770,331	0	0	0	6,134	776,465
Instructional Staff	393,774	0	0	0	84,832	478,606
Board of Education	57,634	0	0	0	0	57,634
Administration	1,289,215	0	0	0	121,487	1,410,702
Fiscal	431,910	25,810	299	0	2,430	460,449
Operation and Maintenance of Plant	1,550,787	0	0	3,525	84,666	1,638,978
Pupil Transportation	1,074,021	0	0	0	8,625	1,082,646
Operation of Non-Instructional Services	10,870	0	0	0	1,025,189	1,036,059
Extracurricular Activities	315,681	0	0	0	197,006	512,687
Capital Outlay	168,691	0	4,318,666	857,676	0	5,345,033
Debt Service:						
Principal	650,924	425,000	2,500,000	0	0	3,575,924
Interest	94,963	195,500	0	0	0	290,463
Issuance Costs	0	0	95,076	0	0	95,076
<i>Total Expenditures</i>	<u>16,325,645</u>	<u>646,310</u>	<u>6,914,041</u>	<u>861,201</u>	<u>2,728,741</u>	<u>27,475,938</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	1,513,496	115,496	(6,849,061)	(857,534)	73,961	(6,003,642)
Other Financing Sources (Uses):						
Transfers In	0	0	110,770	0	91,240	202,010
Other Notes Issued	0	0	6,700,000	0	0	6,700,000
Premium on Other Notes Issued	0	0	141,506	0	0	141,506
Proceeds from Sale of Assets	9,642	0	0	0	0	9,642
Transfers Out	(202,010)	0	0	0	0	(202,010)
<i>Total Other Financing Sources</i>	<u>(192,368)</u>	<u>0</u>	<u>6,952,276</u>	<u>0</u>	<u>91,240</u>	<u>6,851,148</u>
<i>Net Change in Fund Balances</i>	1,321,128	115,496	103,215	(857,534)	165,201	847,506
<i>Fund Balance at Beginning of Year</i>	<u>3,617,654</u>	<u>989,081</u>	<u>701,661</u>	<u>2,014,329</u>	<u>65,389</u>	<u>7,388,114</u>
<i>Fund Balance at End of Year</i>	<u>\$4,938,782</u>	<u>\$1,104,577</u>	<u>\$804,876</u>	<u>\$1,156,795</u>	<u>\$230,590</u>	<u>\$8,235,620</u>

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

Waverly City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds \$847,506

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

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

Capital Asset Additions	5,345,033	
Current Year Depreciation	(1,884,969)	
Total		3,460,064

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (601)

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

Intergovernmental	(13,916)	
Legal Settlement	586,537	
Taxes	36,002	
Total		608,623

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 49,538

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 1,261,652

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (951,814)

Long-term debt proceeds are other financing sources in the governmental funds but the issuance increases the long-term liabilities on the statement of net position.

Bond Anticipation Notes Issued	(2,500,000)	
Other Notes Issued	(4,200,000)	
Premium on Other Notes Issued	(141,506)	
Total		(6,841,506)

Amortization of bond premiums and the deferred loss on the refunding of debt, are not reported in the funds, but are allocated as expenses over the life of the debt in the statement of activities.

Amortization of Deferred Charges on Refunding	(17,529)	
Amortization of Premiums	24,869	
Total		7,340

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

Bond Anticipation Notes Refunded	2,500,000	
Bond Principal Retirement	425,000	
Loan Principal Retirement	541,852	
Capital Lease Payments	109,072	
Total		3,575,924

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

Increase in Compensated Absences	(54,676)	
Increase in Accrued Interest	(9,872)	
Total		(64,548)

Net Change in Net Position of Governmental Activities **\$1,952,178**

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

Waverly City School District
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$3,414,952	\$3,376,202	\$3,376,202	\$0
Intergovernmental	12,951,066	13,710,206	13,710,206	0
Interest	11,910	21,992	23,866	1,874
Tuition and Fees	763,221	807,338	807,338	0
Rent	4,055	12,668	12,668	0
Miscellaneous	99,388	134,736	135,772	1,036
<i>Total Revenues</i>	17,244,592	18,063,142	18,066,052	2,910
Expenditures:				
Current:				
Instruction:				
Regular	6,196,971	6,248,356	6,248,010	346
Special	1,982,093	1,926,676	1,926,677	(1)
Vocational	177,572	279,786	279,786	0
Other	1,068,599	1,058,378	1,058,378	0
Support Services:				
Pupils	717,321	750,393	750,393	0
Instructional Staff	359,215	385,454	385,454	0
Board of Education	40,813	49,981	49,981	0
Administration	1,333,948	1,221,000	1,221,001	(1)
Fiscal	397,784	434,103	434,103	0
Operation and Maintenance of Plant	1,850,760	1,737,251	1,737,252	(1)
Pupil Transportation	1,234,699	1,102,386	1,102,386	0
Central	1,155	520	800	(280)
Operation of Non-Instructional Services	5,463	11,095	11,095	0
Extracurricular Activities	218,038	312,847	312,847	0
Capital Outlay	37,000	54,616	54,616	0
Debt Service:				
Principal	494,693	644,351	644,351	0
Interest	53,763	94,147	94,147	0
<i>Total Expenditures</i>	16,169,887	16,311,340	16,311,277	63
<i>Excess of Revenues Over Expenditures</i>	1,074,705	1,751,802	1,754,775	2,973
Other Financing Sources (Uses):				
Advances In	43,467	98,057	98,057	0
Proceeds from Sale of Assets	13,200	9,642	9,642	0
Transfers Out	(55,885)	(202,010)	(202,010)	0
Advances Out	0	(57,680)	(57,680)	0
<i>Total Other Financing Sources (Uses)</i>	782	(151,991)	(151,991)	0
<i>Net Change in Fund Balance</i>	1,075,487	1,599,811	1,602,784	2,973
<i>Fund Balance at Beginning of Year</i>	3,978,531	3,978,531	3,978,531	0
<i>Prior Year Encumbrances Appropriated</i>	497,156	497,156	497,156	0
<i>Fund Balance at End of Year</i>	<u>\$5,551,174</u>	<u>\$6,075,498</u>	<u>\$6,078,471</u>	<u>\$2,973</u>

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

Waverly City School District
Statement of Fund Net Position
Internal Service Fund
As of June 30, 2015

	<u>Max 105 Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$294,290</u>
<i>Total Assets</i>	294,290
Liabilities:	
Claims Payable	<u>14,872</u>
<i>Total Liabilities</i>	14,872
Net Position:	
Unrestricted	<u>279,418</u>
<i>Total Net Position</i>	<u><u>\$279,418</u></u>

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

Waverly City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	<u>Max 105 Fund</u>
Operating Revenues:	
Charges for Services	<u>\$215,404</u>
<i>Total Operating Revenues</i>	215,404
Operating Expenses:	
Purchased Services	14,700
Claims	<u>151,166</u>
<i>Total Operating Expenses</i>	<u>165,866</u>
<i>Operating Income</i>	49,538
<i>Net Position Beginning of Year</i>	<u>229,880</u>
<i>Net Position End of Year</i>	<u><u>\$279,418</u></u>

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

Waverly City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Max 105 Fund
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Charges for Services	\$215,404
Purchased Services	(15,870)
Claims	(168,409)
<i>Net Increase in Cash and Cash Equivalents</i>	31,125
<i>Cash and Cash Equivalents at Beginning of Year</i>	263,165
<i>Cash and Cash Equivalents at End of Year</i>	\$294,290
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$49,538
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Decrease in Accounts Payable	(1,170)
Decrease in Claims Payable	(17,243)
<i>Net Cash Provided by Operating Activities</i>	\$31,125

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

Waverly City School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2015

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$19,853	\$47,404
<i>Total Assets</i>	\$19,853	\$47,404
Liabilities:		
Undistributed Monies		\$47,404
<i>Total Liabilities</i>		\$47,404
Net Position:		
Held in Trust for Scholarships	\$19,853	
<i>Total Net Position</i>	\$19,853	

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

Waverly City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and Contributions	<u>\$11,025</u>
<i>Total Additions</i>	11,025
Deductions:	
Payments in Accordance with Trust Agreements	<u>7,500</u>
<i>Total Deductions</i>	<u>7,500</u>
<i>Change in Net Position</i>	3,525
<i>Net Position Beginning of Year</i>	<u>16,328</u>
<i>Net Position End of Year</i>	<u><u>\$19,853</u></u>

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 – Description of the School District and Reporting Entity

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

The School District was established in 1969 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 119 square miles. It is located in Pike County, and includes all of the City of Waverly and portions of Pebble, Pee Pee, Jackson, and Franklin Townships. It is staffed by 77 non-certificated employees, 108 certificated full-time teaching personnel and 12 administrative employees who provide services to 1,981 students and other community members. The School District currently operates four instructional buildings, one athletic facility, and one garage.

Reporting Entity

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

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

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

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

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

These organizations are presented in notes 18 and 19 to the basic financial statements.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. However, the School District has no business-type activities.

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

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Governmental Funds

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

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

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

Permanent Improvement Fund - The permanent improvement fund is used to account for all transactions related to acquiring, constructing, or improving of such permanent improvements. This fund received certificates of participation proceeds for use in capital improvements.

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

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

Proprietary Fund

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

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

Fiduciary Funds

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports in the government-wide statement of net position deferred outflows of resources for a deferred charge on refunding and amounts related to pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Amounts related to pensions will be further discussed in note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows of resources for property taxes, unavailable revenue, and pensions. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental funds balance sheet. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Amounts related to pensions will be further discussed in note 10.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed. The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year, including all supplemental appropriations.

Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, permanent improvement fund, Ohio School Facilities Commission fund, and other governmental funds during fiscal year 2015 amounted to \$24,052, \$34, \$3,667, and \$33, respectively.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund are amounts required by statute to be set-aside by the School District for budget stabilization. See note 20 for additional information regarding set-asides.

Capital Assets

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

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

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

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

Interfund Balances

On fund financial statements, outstanding interfund loans are reported as "interfund receivable/payable". Interfund balances are eliminated in the statement of net position.

Compensated Absences

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

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, 2015

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees will be paid. The entire compensated absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds, loans, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

Bond Premiums and Compound Interest on Capital Appreciation Bonds

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

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

Deferred Charge on Refunding

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

Fund Balance

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

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

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes federal and State grants restricted to expenditures for specified purposes.

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

Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary fund. Transfers within the governmental activities are eliminated on the government-wide financial statements.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2016, the School District reached a legal settlement with Triad Inc. over unsatisfactory work related to the Ohio School Facilities Commission project performed in prior years. The settlement resulted in the agreement of a \$586,537 payment to the School District. This amount has been recorded as a settlement receivable and unavailable revenue on the fund financial statements and as a special item on the government-wide financial statements. Payment is expected in fiscal year 2016.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 – Fund Balances

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fund Balances	General	Bond Retirement	Permanent Improvement	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>						
Prepays	\$350	\$0	\$0	\$0	\$0	\$350
Unclaimed Monies	3,867	0	0	0	0	3,867
Inventory	0	0	0	0	12,683	12,683
Total	4,217	0	0	0	12,683	16,900
<i>Restricted for</i>						
Debt Payments	0	1,104,577	0	0	0	1,104,577
Latchkey Program	0	0	0	0	2,543	2,543
Miscellaneous Federal Grants	0	0	0	0	116,669	116,669
District Managed Activities	0	0	0	0	45,485	45,485
Miscellaneous State Grants	0	0	0	0	30	30
Capital Maintenance	0	0	0	0	104,960	104,960
Capital Improvements	0	0	804,876	1,156,795	0	1,961,671
Total	0	1,104,577	804,876	1,156,795	269,687	3,335,935
<i>Committed for</i>						
Underground Storage	11,000	0	0	0	0	11,000
<i>Assigned for</i>						
Purchases on Order	107,280	0	0	0	0	107,280
Public School Support	52,527	0	0	0	0	52,527
Total	159,807	0	0	0	0	159,807
<i>Unassigned (Deficit)</i>						
	4,763,758	0	0	0	(51,780)	4,711,978
Total	\$4,938,782	\$1,104,577	\$804,876	\$1,156,795	\$230,590	\$8,235,620

Note 4 – Accountability

At June 30, 2015, the food service special revenue fund had deficit fund balances of \$51,780. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the general fund (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$1,321,128
Adjustments:	
Revenue Accruals	274,171
Expenditure Accruals	192,293
Encumbrances	(224,957)
Advances	40,377
Perspective Differences	(228)
Budget Basis	\$1,602,784

Note 6 – Deposits and Investments

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in
7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

At June 30, 2015, the bank balance of all School District deposits was \$9,747,387. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of June 30, 2015, \$1,286,298 of the School District’s bank balance was covered by Federal Deposit Insurance. The remaining \$8,461,089 was collateralized with securities held by the School District or its agent in the School District’s name.

Investments – As of June 30, 2015, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$2,685	Less Than 1 Year
FHLMC	497,775	3 to 5 Years
FHLB	499,825	3 to 5 Years
Total	<u>\$1,000,285</u>	

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in eligible securities as described in the Ohio Revised Code. The School District has invested nearly 50 percent of its investments in FHLMC and FHLB, respectively.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

The amounts available as an advance at June 30, 2015 were \$370,426 in the general fund, \$70,611 in the bond retirement fund, and \$6,351 in the other governmental funds. The amount available as an advance at June 30, 2014 were \$315,899 in the general fund, \$58,838 in the bond retirement fund, and \$5,561 in the other governmental funds.

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

The assessed values upon which fiscal year 2015 taxes were collected are:

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$161,426,300	91.84%	\$166,473,070	91.72%
Public Utility	14,343,590	8.16%	15,021,510	8.28%
Total Assessed Value	\$175,769,890	100.00%	\$181,494,580	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$32.00		\$32.00	

Note 8 – Receivables

Receivables at June 30, 2015, consisted of property taxes, legal settlements, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The intergovernmental receivables are as follows:

<i>Major Fund:</i>	
General	\$65,975
<i>Other Governmental Funds:</i>	
Title I	139,512
Title I, School Improvement, Sub A	16,380
Special Education	77,696
Improving Teacher Quality	24,827
Total Other Governmental Funds	258,415
Total All Funds	\$324,390

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Ending Balance 6/30/14	Additions	Deletions	Ending Balance 6/30/15
<i>Governmental Activities</i>				
Capital Assets Not Being Depreciated				
Land	\$679,800	\$41,574	\$0	\$721,374
Construction in Progress	6,130,210	4,850,876	(880,375)	10,100,711
Total Capital Assets Not Being Depreciated	6,810,010	4,892,450	(880,375)	10,822,085
Capital Assets Being Depreciated				
Land Improvements	3,696,743	0	0	3,696,743
Buildings and Improvements	46,198,379	927,172	(14,424)	47,111,127
Furniture and Equipment	2,037,229	369,786	(50,286)	2,356,729
Vehicles	1,805,594	36,000	(147,722)	1,693,872
Books and Educational Media	936,075	0	0	936,075
Total Capital Assets Being Depreciated	54,674,020	1,332,958	(212,432)	55,794,546
Less Accumulated Depreciation				
Land Improvements	(1,961,919)	(166,102)	0	(2,128,021)
Buildings and Improvements	(14,943,893)	(1,510,536)	13,823	(16,440,606)
Furniture and Equipment	(1,356,674)	(166,261)	50,286	(1,472,649)
Vehicles	(1,535,540)	(42,070)	147,722	(1,429,888)
Books and Educational Media	(936,075)	0	0	(936,075)
Total Accumulated Depreciation	(20,734,101)	(1,884,969)	211,831	(22,407,239)
Total Capital Assets Being Depreciated, Net	33,939,919	(552,011)	(601)	33,387,307
Governmental Activities Capital Assets, Net	\$40,749,929	\$4,340,439	(\$880,976)	\$44,209,392

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$913,722
Special	169,358
Vocational	18,092
Other	981
<i>Support Services:</i>	
Pupils	83,931
Instructional Staff	261,132
Administration	114,910
Fiscal	33,572
Operation and Maintenance of Plant	30,865
Pupil Transportation	52,297
Operation of Non-Instructional Services	138,229
Extracurricular Activities	67,880
Total Depreciation Expense	<u>\$1,884,969</u>

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$403,240 for fiscal year 2015. Of this amount, \$0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$942,968 for fiscal year 2015. Of this amount \$161,196 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$3,504,197	\$16,351,505	\$19,855,702
Proportion of the Net Pension			
Liability	0.069240%	0.06722524%	
Pension Expense	\$206,075	\$745,739	\$951,814

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$29,824	\$157,419	\$187,243
School District contributions subsequent to the measurement date	287,849	973,803	1,261,652
Total Deferred Outflows of Resources	\$317,673	\$1,131,222	\$1,448,895
<i>Deferred Inflows of Resources</i>			
Net difference between projected and actual earnings on pension plan investments	\$568,741	\$3,025,090	\$3,593,831
Difference between School District contributions and proportionate share of contributions	0	38,743	38,743
Total Deferred Inflows of Resources	\$568,741	\$3,063,833	\$3,632,574

\$1,261,652 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$134,729)	(\$716,918)	(\$851,647)
2017	(134,729)	(716,918)	(851,647)
2018	(134,729)	(716,918)	(851,647)
2019	(134,729)	(716,918)	(851,647)
Total	(\$538,916)	(\$2,867,672)	(\$3,406,588)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,999,448	\$3,504,197	\$2,246,562

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$23,408,962	\$16,351,505	\$10,383,271

Note 11 – Postemployment Benefits

School Employees Retirement System

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

Health Care Plan

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

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocations was 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ending June 30, 2015, 2014, and 2013 were \$62,445, \$61,612, and \$54,199.

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

The financial report of SERS' Health Care plan is included in its comprehensive annual financial report. The report can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

State Teachers Retirement System

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

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2015. For the years ended June 30, 2014 and 2013, 1 percent of covered payroll was allocated to post-employment health care. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$0, \$68,207, and \$70,032, for fiscal years 2015, 2014 and 2013, respectively.

Note 12 – Employee Benefits

Compensated Absences

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Insurance Benefits

Medical/surgical and prescription drug insurance is offered to employees through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the union contract. Dental insurance is provided by Delta Dental. The School District provides life insurance and accidental death and dismemberment insurance to employees through Metropolitan Educational Council.

Deferred Compensation

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

Note 13 – Leases – Lessee Disclosure

In prior years, the School District entered into capitalized leases for equipment. The assets obtained under these leases were capitalized in the amount of \$36,406. During fiscal year 2006, the School District entered into a lease-purchase agreement for the locally funded portion of the new School District buildings which was primarily related to the construction of an auditorium. The School District is leasing the project from Central Ohio Loan Services, Inc. Central Ohio Loan Services, Inc. will retain title to the project during the lease term. As part of the lease agreement, Central Ohio Loan Services, Inc. deposited \$1,650,000 into the School District's bank account. The School District had previously paid all contractors as work progressed, and the proceeds of the lease were used to replenish these monies. Capital assets acquired by lease were initially capitalized in the amount of \$1,650,000 which is equal to the present value of the minimum lease payments at the time of acquisition. During fiscal year 2014, the School District entered into a lease-purchase agreement to refinance the 2006 lease-purchase agreement and to provide additional funds to finance construction projects. None of the additional funds were spent by June 30, 2015 except as necessary to refinance the 2006 lease-purchase agreement. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2015 totaled \$109,072. Payments were paid from the general fund.

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fiscal Year Ending June 30,	
2016	\$177,530
2017	175,479
2018	175,460
2019	175,496
2020	175,722
2021-2025	877,574
2026-2029	702,100
Total	2,459,361
Less: Amount Representing Interest	(560,101)
Present Value of Net Minimum Lease Payments	\$1,899,260

Note 14 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14*	Additions	Deductions	Amount Outstanding 6/30/15	Due Within One Year
<i>Governmental Activities</i>					
2006 Refunding Bonds					
Serial Bonds 4%	\$5,100,000	\$0	(\$425,000)	\$4,675,000	\$445,000
Premium on Debt Issue	216,747	0	(24,083)	192,664	0
2013 Hardship Loan	1,354,629	0	(541,852)	812,777	270,926
2015 Certificates of Participation					
Premium on 2015 Certificates of Participation	0	4,200,000	0	4,200,000	285,000
of Participation	0	141,506	(786)	140,720	0
Total	6,671,376	4,341,506	(991,721)	10,021,161	1,000,926
Compensated Absences	705,305	475,565	(420,889)	759,981	198,830
Capital Leases	2,008,332	0	(109,072)	1,899,260	108,060
Net Pension Liability	23,595,286	0	(3,739,584)	19,855,702	0
Total Governmental Activities Long-Term Obligations	\$32,980,299	\$4,817,071	(\$5,261,266)	\$32,536,104	\$1,307,816

*Restated. See note 24 for additional information.

2006 Classroom Facilities Refunding Bonds

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

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2013 Hardship Loan

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

2015 ODSA Energy Note

In April 2015, the School District entered into a promissory note with the Ohio Development Services Agency for funds to complete an energy project. The note was issued in the amount of \$1,574,803, but no funds were drawn during the fiscal year.

2015 Certificates of Participation

In May 2015, the School District issued certificates of participation in the amount of \$4,200,000 for the purpose of repaying \$2,500,000 in short-term notes (see note 15) and to provide additional funding for the school facilities improvement project. The certificates hold interest rates ranging from 2 percent to 4 percent and has a final maturity of December 2029. The certificates will be retired from the bond retirement fund.

Compensated absences will be paid from the general, food service, and title VI-B funds. Capital lease obligations will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$11,659,512 with an unvoted debt margin of \$181,495, and an energy conservation debt margin of \$1,633,451 at June 30, 2015.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	2006 Classroom Facilities Refunding Bonds		Hardship Loan	2015 Certificates of Participation	
	Serial Bonds Principal	Serial Bonds Interest		Principal	Interest
2016	\$445,000	\$178,100	\$270,926	\$285,000	\$70,797
2017	460,000	160,000	270,926	235,000	123,675
2018	480,000	141,200	270,925	240,000	118,975
2019	495,000	121,700	0	245,000	114,175
2020	515,000	101,500	0	250,000	109,275
2021-2025	2,280,000	187,000	0	1,350,000	441,625
2026-2030	0	0	0	1,595,000	196,400
Total	\$4,675,000	\$889,500	\$812,777	\$4,200,000	\$1,174,922

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 – Notes Payable

The School District had the following short-term note activity during the fiscal year.

	Amount Outstanding 6/30/14	Additions	Deductions	Amount Outstanding 6/30/15
2015 COP BANS	\$0	\$2,500,000	\$2,500,000	\$0

In November 2014, the School District issued certificates of participation notes in the amount of \$2,500,000 for the purpose of providing funding for the school facilities improvement project. The certificates held an interest rate of 2 percent. The notes were repaid with the proceeds of the May 2015 certificates of participation issuance as discussed in note 14.

Note 16 – 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 19).

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 2015, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 19). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Self-Insurance

The School District manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Patrick Benefit Administrators, the third party administrator of the program, which reviews and pays the claims. Patrick Benefit Administrators charges the School District an annual fee of \$750, with a monthly administration fee of \$7.50 per employee. The claims liability of \$14,872 reported in the internal service fund at June 30, 2015, 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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Changes to the internal service fund's claims liability amounts in the past two fiscal years follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2015	\$32,115	\$151,166	\$168,409	\$14,872
2014	26,006	127,831	121,722	32,115

Note 17 – Interfund Activity

As of June 30, 2015, interfund receivables and payables that resulted from interfund transactions were as follows:

	Receivables	Payables
<i>Major Funds:</i>		
General	\$57,680	\$0
Permanent Improvement	0	25,000
<i>Nonmajor Funds:</i>		
Athletics	0	16,867
Special Education	0	97
Title I	0	15,716
Total Nonmajor Funds	0	32,680
Total	\$57,680	\$57,680

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

	Transfers In	Transfers Out
<i>Major Fund:</i>		
General	\$0	\$202,010
Permanent Improvement	110,770	0
<i>Nonmajor Fund:</i>		
Food Service	91,240	0
Total Nonmajor Fund	91,240	0
Total	\$202,010	\$202,010

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

Note 18 – Jointly Governed Organizations

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

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education and two representatives of the school treasurers.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The Board exercises total control over the operations of the coalition including budget, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board. The School District paid SCOCA \$197,069 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Pike County Joint Vocational School

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

Coalition of Rural and Appalachian Schools

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

The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid \$976 to the Coalition for services provided during the fiscal year.

Note 19 – Insurance Purchasing Pools

Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 20 – Set-Aside Calculations

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

The School District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers’ Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes. The following cash-basis information identifies the change in the fiscal year-end set-aside amounts. Disclosure of this information is required by State statute.

	Capital Improvements	Budget Stabilization
Set-Aside Balance as of June 30, 2014	\$0	\$57,076
Current Fiscal Year Set-Aside Requirement	332,520	0
Current Fiscal Year Off-Sets	(182,911)	0
Current Fiscal Year Qualifying Expenditures	(149,609)	0
Set-Aside Balance as of June 30, 2015	\$0	\$57,076
Required Set-Aside Balance Carried Forward to Fiscal Year 2016	\$0	\$57,076

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

Note 21 – Significant Commitments

Contractual Commitments

The School District has the following significant outstanding contracts as of June 30, 2015:

	Contract Amount	Amount Expended	Balance at 6/30/15
Limbach Company LLC	\$5,062,684	\$2,230,837	\$2,831,847

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2015, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

<i>Major Funds:</i>	
General	\$228,557
Permanent Improvement	45,596
<i>Nonmajor Funds:</i>	
Classroom Facilities Maintenance	39,454
Athletics	17,020
Auxiliary	3,326
Title I	15,655
Title II-A	2,106
Total Nonmajor Funds	<u>77,561</u>
Total All Funds	<u>\$351,714</u>

Note 22 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

State Foundation Funding

School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district. Therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Although calculations have not been finalized, ODE did determine that an initial payable of \$450,613 was owed by the School District and has been recorded as an intergovernmental payable in the accompanying financial statements. This payable will be withheld in equal installments through the end of fiscal year 2016, unless adjusted by subsequent adjustment determinations of ODE.

Litigation

The School District is not party to any legal proceedings.

Note 23 – Subsequent Events

Subsequent to June 30, 2015, the School District approved change orders for its contract with Sportscapes for the track project.

Subsequent to June 30, 2015, the School District approved contracts with Schooley Caldwell Associates and CTL Engineering of Ohio, Inc. for administration oversight for roof repairs.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Subsequent to June 30, 2015, the School District reached a settlement agreement in the amount of \$586,537 with Triad Inc. for issues with work performed during the Ohio School Facilities Commission project.

Effective January 4, 2016, the School District is a participant in the Metropolitan Educational Technology Association (META) Solutions, as the result of the merger of the South Central Ohio Computer Association Council of Governments (SCOCACoG) with META Solutions. META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February of 2015. Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Voluntary Education Cooperative (SEOVEC), and SCOCACoG also merged with META Solutions on January 4, 2016. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of fourteen members from member districts.

On February 3, 2016, the School District approved a settlement with Ohio Farmers Insurance Company for \$1,500,000. This settlement was received in March 2016.

Note 24 – Implementation of New Accounting Pronouncements and Restatement of Beginning Balances

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,” and GASB Statement No 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$39,632,156
Adjustments:	
Net Pension Liability	(23,595,286)
Deferred Outflows-Payments Subsequent to Measurement Date	<u>1,246,067</u>
Restated Net Position June 30, 2014	<u>\$17,282,937</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Waverly City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2013	2014
<i>State Teachers Retirement System</i>		
School District's proportion of the net pension liability (asset)	0.06722524%	0.06722524%
School District's proportionate share of the net pension liability (asset)	\$19,477,805	\$16,351,505
School District's covered-employee payroll	\$7,003,169	\$6,820,685
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	278.128435%	239.734072%
Plan fiduciary net position as a percentage of the total pension liability	69.296426%	74.707076%
<i>School Employees Retirement System</i>		
School District's proportion of the net pension liability (asset)	0.06924000%	0.06924000%
School District's proportionate share of the net pension liability (asset)	\$4,117,481	\$3,504,197
School District's covered-employee payroll	\$1,900,470	\$2,808,117
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	216.655972%	124.788146%
Plan fiduciary net position as a percentage of the total pension liability	65.520824%	71.697842%

The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

(1) Information not available prior to 2013.

Waverly City School District
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$1,022,231	\$1,029,227	\$1,016,360	\$1,020,884	\$1,058,380	\$1,031,326	\$910,196	\$910,412	\$886,689	\$942,968
Contributions in relation to the contractually required contribution	1,022,231	1,029,227	1,016,360	1,020,884	1,058,380	1,031,326	910,196	910,412	886,689	942,968
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$7,863,315	\$7,917,131	\$7,818,154	\$7,852,954	\$8,141,385	\$7,933,277	\$7,001,508	\$7,003,169	\$6,820,685	\$6,735,486
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$239,067	\$223,620	\$177,998	\$188,678	\$329,031	\$362,772	\$277,678	\$263,025	\$389,205	\$403,240
Contributions in relation to the contractually required contribution	239,067	223,620	177,998	188,678	329,031	362,772	277,678	263,025	389,205	403,240
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$2,259,612	\$2,093,820	\$1,812,607	\$1,917,459	\$2,430,066	\$2,886,014	\$2,064,520	\$1,900,470	\$2,808,117	\$3,059,484
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%

The amounts presented for each fiscal year were determined as of June 30.

Waverly City School District
Pike County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$ 263,491	\$ -	\$ 263,491	\$ -
National School Lunch Program	3L60	10.555	483,043	61,312	483,043	61,312
Total Child Nutrition Cluster			746,534	61,312	746,534	61,312
Total United States Department of Agriculture			746,534	61,312	746,534	61,312
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	403,382	-	402,665	-
Title I Grants to Local Educational Agencies	3M00	84.010	743,511	-	731,071	-
Rural Education	3Y80	84.358	32,371	-	30,265	-
Improving Teacher Quality State Grants	3Y60	84.367	122,678	-	122,678	-
Total United States Department of Education			1,301,942	-	1,286,679	-
Total Federal Financial Assistance			\$2,048,476	\$61,312	\$2,033,213	\$61,312

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

Waverly City School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2015

Note 1 – Significant Accounting Policies

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

Note 2 – Child Nutrition Cluster

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly City School District, Pike County, Ohio (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 28, 2016, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68," and restated beginning net position as a result of the implementation.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

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

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



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

March 28, 2016

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Waverly City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2015. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Nutrition Cluster Major Federal Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School District with CFDA 10.553 and 10.555 Nutrition Cluster as described in finding number 2015-002 for Reporting, consequently we were unable to determine whether the School District complied with those requirements applicable to that program.

Qualified Opinion on Nutrition Cluster Major Federal Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Nutrition Cluster major federal program for the year ended June 30, 2015.

Other Matters

The School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003, that we consider to be material weaknesses.

The School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



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

March 28, 2016

Waverly City School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	Yes
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	Yes
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:		Qualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		Yes
Identification of major program(s):		Nutrition Cluster (CFDA #10.555, 10.553)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

Finding 2015-001

Material Weakness – Food Service Internal Controls

Having sound internal control procedures in place over the food service function is essential to ensure the District has properly accounted for financial activity, such as collections on sales, and nonfinancial activity, such as breakfast, lunch, and ala carte counts. Failure to have a properly functioning system in place can result in errors in reporting, misappropriation of assets, and inaccurate tracking of inventory.

For the High School and Intermediate buildings, Daily Cashier Reports were not maintained and had to be reproduced from the system, in addition there was no indication that Daily Cashier Reports were reconciled to the amounts deposited. In addition at the High School the District lacks a proper segregation of duties which would help ensure that reported collections are accurate and complete and that deposits are made properly. The High School’s cashier receives all monies, inputs sales information in the cash register system and prepares deposit tickets.

We also noted that record of the daily deposit is taken to the Treasurer’s Office only once a month for posting.

Waverly City School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

Finding 2015-001 (Continued)

Material Weakness – Food Service Internal Controls (Continued)

In addition the High School had one instance out of six items tested where the deposit slip did not agree to the daily cashier report, for a failure rate of 17%. The High School had 5 instances out of 6 items tested where the Daily Cashier report did not tie to the Detailed Items report for a failure rate of 83%. The High School had one instance out of 6 items tested where the amount collected per the Daily Cashier Report did not tie to the CN report for a failure rate of 17%.

We also noted that it appeared that none of the buildings are tracking their over/short amounts and there is no tracking of the cash in the drawer to start the day. Further, the District does not have an approval system in place for adjusting student accounts. Cashiers have access to adjust student accounts and there is no process for monitoring of voids by the supervisor.

When inquiring with the Food Service Coordinator it was noted that students and teachers in the District are allowed to take money from their account and receive cash back from the registers. There do not appear to be any policies/procedures in place governing the cafeteria accounts.

Further, we noted that during breakfast the Junior High does not utilize the computer system. If a student wants extra breakfast or a teacher wants breakfast, the money is collected and entered in as miscellaneous lunch.

The District should print the Cashier reports after lunch is complete and the cashier should reconcile amounts received back to this report noting any errors or cash over/under and initial the report indicating the reconciliation was performed. This reconciliation should be reviewed by a supervisor or other employee and initialed again indicating a review was performed. Also, the Junior High should start using their computer system during breakfast to properly record amounts collected.

Receipts should be posted to the accounting system daily, allowing for a proper audit trail between amounts recorded in the system and to amounts actually received/deposited. This will make identifying errors less cumbersome.

There should be a policy or procedure in place to determine how and when funds should be returned to the student/parent who put money on the student's account. For example funds should only be returned by check through the Treasurer's office at the end of the school year.

The Daily Sheet showing total items sold and total amounts collected for free, paid, reduced lunch/breakfast should be printed and reviewed daily. Further, the void listing should be printed each day and reviewed. Reviews should be evidenced by initials or a signature.

There should be a review performed on Site-Claim forms to ensure amounts recorded agree to Detailed Items Report.

Finally, the District needs to consult with their software provider and find a resolution to the variances between the Daily Cashier Report sales and Detailed Items Report sales, and implement procedures to prevent them from happening in the future.

Waverly City School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

Finding 2015-001 (Continued)

Material Weakness – Food Service Internal Controls (Continued)

Client Response: We plan to have all cashiers print the Daily Cashier reports initialed by the cashier and the person making the deposit ticket. The High School Cashier will deposit money with the High School Secretary to ensure a segregation of duties and petty cash drawers will be counted and verified.

Daily deposit will be posted in the Treasurer’s office more frequently. The Food Service Supervisor will keep more detailed records and reconcile daily deposits, lunch counts, and sales more frequently, including site-claim forms. We will note variance/credit card sales on Daily Reports. The District procedure for refunds on account will be put in place and checks will be issued from the Treasurer’s office with proper documentation.

We will also contact the software provider to try and determine the reasons for the variances between the Daily Cashier Report and Detailed Items Report, and implement procedures to prevent this from happening in the future.

Section III – Federal Award Findings and Questioned Costs

CFDA Title and Number	Nutrition Cluster, CFDA #10.553 and #10.555
Federal Award Number and Year	2015
Federal Agency	US Department of Agriculture
Pass-Through Entity	Ohio Department of Education

Finding 2015-002

Material Noncompliance/Material Weakness – Reporting

7 CFR sections 210.7(c), 210.8(c), and 225.9(d) state that, at a minimum, a claim must include the number of reimbursable meals/milk serviced by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the SFAs, institution’s, or sponsor’s administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type. District buildings eligible for the Community Eligibility Provision (CEP) must also complete these forms for reimbursement although all students in these buildings are considered eligible children.

All District Buildings except the High School participate in the CEP. During the testing of site-claim forms (reimbursement requests), we noted that for the Junior High, Intermediate and Primary schools the only support for number of breakfasts served were hand written sheets with a total number for that day, even though computer systems were available. Upon further review, we noted the Intermediate and Primary schools served the children breakfast in the classroom. At the Primary school 1 of the 3 teachers interviewed said they did not keep track of which students ate breakfast, but rather counted breakfasts served based on attendance. At the Intermediate school all teachers interviewed said they looked around the room to see who was eating but did not keep a list and all students were given breakfast. This indicates that breakfast counts are based on attendance. At the Junior High the cashiers kept a manual tally sheet as the kids came through the line even though there was a register available for use.

Furthermore, there was no indication that CN reports were being reviewed.

Due to the Primary and Intermediate schools’ process of counting students served breakfast based mostly on attendance versus actual students served, the number of breakfast counts reported to ODE could be incorrect.

Waverly City School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

Finding 2015-002 (Continued)

Material Noncompliance/Material Weakness – Reporting (Continued)

We were unable to determine the difference in the breakfast count between students truly served and the breakfast counts on the site claims forms..

Not having a consistent procedure for the point of service and a lack of a supervisory review of the CN reports, exposes the District to a risk of misstatement of activity reported on the CN reports and/or incorrect Site Claim Forms being submitted, which could result in incorrect reimbursements made by the Ohio Department of Education. The District should implement point of service procedures to ensure that accurate meal counts for breakfast are maintained and they are only counting student breakfasts that were actually taken by the child at their will. Furthermore, we recommend the Junior High, who does not serve breakfast in the classroom, but rather through the cafeteria line, utilize the computer system during breakfast as they do during lunchtime. Additionally, daily CN reports should be reviewed for accuracy and completeness to ensure proper activity is reported on the Site Claim Forms for reimbursement. Reviews should be indicated by initial or signature to provide assurance of a functioning control process.

Responsible Official’s Response and Corrective Action Planned:

Discussion initiated by administration among Primary and Intermediate Schools led to district philosophy against the use of finger scanning for meal accountability. However, since the audit Waverly Junior High School is now implementing finger scans with breakfast. Previously this practice was used only with lunch.

With regard to breakfast/lunch accountability at the Primary and Intermediate Schools several meetings have and will take place. Procedures have been discussed with lunch attendants, cooks, and principals. Teachers will be addressed at our next in-service day on March 31. The purpose of these meetings has been to clarify meal accountability procedure.

Planned Implementation Date of Corrective Action:

March 31, 2016

Person Responsible for Corrective Action:

Bill Hoover, Director of Operations

CFDA Title and Number	Nutrition Cluster, CFDA #10.553 and #10.555
Federal Award Number and Year	2015
Federal Agency	US Department of Agriculture
Pass-Through Entity	Ohio Department of Education

Finding 2015-003

Material Weakness – Program Income

Food service revenue from regular and reduced price meals qualify as program income to the Nutrition Cluster major federal program. Having sound internal control procedures to properly account for the financial activity is essential.

Waverly City School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

Finding 2015-003 (Continued)

Material Weakness – Program Income (Continued)

During testing of program income, we noted the following internal control deficiencies:

- For the High School and Intermediate Schools, there was no indication that Daily Cashier Reports were reconciled to the amounts deposited.
- There is no apparent tracking of cash register over/short amounts or starting cash.
- For the High School, there is a lack of segregation of duties.
- Junior High breakfast sales are incorrectly classified in the system.
- There is no approval system in place for adjustments to student accounts or voids made by cashiers.
- There are no formal policies/procedures governing the student cafeteria accounts, including refunding amounts from these accounts.

Furthermore, we noted that the record of daily deposits is only taken to the Treasurer's office on a monthly basis for posting in the District's accounting system.

The above mentioned internal control deficiencies could result in errors or irregularities in receipts recorded and/or deposits made.

The District should review its internal control environment over the food service function to identify deficiencies in operating/monitoring processes and implement the appropriate procedures to ensure any identified deficiencies, including the deficiencies noted above, are adequately resolved. Further, functioning of this environment should be periodically reviewed to ensure established policies/procedures are still sufficient and are properly functioning.

Responsible Official's Response and Corrective Action Planned:

Dailey cashier report printouts are being completed by the Food Service Coordinator and submitted with receipts. Previously, these reports were provided monthly. Concerning segregation of duties, there has been discussion among the administration for future changes. Maintenance of a daily record of starting cash and lunch count voids will be recorded and submitted for weekly review.

The administration has discussed an approval system for future operations. In particular, discussion on not allowing refunds was held with policy changes looming. In this regard, account refunds will only be permitted per parent/guardian request.

Planned Implementation Date of Corrective Action:

June 30, 2016

Person Responsible for Corrective Action:

Bill Hoover, Director of Operations

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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
MAY 26, 2016**