

WAVERLY CITY SCHOOL DISTRICT
PIKE COUNTY
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021



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

We have reviewed the *Independent Auditor's Report* of the Waverly City School District, Pike County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2020 through June 30, 2021. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit - Assistant Superintendent Salary Overpayment

The District implemented a new redesign state software accounting system to process payroll transactions. When the Board approved salary increases, the new daily rate was manually calculated, and input into the payroll system. The new redesign system calculated the daily rate based on the job calendar, instead of workdays. Additionally, the month of July was not entered into the job calendar, which resulted in the system calculating a higher rate.

For fiscal year ending June 30, 2021, Assistant Superintendent Melissa Marquez's authorized salary, including WAVE teaching pay and vacation payout was \$195,815; however, Ms. Marquez was paid \$195,835. As a result, Ms. Marquez was overpaid \$20.

In accordance with the forgoing facts and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Assistant Superintendent Melissa Marquez, in the amount of twenty dollars, in favor of the General Fund of Waverly City School District.

On April 20, 2022, Melissa Marquez repaid \$20 to the Waverly Local School District's General Fund.

Finding for Recovery Repaid Under Audit – Board Member Salary Overpayment

Ohio Rev Code Section 3313.12 (B) states the board of education of any city, local or exempted village school district may provide by resolutions for compensation of its members provided such compensation should not exceed one hundred twenty-five dollars per member for meetings attended.

Waverly City School District Board Members are to be compensated \$125 for each meeting attended.

The District implemented a new redesign state software accounting in April of 2020. At calendar year-end a reconciliation of Board Member meeting payments is performed and a payment is made to Board Members for any outstanding compensation earned, based on meetings attended.

When this reconciliation was performed, three direct deposit payments made to Board Member Ann Oyer, that were made under the old classic state software accounting system were not accounted for in the reconciliation. As a result, Ms. Oyer was overpaid for three board meetings, in the amount of \$325.

In accordance with the forging facts and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Ann Oyer in the amount of \$375 and in favor of the Waverly City School District General Fund.

When notified of the error Ms. Oyer requested the District to not pay her Board Member payment for the meetings held in October, November, and December 2021 to compensate the District for the \$375 overpayment. As a result, this finding has been repaid in full.

Finding for Recovery Partially Repaid and Resolved - Superintendent Salary Overpayment

The District implemented a new redesign state software accounting system to process payroll transactions. The Treasurer and Superintendent are the District's only 260-day employees whose contract period is August to July. When the Board approved salary increases, the new daily rate was manually calculated, and input into the payroll system. The new redesign system calculated the daily rate based on the job calendar, instead of workdays. Additionally, the month of July was not entered into the job calendar, which resulted in the system calculating a higher rate.

For fiscal year ending June 30, 2021, Superintendent John Dickens' authorized salary, including supplemental pay and vacation payout was \$146,047; however, Mr. Dickens was paid \$148,964. As a result, Mr. Dickens was overpaid \$2,917.

In accordance with the forgoing facts and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Superintendent John Dickens, in the amount of two thousand, nine hundred seventeen dollars, in favor of the General Fund of Waverly Local City School District.

On May 6, 2022, John Dickens signed a settlement Agreement and Repayment Plan with the Waverly Local School District to resolve the finding for recovery. Mr. Dickens has made two \$50 payments to the Waverly Local School District's General Fund on May 12, 2022 and May 6, 2022, in accordance with the agreement. This leaves \$2,817 as outstanding on the agreement.

Finding for Recovery - Repaid Under Audit - Treasurer Salary Overpayment

The District implemented a new redesign state software accounting system to process payroll transactions. The Treasurer and Superintendent are the District's only 260-day employees whose contract period is August to July. When the Board approved salary increases, the new daily rate was manually calculated, and input into the payroll system. The new redesign system calculated the daily rate based on the job calendar, instead of workdays. Additionally, the month of July was not entered into the job calendar, which resulted in the system calculating a higher rate.

For the fiscal year ending June 30, 2021, Treasurer Claudia Zaler's authorized salary, including vacation payout was \$99,683, however Ms. Zaler was paid \$100,699. As a result, Ms. Zaler was overpaid \$1,016.

Board of Education
Waverly City School District
1 Tiger Drive
Waverly, Ohio 45690
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In accordance with the forgoing facts and pursuant to the Ohio Revised Code Section 117.28 a Finding for Recovery for public money illegally expended is hereby issued against Treasurer Claudia Zaler and her bonding company Cincinnati Insurance Company, in the amount of one thousand sixteen dollars, in favor of the General Fund of Waverly Local School District.

On April 8, 2022, Claudia Zaler repaid \$1,016 to the Waverly Local School District's General Fund.

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.



Keith Faber
Auditor of State
Columbus, Ohio

June 01, 2022

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Waverly City School District
Pike County
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly City School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2021, 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, 2021, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and ESSER Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements for the fiscal year ended June 30, 2021, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

As discussed in Note 23 to the financial statements, during 2021, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities." The School District restated their beginning net position and fund balances of a result of this implementation. We did not modify our opinion regarding this matter.

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, the schedule of the School District's proportionate share of the net OPEB liability (asset), and the schedule of School District contributions on pages 4 through 9 and 59 through 61, 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.

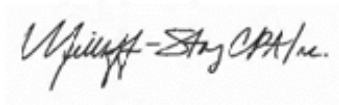
Other Information

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 April 19, 2022 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 solely 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 the effectiveness of the School District's 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.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

April 19, 2022

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
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, 2021. 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 decreased \$1,098,039 from the prior fiscal year.
- General revenues accounted for \$19,646,475 while program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$7,523,011. Total revenues for the School District were \$27,169,486. The School District also reported a special item of \$644,550 for marketing agreement proceeds related to a legal settlement.
- The School District had \$28,912,075 in expenses related to governmental activities; only \$7,523,011 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), special items, and carry over balances 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 2021?" 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.

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

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

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 fund, the construction fund, and the ESSER fund.

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

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

Fiduciary Funds – 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 custodial funds. The School District's only fiduciary fund is a custodial fund used to account for tournament activity collected for and distributed to other organizations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2021 and 2020:

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 1
Net Position

	2021	2020*
Assets:		
Current and Other Assets	\$22,586,880	\$20,751,433
Capital Assets, Net	39,046,393	41,101,624
Total Assets	61,633,273	61,853,057
 Deferred Outflows of Resources	 5,417,869	 4,705,888
Liabilities:		
Current and Other Liabilities	2,129,718	2,113,445
Long-Term Liabilities	32,612,596	31,000,834
Total Liabilities	34,742,314	33,114,279
 Deferred Inflows of Resources	 7,698,908	 7,736,707
Net Position:		
Net Investment in Capital Assets	32,201,410	33,255,648
Restricted	6,818,691	6,245,850
Unrestricted (Deficit)	(14,410,181)	(13,793,539)
Total Net Position	\$24,609,920	\$25,707,959

*Restated. See note 23 of the notes to the basic financial statements.

Current and other assets increased from the prior fiscal year. This was primarily due to an increase in cash and cash equivalents for marketing agreement proceeds and due to an increase in property taxes receivable. Capital assets, net decreased compared to the prior fiscal year. This resulted from current year depreciation and disposals in excess of additions. Current and other liabilities increased slightly. This is due to an increase in accrued wages and benefits payable. Long-term liabilities increased due to an increase in net pension liability, which was partially offset by principal payments on debt balances and a decrease in net OPEB liability. Deferred outflows and inflows of resources changed due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities (assets) as reported by the retirement systems. Net investment in capital assets decreased due to the School District's current fiscal year depreciation and disposals, which was partially offset by increases for capital asset additions and decreases in debt balances for principal payments. Restricted net position increased between years due to the receipt of marketing agreement proceeds related to a legal settlement related to the School District's School Facilities Project. Unrestricted net position decreased primarily due to the increase in net pension liability.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 2 shows the changes in net position for fiscal years 2021 and 2020.

	2021	2020
Table 2 Change in Net Position		
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,714,318	\$1,692,469
Operating Grants and Contributions	5,793,312	4,049,805
Capital Grants and Contributions	15,381	5,274
Total Program Revenues	7,523,011	5,747,548
General Revenues:		
Property Taxes	5,243,880	4,771,264
Grants and Entitlements Not Restricted to Specific Programs	13,997,814	13,643,591
Unrestricted Gifts and Donations	7,427	1,550
Gain on Sale of Assets	1,550	3,130
Investment Earnings	44,191	232,314
Miscellaneous	351,613	145,814
Total General Revenues	19,646,475	18,797,663
Total Revenues	27,169,486	24,545,211
Program Expenses:		
Instruction:		
Regular	11,318,297	10,654,598
Special	4,915,886	4,381,446
Vocational	291,170	319,790
Adult/Continuing	500	0
Student Intervention Services	22,522	1,141
Other	1,499,160	1,229,322
Support Services:		
Pupils	1,570,765	1,471,251
Instructional Staff	863,442	832,287
Board of Education	46,944	58,854
Administration	1,943,720	1,998,240
Fiscal	619,807	598,564
Operation and Maintenance of Plant	2,144,074	1,796,828
Pupil Transportation	1,321,100	1,241,960
Central	0	504
Operation of Non-Instructional Services	1,258,381	1,299,004
Extracurricular Activities	926,068	899,211
Debt Service:		
Interest and Fiscal Charges	170,239	208,790
Total Expenses	28,912,075	26,991,790
Special Items	644,550	2,294,550
Change in Net Position	(1,098,039)	(152,029)
Net Position at Beginning of Year-Restated	25,707,959	N/A
Net Position at End of Year	\$24,609,920	\$25,707,959

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenue, were \$7,523,011 for fiscal year 2021. Program revenues increased between years due to an increase in operating grants and contributions due to the receipt of ESSER grant funds to assist with emergency needs arising from the COVID-19 pandemic.

As previously mentioned, general revenues were \$19,646,475 for fiscal year 2021. 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 except that property taxes increased due to an increase in amounts available for an advance and that miscellaneous revenues increased due to additional BWC refunds received in the current year.

Special items decreased due to fewer funds received for marketing agreement proceeds related to a legal settlement as compared to the prior year.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2021. Most expenses increased significantly between years due to pension and OPEB expenses recognized in the amount of \$3,175,117 for the current year as compared to \$2,884,544 reported for the prior year. The increase in expenses resulted in an overall increase in total expenses of \$290,573, allocated amongst the various functions. Additionally, the School District spent a significant amount of ESSER grant funding received in the current year.

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

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,157,650 and total expenditures of \$26,438,536.

The general fund balance increased \$1,518,238, due to revenues in excess of expenditures. The general fund reported increased property tax revenues due to an increase in amounts available to be advanced from the county, as well as an increase in foundation intergovernmental revenues and miscellaneous revenues from BWC refunds. The bond retirement fund balance increased \$299,358, as property tax revenues were collected in excess of debt service obligations. The construction fund balance decreased \$206, as costs were incurred in excess of interest earnings received. The ESSER fund had a decrease in fund balance of \$393,928 as the fund spent in excess of revenues received. The general fund advanced monies to the ESSER fund pending expected draws from its grantor.

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 2021, 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 \$20,506,552 and final budgeted revenues were \$21,159,305. This represents an increase in estimated revenues of \$652,753, which was due primarily to increases in expected property tax and miscellaneous revenues. Original budgeted expenditures were \$16,226,458 and final budgeted expenditures were \$19,787,576. This represents an increase in appropriations of \$3,561,118, which was due primarily to increases for regular, special, and other instruction due to increases in expected personnel and purchased services expenditures.

Waverly City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The School District's ending unobligated cash balance was \$3 above the final budgeted amount in the general fund.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the School District had \$39,046,393 invested in capital assets (net of accumulated depreciation). Additions to capital assets primarily consisted of various land and building improvements, furniture and equipment, and vehicles. For more information on capital assets, refer to note 9 in the notes to the basic financial statements.

Debt

At June 30, 2021, the School District had \$1,769,869 in outstanding long-term general obligation debt, which includes serial bonds and related premium. The School District's other long-term liabilities also include a loan, certificates of participation, capital leases, and compensated absences.

The School District's overall legal debt margin was \$19,010,908 with an unvoted debt margin of \$230,121, and an energy conservation debt margin of \$2,071,091 at June 30, 2021.

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 claudia.zaler@waverlytigers.net.

Waverly City School District
Statement of Net Position
As of June 30, 2021

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$15,145,943
Materials and Supplies Inventory	2,671
Intergovernmental Receivable	168,538
Property Taxes Receivable	6,001,966
Net OPEB Asset	1,267,762
Capital Assets:	
Land	730,044
Depreciable Capital Assets, net	38,316,349
<i>Total Assets</i>	61,633,273
Deferred Outflows of Resources:	
Pension	4,699,064
OPEB	718,805
<i>Total Deferred Outflows of Resources</i>	5,417,869
Liabilities:	
Accounts Payable	21,787
Accrued Wages and Benefits	1,747,602
Intergovernmental Payable	314,548
Undistributed Monies	202
Accrued Interest Payable	19,130
Matured Compensated Absences Payable	26,449
Long-Term Liabilities:	
Due Within One Year	1,187,745
Due in More Than One Year	6,913,918
Net Pension Liability	22,766,114
Net OPEB Liability	1,744,819
<i>Total Liabilities</i>	34,742,314
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	5,005,958
Pension	231,623
OPEB	2,461,327
<i>Total Deferred Inflows of Resources</i>	7,698,908
Net Position:	
Net Investment in Capital Assets	32,201,410
Restricted for Debt Service	2,406,465
Restricted for Capital Outlay	4,102,774
Restricted for Other Purposes	309,452
Unrestricted (Deficit)	(14,410,181)
<i>Total Net Position</i>	\$24,609,920

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, 2021

	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	\$11,318,297	\$633,512	\$1,010,308	\$0	(\$9,674,477)
Special	4,915,886	236,744	2,637,433	0	(2,041,709)
Vocational	291,170	20,247	46,212	0	(224,711)
Adult/Continuing	500	0	0	0	(500)
Student Intervention Services	22,522	16	18,861	0	(3,645)
Other	1,499,160	118,405	302	0	(1,380,453)
Support Services:					
Pupils	1,570,765	47,355	791,977	0	(731,433)
Instructional Staff	863,442	40,682	83,345	0	(739,415)
Board of Education	46,944	3,618	0	0	(43,326)
Administration	1,943,720	131,715	116,771	0	(1,695,234)
Fiscal	619,807	41,665	0	0	(578,142)
Operation and Maintenance of Plant	2,144,074	121,697	250,842	15,381	(1,756,154)
Pupil Transportation	1,321,100	90,895	64,126	0	(1,166,079)
Operation of Non-Instructional Services	1,258,381	34,854	713,915	0	(509,612)
Extracurricular Activities	926,068	192,913	59,220	0	(673,935)
Debt Service:					
Interest and Fiscal Charges	170,239	0	0	0	(170,239)
<i>Total Governmental Activities</i>	<u>\$28,912,075</u>	<u>\$1,714,318</u>	<u>\$5,793,312</u>	<u>\$15,381</u>	<u>(21,389,064)</u>

General Revenues:

Property Taxes Levied for:	
General Purposes	4,196,097
Debt Service	788,893
Permanent Improvements	196,358
Classroom Facilities Maintenance	62,532
Grants and Entitlements not	
Restricted for Specific Programs	13,997,814
Unrestricted Gifts and Donations	7,427
Gain on Sale of Assets	1,550
Investment Earnings	44,191
Miscellaneous	351,613
<i>Total General Revenues</i>	<u>19,646,475</u>
Special Items	<u>644,550</u>
<i>Change in Net Position</i>	<u>(1,098,039)</u>
<i>Net Position Beginning of Year-Restated</i>	<u>25,707,959</u>
<i>Net Position End of Year</i>	<u>\$24,609,920</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, 2021

	General Fund	Bond Retirement Fund	Construction Fund	ESSER Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$8,032,398	\$2,249,051	\$3,340,657	\$512,290	\$979,420	\$15,113,816
Materials and Supplies Inventory	0	0	0	0	2,671	2,671
Interfund Receivable	977,917	0	0	0	0	977,917
Intergovernmental Receivable	11,749	0	0	7,560	149,229	168,538
Property Taxes Receivable	4,784,080	906,059	0	0	311,827	6,001,966
<i>Total Assets</i>	<u>\$13,806,144</u>	<u>\$3,155,110</u>	<u>\$3,340,657</u>	<u>\$519,850</u>	<u>\$1,443,147</u>	<u>\$22,264,908</u>
Liabilities:						
Accounts Payable	\$12,445	\$0	\$0	\$0	\$9,342	\$21,787
Accrued Wages and Benefits	1,397,122	0	0	90,114	260,366	1,747,602
Interfund Payable	0	0	0	813,135	164,782	977,917
Intergovernmental Payable	276,568	0	0	10,529	27,451	314,548
Undistributed Monies	202	0	0	0	0	202
Matured Compensated Absences Payable	26,449	0	0	0	0	26,449
<i>Total Liabilities</i>	1,712,786	0	0	913,778	461,941	3,088,505
Deferred Inflows of Resources:						
Property Taxes not Levied to Finance Current Year Operations	3,994,974	748,645	0	0	262,339	5,005,958
Unavailable Revenue	668,277	128,559	0	0	85,227	882,063
<i>Deferred Inflows of Resources</i>	4,663,251	877,204	0	0	347,566	5,888,021
Fund Balances:						
Nonspendable	3,867	0	0	0	2,671	6,538
Restricted	0	2,277,906	3,340,657	0	982,475	6,601,038
Committed	141,000	0	0	0	0	141,000
Assigned	168,298	0	0	0	0	168,298
Unassigned (Deficit)	7,116,942	0	0	(393,928)	(351,506)	6,371,508
<i>Total Fund (Deficit) Balances</i>	<u>7,430,107</u>	<u>2,277,906</u>	<u>3,340,657</u>	<u>(393,928)</u>	<u>633,640</u>	<u>13,288,382</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$13,806,144</u>	<u>\$3,155,110</u>	<u>\$3,340,657</u>	<u>\$519,850</u>	<u>\$1,443,147</u>	<u>\$22,264,908</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, 2021*

Total Governmental Fund Balances \$13,288,382

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. 39,046,393

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

Intergovernmental	55,749	
Taxes	826,314	
Total	882,063	882,063

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. 32,127

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (19,130)

The net pension and OPEB liabilities (assets) are not due and payable (receivable) in the current period. Therefore, the liabilities (assets) and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	4,699,064	
Deferred Outflows-OPEB	718,805	
Deferred Inflows-Pension	(231,623)	
Deferred Inflows-OPEB	(2,461,327)	
Net Pension Liability	(22,766,114)	
Net OPEB Asset	1,267,762	
Net OPEB Liability	(1,744,819)	
Total	(20,518,252)	(20,518,252)

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.

Refunding Bonds	(1,700,000)	
Premium on Refunding Bonds	(69,869)	
Energy Loan	(1,102,098)	
Certificates of Participation	(2,690,000)	
Premium on Certificates of Participation	(84,116)	
Lease-Purchase Agreement	(1,198,900)	
Compensated Absences	(1,256,680)	
Total	(8,101,663)	(8,101,663)

Net Position of Governmental Activities **\$24,609,920**

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, 2021

	General Fund	Bond Retirement Fund	Construction Fund	ESSER Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$4,220,929	\$791,033	\$0	\$0	\$260,392	\$5,272,354
Intergovernmental	15,073,701	119,495	0	1,351,087	3,178,994	19,723,277
Interest	88,670	0	4,987	0	404	94,061
Change in Fair Value of Investments	(44,479)	0	0	0	0	(44,479)
Tuition and Fees	1,501,345	0	0	0	10,860	1,512,205
Rent	100	0	0	0	0	100
Extracurricular Activities	9,466	0	0	0	158,486	167,952
Gifts and Donations	5,927	0	0	0	40,579	46,506
Customer Sales and Services	0	0	0	0	34,061	34,061
Miscellaneous	341,327	0	0	0	10,286	351,613
<i>Total Revenues</i>	<u>21,196,986</u>	<u>910,528</u>	<u>4,987</u>	<u>1,351,087</u>	<u>3,694,062</u>	<u>27,157,650</u>
Expenditures:						
Current:						
Instruction:						
Regular	7,883,375	0	0	934,576	224,144	9,042,095
Special	2,960,713	0	0	421,430	1,097,636	4,479,779
Vocational	256,014	0	0	0	0	256,014
Adult/Continuing	0	0	0	0	500	500
Student Intervention Services	201	0	0	22,321	0	22,522
Other	1,497,175	0	0	357	0	1,497,532
Support Services:						
Pupils	472,047	0	0	3,214	915,429	1,390,690
Instructional Staff	511,616	0	0	32,575	13,017	557,208
Board of Education	45,752	0	0	0	0	45,752
Administration	1,563,225	0	0	0	123,173	1,686,398
Fiscal	524,041	29,407	0	0	9,640	563,088
Operation and Maintenance of Plant	1,537,710	0	5,193	112,438	380,084	2,035,425
Pupil Transportation	1,138,861	0	0	16,679	27,795	1,183,335
Operation of Non-Instructional Services	10,031	0	0	18,121	1,070,024	1,098,176
Extracurricular Activities	532,626	0	0	37,234	165,784	735,644
Capital Outlay	30,278	0	0	146,070	494,237	670,585
Debt Service:						
Principal	431,614	530,000	0	0	0	961,614
Interest	142,603	51,763	0	0	17,813	212,179
<i>Total Expenditures</i>	<u>19,537,882</u>	<u>611,170</u>	<u>5,193</u>	<u>1,745,015</u>	<u>4,539,276</u>	<u>26,438,536</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,659,104	299,358	(206)	(393,928)	(845,214)	719,114
Other Financing Sources (Uses):						
Transfers In	0	0	0	0	142,416	142,416
Proceeds from Sale of Assets	1,550	0	0	0	0	1,550
Transfers Out	(142,416)	0	0	0	0	(142,416)
<i>Total Other Financing Sources (Uses)</i>	(140,866)	0	0	0	142,416	1,550
Special Items	0	0	0	0	644,550	644,550
<i>Net Change in Fund Balances</i>	1,518,238	299,358	(206)	(393,928)	(58,248)	1,365,214
<i>Fund Balances at Beginning of Year-Restated</i>	5,911,869	1,978,548	3,340,863	0	691,888	11,923,168
<i>Fund Balances at End of Year</i>	<u>\$7,430,107</u>	<u>\$2,277,906</u>	<u>\$3,340,657</u>	<u>(\$393,928)</u>	<u>\$633,640</u>	<u>\$13,288,382</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, 2021*

Net Change in Fund Balances - Total Governmental Funds \$1,365,214

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 depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	670,585	
Current Year Depreciation	(2,652,817)	
Total	(1,982,232)	(1,982,232)

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. (72,999)

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

Intergovernmental	38,760	
Taxes	(28,474)	
Total	10,286	10,286

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. 38,024

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

Pension	1,738,461	
OPEB	53,984	
Total	1,792,445	1,792,445

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities (assets) are reported as pension/OPEB expense in the statement of activities.

Pension	(3,207,573)	
OPEB	32,456	
Total	(3,175,117)	(3,175,117)

Amortization of bond and certificate of participation premiums are not reported in the funds, but are allocated as expenses over the life of the debt in the statement of activities.

Amortization of Premiums		39,379
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Repayments of long-term debt are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

Bond Principal Retirement	530,000	
Loan Principal Retirement	49,514	
Certificates of Participation Principal Retirement	255,000	
Capital Lease Payments	127,100	
Total	961,614	961,614

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	(77,214)	
Decrease in Accrued Interest	2,561	
Total	(74,653)	(74,653)

Net Change in Net Position of Governmental Activities (\$1,098,039)

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$3,824,435	\$4,155,403	\$4,155,403	\$0
Intergovernmental	15,078,897	15,073,701	15,073,701	0
Interest	147,537	88,670	88,670	0
Tuition and Fees	1,343,085	1,501,345	1,501,345	0
Rent	585	100	100	0
Gifts and Donations	7,303	200	200	0
Miscellaneous	104,710	339,886	339,886	0
<i>Total Revenues</i>	<u>20,506,552</u>	<u>21,159,305</u>	<u>21,159,305</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,645,742	7,939,508	7,939,507	1
Special	2,243,402	3,037,604	3,037,604	0
Vocational	225,185	269,986	269,986	0
Student Intervention Services	1,141	201	201	0
Other	931,103	1,535,977	1,535,977	0
Support Services:				
Pupils	686,772	479,705	479,705	0
Instructional Staff	396,366	513,731	513,731	0
Board of Education	52,170	46,337	46,337	0
Administration	1,269,145	1,552,056	1,552,054	2
Fiscal	433,640	524,809	524,809	0
Operation and Maintenance of Plant	1,374,256	1,594,746	1,594,746	0
Pupil Transportation	917,148	1,160,963	1,160,963	0
Central	504	0	0	0
Operation of Non-Instructional Services	25,653	10,031	10,031	0
Extracurricular Activities	324,966	517,427	517,427	0
Capital Outlay	64,623	30,278	30,278	0
Debt Service:				
Principal	470,262	431,614	431,614	0
Interest	164,380	142,603	142,603	0
<i>Total Expenditures</i>	<u>16,226,458</u>	<u>19,787,576</u>	<u>19,787,573</u>	<u>3</u>
<i>Excess of Revenues Over Expenditures</i>	<u>4,280,094</u>	<u>1,371,729</u>	<u>1,371,732</u>	<u>3</u>
Other Financing Sources (Uses):				
Transfers In	685	0	0	0
Advances In	35,035	138,392	138,392	0
Proceeds from Sale of Assets	7,882	1,550	1,550	0
Transfers Out	(130,000)	(142,416)	(142,416)	0
Advances Out	0	(977,907)	(977,907)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(86,398)</u>	<u>(980,381)</u>	<u>(980,381)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>4,193,696</u>	<u>391,348</u>	<u>391,351</u>	<u>3</u>
<i>Fund Balance at Beginning of Year</i>	<u>7,095,285</u>	<u>7,095,285</u>	<u>7,095,285</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>169,095</u>	<u>169,095</u>	<u>169,095</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$11,458,076</u>	<u>\$7,655,728</u>	<u>\$7,655,731</u>	<u>\$3</u>

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)*
ESSER Fund
For the Fiscal Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$0	\$1,343,527	\$1,343,527	\$0
<i>Total Revenues</i>	0	1,343,527	1,343,527	0
Expenditures:				
Current:				
Instruction:				
Regular	0	1,390,713	1,390,713	0
Special	0	367,631	367,631	0
Student Intervention Services	0	22,321	22,321	0
Support Services:				
Pupils	0	3,160	3,160	0
Instructional Staff	0	32,575	32,575	0
Operation and Maintenance of Plant	0	122,717	122,717	0
Pupil Transportation	0	16,679	16,679	0
Operation of Non-Instructional Services	0	17,562	17,562	0
Extracurricular Activities	0	37,234	37,234	0
Capital Outlay	0	146,070	146,070	0
<i>Total Expenditures</i>	0	2,156,662	2,156,662	0
<i>Excess of Revenues Under Expenditures</i>	0	(813,135)	(813,135)	0
Other Financing Sources:				
Advances In	0	813,135	813,135	0
<i>Total Other Financing Sources</i>	0	813,135	813,135	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance at Beginning of Year</i>	0	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 2021

	Max 105 Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$32,127</u>
<i>Total Assets</i>	32,127
Net Position:	
Unrestricted	<u>32,127</u>
<i>Total Net Position</i>	<u><u>\$32,127</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, 2021

	<u>Max 105 Fund</u>
Operating Revenues:	
Charges for Services	<u>\$229,059</u>
<i>Total Operating Revenues</i>	229,059
Operating Expenses:	
Purchased Services	17,520
Claims	<u>173,515</u>
<i>Total Operating Expenses</i>	<u>191,035</u>
<i>Operating Income</i>	38,024
<i>Net Position Beginning of Year</i>	<u>(5,897)</u>
<i>Net Position End of Year</i>	<u><u>\$32,127</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, 2021

	Max 105 Fund
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Charges for Services	\$229,059
Purchased Services	(17,520)
Claims	(222,459)
<i>Net Cash Flows Used by Operating Activities</i>	(10,920)
<i>Net Decrease in Cash and Cash Equivalents</i>	(10,920)
<i>Cash and Cash Equivalents at Beginning of Year</i>	43,047
<i>Cash and Cash Equivalents at End of Year</i>	\$32,127
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	\$38,024
<i>Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities</i>	
Decrease in Claims Payable	(48,944)
<i>Net Cash Used by Operating Activities</i>	(\$10,920)

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

Waverly City School District
Statement of Fiduciary Net Position
Fiduciary Fund
As of June 30, 2021

	<u>Custodial Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$480</u>
<i>Total Assets</i>	<u><u>\$480</u></u>
Net Position:	
Restricted for Individuals, Organizations and Other Governments	<u>\$480</u>
<i>Total Net Position</i>	<u><u>\$480</u></u>

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, 2021

	Custodial Fund
Additions:	
Extracurricular Amounts Collected for Other Organizations	\$780
<i>Total Additions</i>	780
Deductions:	
Extracurricular Distributions to Other Organizations	300
<i>Total Deductions</i>	300
<i>Change in Net Position</i>	480
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$480

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, 2021

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 99 non-certificated employees, 120 certificated full-time teaching personnel and 16 administrative employees who provide services to 1,888 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 one insurance purchasing pool. These organizations are:

- META Solutions
- Pike County Joint Vocational School District
- Coalition of Rural and Appalachian Schools
- Ohio SchoolComp Workers' Compensation Group Rating Plan.

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2021

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.

Construction Fund - The construction 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.

ESSER Fund - The ESSER fund is used to account for and report Elementary and Secondary School Emergency Relief funds which could be used to support any allowable activity under existing federal funds (Title I, Individuals with Disabilities Education Act (IDEA), Perkins, etc.), expenses directly related to the COVID-19 pandemic, as well as "other activities that are necessary to maintain the operation of continuity of services."

Nonmajor 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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's only fiduciary fund is a custodial fund used to account for tournament activity collected for and distributed to other organizations.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 fiduciary 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.

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 amounts related to pensions and other postemployment benefits. Amounts related to pensions and other postemployment benefits will be further discussed in notes 10 and 11.

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 and other postemployment benefits. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 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 and other postemployment benefits will be further discussed in notes 10 and 11.

Expenses/Expenditures

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

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

Budgetary Process

All funds, other than the custodial 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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

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".

During fiscal year 2021, investments were limited to money market accounts, STAR Ohio, certificates of deposit, and U.S. Government Agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advanced notice is appreciated for deposits and redemptions of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day. All accounts of the participant will be combined for these purposes.

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, construction fund, and nonmajor governmental funds during fiscal year 2021 amounted to \$88,670, \$4,987, and \$404, respectively. The School District also experienced a decrease in fair value of investments of \$44,479, which is recognized in the general fund.

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.

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 acquisition 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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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	5 - 10 years
Books and Educational Media	3 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.

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 and net pension and OPEB liabilities 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.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Bond and Certificates of Participation Premiums

In the government-wide financial statements, bond and certificate of participation premiums are deferred and amortized over the term of the bonds and certificates of participation using the straight-line method since the results are not significantly different from the effective interest method. Bond and certificate of participation premiums are presented as an addition to the face amount of the bonds and certificates of participation payable.

On the governmental fund financial statements, bond and certificate of participation premiums are recognized in the period when the debt is issued.

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.

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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.

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. In fiscal year 2021, the School District received \$644,550 in marketing agreement proceeds. These amounts were recorded as a special item on the fund and government-wide financial statements.

Pensions/OPEB

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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 nonmajor governmental funds are presented below:

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Fund Balances	General	Bond Retirement	Construction	ESSER	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>						
Unclaimed Monies	\$3,867	\$0	\$0	\$0	\$0	\$3,867
Inventory	0	0	0	0	2,671	2,671
Total	3,867	0	0	0	2,671	6,538
<i>Restricted for</i>						
Debt Payments	0	2,277,906	0	0	0	2,277,906
Scholarships	0	0	0	0	14,103	14,103
Local Grants	0	0	0	0	129	129
Capital Maintenance	0	0	0	0	71,006	71,006
Student Activities	0	0	0	0	54,026	54,026
District Managed Activities	0	0	0	0	97,053	97,053
State Grants	0	0	0	0	9,016	9,016
Federal Grants	0	0	0	0	7,165	7,165
Capital Improvements	0	0	3,340,657	0	729,977	4,070,634
Total	0	2,277,906	3,340,657	0	982,475	6,601,038
<i>Committed for</i>						
Underground Storage	11,000	0	0	0	0	11,000
Severance Payments	130,000	0	0	0	0	130,000
Total	141,000	0	0	0	0	141,000
<i>Assigned for</i>						
Purchases on Order	119,176	0	0	0	0	119,176
Public School Support	49,122	0	0	0	0	49,122
Total	168,298	0	0	0	0	168,298
<i>Unassigned (Deficit)</i>	7,116,942	0	0	(393,928)	(351,506)	6,371,508
<i>Total</i>	\$7,430,107	\$2,277,906	\$3,340,657	(\$393,928)	\$633,640	\$13,288,382

Note 4 – Budgetary Basis of Accounting

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

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

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 general accepted accounting principles 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 and major special revenue funds.

	Net Change in Fund Balance	
	General	ESSER
GAAP Basis	\$1,518,238	(\$393,928)
Adjustments:		
Revenue Accruals	(21,047)	(7,560)
Expenditure Accruals	(144,374)	100,639
Encumbrances	(129,000)	(512,286)
Advances	(839,515)	813,135
Perspective Differences	7,049	0
Budget Basis	\$391,351	\$0

Note 5 – Accountability

At June 30, 2021, the food service, title I, student wellness and success, CRF rural and small town grant, and ESSER federal grant nonmajor special revenue funds had deficit fund balances of \$224,211, \$31,944, \$92,502, \$178, and \$393,928, respectively. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2021, the School District's bank balance of \$8,422,868 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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For the Fiscal Year Ended June 30, 2021

Investments – As of June 30, 2021, the School District had the following investments and maturities:

Investment Type	Fair Value	Maturity			S&P Credit Rating	% of Portfolio
		< 1 Year	1-2 Years	3-5 Years		
STAR Ohio	\$2,855	\$2,855	\$0	\$0	AAAm	0%
Money Market	24,420	24,420	0	0	AAAm	0%
Negotiable CDs	5,120,426	746,444	1,620,365	2,753,617	N/A	75%
FHLMC	997,460	0	0	997,460	AA+	15%
FHLB	647,782	0	0	647,782	AA+	10%
Total	\$6,792,943	\$773,719	\$1,620,365	\$4,398,859		100%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District’s recurring fair value measurements as of June 30, 2021. As discussed further in note 2, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

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 STAR Ohio, money market funds, certificates of deposit, and U.S. Government agency securities as described in Ohio Revised Code Section 135.143A(2). The School District’s negotiable certificates of deposit are not rated but are fully covered by FDIC insurance.

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.

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 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Waverly City School District
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Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected in calendar year 2021 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, 2021, are available to finance fiscal year 2021 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, 2021 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, 2021 were \$132,578 in the general fund, \$28,855 in the bond retirement fund, and \$8,261 in nonmajor governmental funds.

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

The assessed values upon which fiscal year 2021 taxes were collected are:

	2020 Second-Half Collections		2021 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$193,793,710	90.76%	\$204,743,670	88.97%
Public Utility	19,731,600	9.24%	25,377,530	11.03%
Total Assessed Value	\$213,525,310	100.00%	\$230,121,200	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$32.00		\$32.00	

Note 8 – Receivables

Receivables at June 30, 2021, consisted of property taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The intergovernmental receivables are as follows:

<i>Major Funds:</i>	
General	\$11,749
ESSER	7,560
<i>Nonmajor Funds:</i>	
Early Childhood Education	44,000
Special Education	47,509
Title I	57,244
Miscellaneous Federal Grants	476
Total Nonmajor Funds	149,229
Total All Funds	\$168,538

Waverly City School District
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Note 9 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, was as follows:

	Ending Balance 6/30/20*	Additions	Deletions	Ending Balance 6/30/21
<i>Governmental Activities</i>				
Capital Assets Not Being Depreciated				
Land	\$730,044	\$0	\$0	\$730,044
Construction in Progress	635,955	0	(635,955)	0
Total Capital Assets Not Being Depreciated	1,365,999	0	(635,955)	730,044
Capital Assets Being Depreciated				
Land Improvements	6,080,824	25,872	0	6,106,696
Buildings and Improvements	61,029,412	895,261	0	61,924,673
Furniture and Equipment	4,768,475	268,432	(264,350)	4,772,557
Vehicles	2,059,773	105,602	(137,949)	2,027,426
Books and Educational Media	816,425	11,373	(6,296)	821,502
Total Capital Assets Being Depreciated	74,754,909	1,306,540	(408,595)	75,652,854
Less Accumulated Depreciation				
Land Improvements	(3,343,695)	(293,403)	0	(3,637,098)
Buildings and Improvements	(25,752,876)	(1,963,612)	0	(27,716,488)
Furniture and Equipment	(3,363,779)	(340,346)	193,800	(3,510,325)
Vehicles	(1,765,726)	(48,528)	137,949	(1,676,305)
Books and Educational Media	(793,208)	(6,928)	3,847	(796,289)
Total Accumulated Depreciation	(35,019,284)	(2,652,817)	335,596	(37,336,505)
Total Capital Assets Being Depreciated, Net	39,735,625	(1,346,277)	(72,999)	38,316,349
Governmental Activities Capital Assets, Net	\$41,101,624	(\$1,346,277)	(\$708,954)	\$39,046,393

*Restated. See note 23.

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$1,611,036
Special	167,861
Vocational	16,786
<i>Support Services:</i>	
Pupils	83,931
Instructional Staff	260,562
Administration	110,334
Fiscal	33,572
Operation and Maintenance of Plant	32,772
Pupil Transportation	69,010
Operation of Non-Instructional Services	118,780
Extracurricular Activities	148,173
Total Depreciation Expense	<u>\$2,652,817</u>

Note 10 – Defined Benefit Pension Plans

The State-wide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions and OPEB are components of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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 have already occurred.

The net pension/OPEB liability (asset) represents the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See note 11 for the required OPEB disclosures.

School Employees Retirement System (SERS)

Plan Description – School District nonteaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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

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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:

	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 years 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost of living adjustment for eligible retirees and beneficiaries in 2021.

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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contributions to SERS were \$415,535 for fiscal year 2021. Of this amount, \$0 was reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other certified 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 website 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.

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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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. 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 and after termination of employment.

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. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 fiscal year 2021 employer and employee contribution rate was 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contributions to STRS were \$1,322,926 for fiscal year 2021. Of this amount, \$237,560 was reported as an intergovernmental payable.

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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, 2020 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Current Measurement Date	0.08031410%	0.07213445%	
Proportion of the Net Pension Liability Prior Measurement Date	<u>0.07789280%</u>	<u>0.06924009%</u>	
Change in Proportionate Share	<u>0.00242130%</u>	<u>0.00289436%</u>	
Proportionate Share of the Net Pension Liability	\$5,312,144	\$17,453,970	\$22,766,114
Pension Expense	\$777,024	\$2,430,549	\$3,207,573

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$10,317	\$39,162	\$49,479
Net difference between projected and actual earnings on pension plan investments	337,217	848,789	1,186,006
Changes of assumptions	0	936,940	936,940
Changes in proportion and differences between School District contributions and proportionate share of contributions	130,493	657,685	788,178
School District contributions subsequent to the measurement date	<u>415,535</u>	<u>1,322,926</u>	<u>1,738,461</u>
Total Deferred Outflows of Resources	<u>\$893,562</u>	<u>\$3,805,502</u>	<u>\$4,699,064</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$0	\$111,606	\$111,606
Changes in proportion and differences between School District contributions and proportionate share of contributions	<u>14,447</u>	<u>105,570</u>	<u>120,017</u>
Total Deferred Inflows of Resources	<u>\$14,447</u>	<u>\$217,176</u>	<u>\$231,623</u>

\$1,738,461 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$86,516	\$732,910	\$819,426
2023	130,926	459,852	590,778
2024	140,560	580,463	721,023
2025	105,578	492,175	597,753
Total	\$463,580	\$2,265,400	\$2,728,980

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.

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, 2020, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of

Waverly City School District
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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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
 Total	 100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$7,276,988	\$5,312,144	\$3,663,602

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, are presented below:

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Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$24,851,415	\$17,453,970	\$11,185,252

Note 11 – Postemployment Benefits

See note 10 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS comprehensive annual financial report which can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. 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. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$53,984.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions to SERS for health care was \$53,984 for fiscal

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year 2021. Of this amount, \$53,984 was reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	0.08028330%	0.07213445%	
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	<u>0.07964480%</u>	<u>0.06924009%</u>	
Change in Proportionate Share	<u>0.00063850%</u>	<u>0.00289436%</u>	
Proportionate Share of the Net			
OPEB Liability	\$1,744,819	\$0	\$1,744,819
Proportionate Share of the Net			
OPEB Asset	\$0	(\$1,267,762)	(\$1,267,762)
OPEB Expense	\$29,677	(\$62,133)	(\$32,456)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$22,917	\$81,233	\$104,150
Net difference between projected and actual earnings on OPEB plan investments	19,660	44,430	64,090
Changes of assumptions	297,431	20,929	318,360
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	116,754	61,467	178,221
School District contributions subsequent to the measurement date	<u>53,984</u>	<u>0</u>	<u>53,984</u>
Total Deferred Outflows of Resources	<u>\$510,746</u>	<u>\$208,059</u>	<u>\$718,805</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$887,364	\$252,516	\$1,139,880
Changes of assumptions	43,948	1,204,161	1,248,109
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>67,530</u>	<u>5,808</u>	<u>73,338</u>
Total Deferred Inflows of Resources	<u>\$998,842</u>	<u>\$1,462,485</u>	<u>\$2,461,327</u>

\$53,984 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	(\$108,702)	(\$314,124)	(\$422,826)
2023	(386,392)	(284,050)	(670,442)
2024	45,023	(273,501)	(228,478)
2025	(62,158)	(265,044)	(327,202)
2026	(29,851)	(57,123)	(86,974)
Thereafter	<u>0</u>	<u>(60,584)</u>	<u>(60,584)</u>
Total	<u>(\$542,080)</u>	<u>(\$1,254,426)</u>	<u>(\$1,796,506)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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

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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.

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 OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan discussed in note 10.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The

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discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, and what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$2,135,615	\$1,744,819	\$1,434,137
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,373,912	\$1,744,819	\$2,240,816

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

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Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on the June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan discussed in note 10.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,103,035)	(\$1,267,762)	(\$1,407,526)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,398,851)	(\$1,267,762)	(\$1,108,076)

Note 12 – Employee Benefits

Compensated Absences

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

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

Insurance Benefits

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

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.

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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. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2021 totaled \$127,100. 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, 2021.

Fiscal Year Ending June 30,	
2022	\$175,460
2023	175,553
2024	175,560
2025	175,502
2026	175,548
2027-2029	526,552
Total	1,404,175
Less: Amount Representing Interest	(205,275)
Present Value of Net Minimum Lease Payments	\$1,198,900

Note 14 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2021 were as follows:

	Amount Outstanding 6/30/20	Additions	Deductions	Amount Outstanding 6/30/21	Due Within One Year
<i>Governmental Activities</i>					
2016 Refunding Bonds					
Serial Bonds 3%	\$2,230,000	\$0	(\$530,000)	\$1,700,000	\$550,000
Premium on Debt Issue	99,814	0	(29,945)	69,869	0
2015 ODSA Energy Loan	1,151,612	0	(49,514)	1,102,098	100,518
2015 Certificates of Participation					
Participation	2,945,000	0	(255,000)	2,690,000	260,000
Premium on 2015 Certificates of Participation	93,550	0	(9,434)	84,116	0
Total	6,519,976	0	(873,893)	5,646,083	910,518
Compensated Absences	1,179,466	669,657	(592,443)	1,256,680	145,527
Capital Leases	1,326,000	0	(127,100)	1,198,900	131,700
Net Pension Liability	19,972,493	2,793,621	0	22,766,114	0
Net OPEB Liability	2,002,899	0	(258,080)	1,744,819	0
Total Governmental Activities Long-Term Obligations	\$31,000,834	\$3,463,278	(\$1,851,516)	\$32,612,596	\$1,187,745

2016 Classroom Facilities Refunding Bonds

On October 19, 2016, the School District issued \$3,720,000 in voted general obligation bonds for the purpose of currently refunding the 2006 Classroom Facilities Refunding Bonds. The bonds were issued for a 7-year period,

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with final maturity in December 2023. These bonds are not subject to redemption prior to stated maturity. These bonds will be retired from the bond retirement fund.

2015 ODSA Energy Note

In April 2015, the School District entered into a promissory note with the Ohio Development Services Agency (OSDA) for funds to complete an energy project. The note was issued in the amount of \$1,574,803, and the funds were drawn during the fiscal year. The loan carries a 1.75 percent interest rate for a term of 15 years. The loan will be retired from the general fund.

In accordance with the promissory note, if default is made in the payment of any installment of principal, interest and/or service fee under the note, or if an event of default under the loan agreement shall have occurred and be subsisting, then at the option of the Director of OSDA, the entire principal sum payable and all interest and service fees accrued thereon shall become due and payable at once, without notice or demand. A late charge equal to 5 percent of the delinquent amount due shall be assessed for each month during which the default exists and paid by the School District to the Director, which late charge shall be in addition to all of the Director's other rights and remedies available under the loan documents.

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 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 general fund and permanent improvement 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 \$19,010,908 with an unvoted debt margin of \$230,121, and an energy conservation debt margin of \$2,071,091 at June 30, 2021.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2021 are as follows:

Fiscal Year Ending June 30,	2016 Classroom Facilities Refunding Bonds		2015 Certificates of Participation		2015 ODSA Energy Loan	
	Serial Bonds Principal	Serial Bonds Interest	Principal	Interest	Principal	Interest
2022	\$550,000	\$35,563	\$260,000	\$92,750	\$100,518	\$18,832
2023	575,000	22,281	270,000	84,800	102,538	17,064
2024	575,000	8,625	280,000	76,550	104,600	15,261
2025	0	0	285,000	68,075	106,703	13,422
2026	0	0	295,000	57,900	108,847	11,544
2027-2031	0	0	1,300,000	106,600	578,892	27,785
Total	\$1,700,000	\$66,469	\$2,690,000	\$486,675	\$1,102,098	\$103,908

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Note 15 – Risk Management

Property and Liability

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

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 2021, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 18). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sedgwick 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 Peoples Insurance, the third party administrator of the program, which reviews and pays the claims. Peoples Insurance charges the School District an annual fee of \$750, with a monthly administration fee of \$7.50 per employee. The claims liability of \$0 reported in the internal service fund at June 30, 2021, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2021	\$48,944	\$173,515	\$222,459	\$0
2020	20,659	268,620	240,335	48,944

Note 16 – Interfund Activity

During fiscal year 2021, interfund transfers were as follows:

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	Transfers In	Transfers Out
<i>Major Fund:</i>		
General	\$0	\$142,416
<i>Nonmajor Fund:</i>		
Food Service	142,416	0
Total	\$142,416	\$142,416

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

As of June 30, 2021, interfund receivables and payables that resulted from interfund transactions were as follows:

	Receivables	Payables
<i>Major Funds:</i>		
General	\$977,917	\$0
ESSER	0	813,135
<i>Nonmajor Funds:</i>		
Food Service	0	161,808
Athletics	0	2,469
Title I	0	29
Miscellaneous Federal Grants	0	476
Total Nonmajor Funds	0	164,782
Total	\$977,917	\$977,917

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.

Note 17 – Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions

META Solutions is an educational solutions partner providing services across Ohio. META Solutions provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The board works with META Solutions’ Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member’s degree of control is limited to its representation on the Board. The School District paid META Solutions \$110,914 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

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,

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 \$0 to the Coalition for services provided during the fiscal year.

Note 18 – Insurance Purchasing Pool

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

Note 19 – Set-Aside Calculations

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2020	\$0
Current Fiscal Year Set-Aside Requirement	342,046
Current Fiscal Year Off-Sets	(225,239)
Current Fiscal Year Qualifying Expenditures	<u>(116,807)</u>
Set-Aside Balance as of June 30, 2021	<u>\$0</u>
Required Set-Aside Balance Carried Forward to Fiscal Year 2022	<u><u>\$0</u></u>

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

Note 20 – Contingencies

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

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2021, if applicable, cannot be determined at this time.

State Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE adjustments for fiscal year 2021 have been finalized. As a result, the School District has reported an intergovernmental receivable of \$11,749 in the general fund.

Litigation

The School District is currently party to legal proceedings. However, management is of the opinion that there will not be a material adverse effect on the School District's financial condition as a result of these proceedings.

Note 21 – Significant Commitments

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, 2021, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<i>Major Funds:</i>	
General	\$132,186
ESSER	512,286
<i>Nonmajor Funds:</i>	
Permanent Improvement	12,205
Classroom Facilities Maintenance	6,920
Athletics	8,997
Auxiliary	10,946
Total Nonmajor Funds	<u>39,068</u>
Total All Funds	<u>\$683,540</u>

Note 22 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in the amount of \$1,561,154. Of the amounts received, none was subgranted to other governments or organizations, returned to the granting agency, or spent on-behalf of other governments. Additionally, the School District did not receive a significant amount of donated personal protective equipment as an on-behalf of grant from another government.

Waverly City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 23 – New Accounting Principles and Restatement of Balances

For fiscal year 2021, the School District implemented GASB Statement No. 84, “Fiduciary Activities” and related guidance from (GASB) Implementation Guide No. 2019-2, “Fiduciary Activities.” GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and determined that certain funds should be reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District’s financial statements.

The School District also discovered that its previously reported construction in progress was understated. A restatement to net position was also made to correct for this amount.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2020:

	Nonmajor Governmental Funds
Fund Balance, As Reported, June 30, 2020	\$620,592
<i>Adjustments:</i>	
GASB 84	71,296
Fund Balance, As Restated, July 1, 2020	\$691,888

The implementation of GASB Statement No. 84 and correction of previously reported assets had the following effects on net position as of June 30, 2020:

	Governmental Activities
Net Position, As Reported, June 30, 2020	\$25,476,396
<i>Adjustments:</i>	
GASB 84	71,296
Construction in Progress	160,267
Net Position, As Restated, July 1, 2020	\$25,707,959

Note 24 – Subsequent Event

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$1,448,807 in revenues and expenditures/expenses related to these programs. Also during fiscal year 2021, the School District reported \$1,242,597 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

	2014	2015	2016	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>								
School District's proportion of the net pension liability	0.06722524%	0.06722524%	0.06556426%	0.06705470%	0.06680120%	0.06921299%	0.06924009%	0.07213445%
School District's proportionate share of the net pension liability	\$19,477,805	\$16,351,505	\$18,120,044	\$22,445,239	\$15,868,773	\$15,218,382	\$15,312,030	\$17,453,970
School District's covered-employee payroll	\$7,003,169	\$6,820,685	\$6,735,486	\$6,807,600	\$7,182,914	\$7,912,286	\$8,157,521	\$8,568,314
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	278.1%	239.7%	269.0%	329.7%	220.9%	192.3%	187.7%	203.7%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%
<i>School Employees Retirement System</i>								
School District's proportion of the net pension liability	0.06924000%	0.06924000%	0.07125910%	0.07229870%	0.07388310%	0.07390850%	0.07789280%	0.08031410%
School District's proportionate share of the net pension liability	\$4,117,481	\$3,504,197	\$4,066,113	\$5,291,598	\$4,414,352	\$4,232,877	\$4,660,463	\$5,312,144
School District's covered-employee payroll	\$1,900,470	\$2,808,117	\$3,059,484	\$3,145,371	\$3,066,857	\$2,385,859	\$2,484,015	\$2,712,771
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.7%	124.8%	132.9%	168.2%	143.9%	177.4%	187.6%	195.8%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.
See the accompanying notes to the required supplementary information.

Waverly City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Five Fiscal Years

	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>					
School District's proportion of the net OPEB liability (asset)	0.06705470%	0.06680120%	0.06921299%	0.06924009%	0.07213445%
School District's proportionate share of the net OPEB liability (asset)	\$3,572,547	\$2,606,337	(\$1,112,182)	(\$1,146,782)	(\$1,267,762)
School District's covered-employee payroll	\$6,807,600	\$7,182,914	\$7,912,286	\$8,157,521	\$8,568,314
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	52.5%	36.3%	-14.1%	-14.1%	-14.8%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%
<i>School Employees Retirement System</i>					
School District's proportion of the net OPEB liability	0.07229870%	0.07473870%	0.07484200%	0.07964480%	0.08028330%
School District's proportionate share of the net OPEB liability	\$2,130,329	\$2,005,790	\$2,076,319	\$2,002,899	\$1,744,819
School District's covered-employee payroll	\$3,145,371	\$3,066,857	\$2,385,859	\$2,484,015	\$2,712,771
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	67.7%	65.4%	87.0%	80.6%	64.3%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.
See the accompanying notes to the required supplementary information.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$910,196	\$910,412	\$886,689	\$942,968	\$953,064	\$1,005,608	\$1,107,720	\$1,142,053	\$1,199,564	\$1,322,926
Contractually required contribution - OPEB	70,015	70,032	68,207	0	0	0	0	0	0	0
Contractually required contribution - total	980,211	980,444	954,896	942,968	953,064	1,005,608	1,107,720	1,142,053	1,199,564	1,322,926
Contributions in relation to the contractually required contribution	980,211	980,444	954,896	942,968	953,064	1,005,608	1,107,720	1,142,053	1,199,564	1,322,926
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$7,001,508	\$7,003,169	\$6,820,685	\$6,735,486	\$6,807,600	\$7,182,914	\$7,912,286	\$8,157,521	\$8,568,314	\$9,449,471
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution - pension	\$277,678	\$263,025	\$389,205	\$403,240	\$440,352	\$429,360	\$322,091	\$335,342	\$379,788	\$415,535
Contractually required contribution - OPEB (1)	11,355	3,041	3,931	25,088	0	0	11,929	12,420	0	0
Contractually required contribution - total	289,033	266,066	393,136	428,328	440,352	429,360	334,020	347,762	379,788	415,535
Contributions in relation to the contractually required contribution	289,033	266,066	393,136	428,328	440,352	429,360	334,020	347,762	379,788	415,535
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$2,064,520	\$1,900,470	\$2,808,117	\$3,059,484	\$3,145,371	\$3,066,857	\$2,385,859	\$2,484,015	\$2,712,771	\$2,968,107
Contributions as a percentage of covered-employee payroll - pension	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See the accompanying notes to the required supplementary information.

Waverly City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

State Teachers Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2021.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered from 3.50 percent to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2019 through 2021.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal year 2017.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extend the current Medicare Part B partial reimbursement for one year.

Waverly City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
 - Medical Medicare – 6 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – -5.23 percent initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from 6 percent to 5.87 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – from 5 percent to 4.93 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from 8 percent to 7.73 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – from -5.23 percent to 9.62 initial, 4 percent ultimate

Waverly City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from 4.93 percent to -6.69 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – from 5.87 percent to 5 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from 7.73 percent to 6.5 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – from 9.62 percent to 11.87 initial, 4 percent ultimate

School Employees Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2019 through 2021.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00-22.00 percent to 3.50-18.20 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
 - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

There were no changes in assumptions for fiscal years 2019 through 2021.

Waverly City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2021.

Changes in assumptions

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00-22.00 percent to 3.50-18.2 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.
- The municipal bond index rate increased from 2.95 percent to 3.56 percent.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
 - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
 - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

Waverly City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

Waverly City School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal Assistance Listing Number	Federal Awards Expenditures
<u>United States Department of Agriculture</u>			
<i>Passed through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	3L70	10.553	\$ 146,053
National School Lunch Program	3L60	10.555	313,207
COVID 19 School Breakfast Program	3L70	10.553	41,184
COVID 19 National School Lunch Program	3L60	10.555	67,529
Total Child Nutrition Cluster			<u>567,973</u>
Total United States Department of Agriculture			<u>567,973</u>
<u>United States Department of Education</u>			
<i>Passed through the Ohio Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education-Grants to States	3M20	84.027	459,510
Total Special Education Cluster (IDEA)			<u>459,510</u>
COVID-19 - Education Stabilization Fund	3HS0	84.425D	528,327
COVID-19 - Education Stabilization Fund	3HS0	84.425D	1,116,049
Total COVID-19 - Education Stabilization Fund			<u>1,644,376</u>
Title I Grants to Local Educational Agencies	3M00	84.010	676,621
Rural Education	3Y80	84.358	49,618
Student Support and Academic Enrichment Program	3HI0	84.424	80,724
Supporting Effective Instruction State Grants	3Y60	84.367	89,943
Total United States Department of Education			<u>3,000,792</u>
<u>United States Department of Treasury</u>			
<i>Passed through the Ohio Department of Education</i>			
COVID-19 - Coronavirus Relief Fund	5CV1	21.019	115,923
COVID-19 - Coronavirus Relief Fund	5CV1	21.019	94,143
Total United States Department of Treasury			<u>210,066</u>
Total Federal Financial Assistance			<u><u>\$3,778,831</u></u>

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, 2021

Note 1 – Basis of Presentation

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the School District's federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Child Nutrition Cluster

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

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, 2021, 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 April 19, 2022, wherein we noted that the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We also noted the School District restated its beginning net position and fund balances as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities."

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

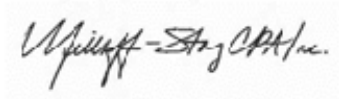
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

April 19, 2022

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

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 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal program for the year ended June 30, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2021.

Waverly City School District
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance

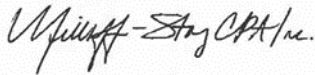
Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

April 19, 2022

Waverly City School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program(s):	COVID-19 – Education Stabilization Fund (AL #84.425D)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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OHIO AUDITOR OF STATE KEITH FABER



WAVERLY CITY SCHOOL DISTRICT

PIKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/14/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov