



Dave Yost • Auditor of State

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position.....	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund	21
Statement of Assets and Liabilities – Agency Fund	22
Notes to the Basic Financial Statements.....	23
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio – Last Two Fiscal Years	55
State Teachers Retirement System of Ohio – Last Two Fiscal Years.....	56
Schedule of the School District's Contributions:	
School Employees Retirement System of Ohio – Last Ten Fiscal Years	58
State Teachers Retirement System of Ohio – Last Ten Fiscal Years	60
Schedule of Federal Awards Receipts and Expenditures.....	63
Notes to the Schedule of Federal Awards Receipts and Expenditures	64
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	65

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	67
Schedule of Findings – OMB Circular A-133 § .505	69
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b)	70



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wolf Creek Local School District
Washington County
P.O. Box 67
Waterford, Ohio 45786

To the Board of Education:

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 the Wolf Creek Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension Liabilities and Pension Contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2016

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Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2015 are as follows:

- Net position of governmental activities increased \$58,468.
- General revenues accounted for \$7,254,079 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,548,936 or 18% of total revenues of \$8,803,105.
- Total assets of governmental activities decreased \$312,578, while total liabilities decreased \$1,812,063.
- The School District had \$8,744,547 in expenses related to governmental activities; \$1,548,936 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$7,254,079 provided the remaining resources for these programs.
- The School District's only major fund, the General Fund, had \$7,522,287 in revenues and \$7,193,881 in expenditures. The General Fund's balance increased \$328,406.

USING THIS ANNUAL FINANCIAL REPORT

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 and conditions.

The Statement of Net Position and 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 as the School District's most significant funds with all other non-major funds presented in total in one column.

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current 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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund The School District accounts for resources held for the benefit of parties outside the School District as a fiduciary fund. This fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1
Net Position

	Governmental Activities		
	2015	2014	Change
Assets			
Current and Other Assets	\$15,746,626	\$16,512,959	(\$766,333)
Capital Assets, Net	7,891,538	7,437,783	453,755
<i>Total Assets</i>	<u>23,638,164</u>	<u>23,950,742</u>	<u>(312,578)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	133,735	222,892	(89,157)
Pension	616,743	1,608,753	(992,010)
<i>Total Deferred Outflows of Resources</i>	<u>750,478</u>	<u>1,831,645</u>	<u>(1,081,167)</u>
Liabilities			
Current and Other Liabilities	709,068	712,900	(3,832)
Long-term Liabilities:			
Due within One Year	424,633	433,291	(8,658)
Due in More Than One Year:			
Net Pension Liability	8,493,453	10,092,592	(1,599,139)
Other Amounts	5,724,759	5,925,193	(200,434)
<i>Total Liabilities</i>	<u>15,351,913</u>	<u>17,163,976</u>	<u>(1,812,063)</u>
Deferred Inflows of Resources			
Property Taxes	5,324,441	5,396,481	(72,040)
Pension	1,536,590	0	1,536,590
<i>Total Deferred Inflows of Resources</i>	<u>6,861,031</u>	<u>5,396,481</u>	<u>1,464,550</u>
Net Position			
Net Investment in Capital Assets	3,050,273	2,696,704	353,569
Restricted	754,183	1,036,464	(282,281)
Unrestricted	(1,628,758)	(1,615,938)	(12,820)
<i>Total Net Position</i>	<u>\$2,175,698</u>	<u>\$2,117,230</u>	<u>\$58,468</u>

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

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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

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

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

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

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

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

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$11,705,769 to \$2,117,698.

Total assets of governmental activities decreased \$312,578. Current assets decreased by \$766,333 primarily due to a decrease in cash and cash equivalents of \$384,611 and a decrease in intergovernmental receivables of \$291,914. These decreases were offset by an increase in capital assets of \$453,755, due to current year depreciation not exceeding capital asset additions.

Total liabilities decreased \$1,812,063. Other current liabilities did not change significantly. The \$1,599,139 decrease in net pension liability and the current year debt payments accounts for the majority of the decrease.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, and comparisons to fiscal year 2014.

Wolf Creek Local School District, Ohio*Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2015**Unaudited*Table 2
Changes in Net Position

	Governmental Activities		
	2015	2014	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$836,039	\$579,549	\$256,490
Operating Grants, Contributions and Interest	712,897	1,188,545	(475,648)
Total Program Revenues	1,548,936	1,768,094	(219,158)
General Revenues:			
Property Taxes	5,232,369	5,154,659	77,710
Grants and Entitlements	1,915,833	2,027,378	(111,545)
Investment Earnings	66,684	44,209	22,475
Donations	7,249	5,145	2,104
Miscellaneous	31,944	28,608	3,336
Total General Revenues	7,254,079	7,259,999	(5,920)
Total Revenues	8,803,015	9,028,093	(225,078)
Program Expenses			
Instruction:			
Regular	3,734,649	3,746,900	(12,251)
Special	1,010,112	827,342	182,770
Vocational	209,151	173,066	36,085
Student Intervention Services	18,385	49,035	(30,650)
Support Services:			
Pupils	447,981	387,388	60,593
Instructional Staff	478,908	324,028	154,880
Board of Education	16,869	17,295	(426)
Administration	483,016	575,200	(92,184)
Fiscal	364,421	358,058	6,363
Operation and Maintenance of Plant	609,363	618,675	(9,312)
Pupil Transportation	446,414	489,656	(43,242)
Central	3,740	13,717	(9,977)
Operation of Non-Instructional Services:			
Food Service Operations	253,020	244,342	8,678
Other	818	2,189	(1,371)
Extracurricular Activities	317,763	288,579	29,184
Interest and Fiscal Charges	349,937	367,852	(17,915)
Total Expenses	8,744,547	8,483,322	261,225
Increase in Net Position	58,468	544,771	(486,303)
Net Position Beginning of Year	2,117,230	N/A	
Net Position End of Year	\$2,175,698	\$2,117,230	\$58,468

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$504,053 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the fiscal year 2015 statements report pension expense of \$361,144. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$8,744,547
Pension expense under GASB 68	(361,444)
2015 contractually required contribution	<u>536,683</u>
Adjusted 2015 program expenses	8,919,786
Total 2014 program expenses under GASB 27	<u>8,483,322</u>
Increase in program expenses not related to pensio	<u>\$436,464</u>

From fiscal year 2014 to fiscal year 2015, total revenues decreased \$225,078 while total expenses increased \$261,225. Despite this, net position increased \$58,468 with revenues outpacing expenses by \$58,468.

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

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Program Expenses				
Instruction:				
Regular	\$3,734,649	\$3,127,918	\$3,746,900	\$2,995,524
Special	1,010,112	565,938	827,342	445,810
Vocational	209,151	199,341	173,066	164,778
Student Intervention Services	18,385	18,385	49,035	37,591
Support Services:				
Pupils	447,981	430,900	387,388	351,882
Instructional Staff	478,908	436,281	324,028	177,228
Board of Education	16,869	16,869	17,295	17,295
Administration	483,016	482,323	575,200	566,984
Fiscal	364,421	364,421	358,058	354,685
Operation and Maintenance of Plant	609,363	609,363	618,675	618,675
Pupil Transportation	446,414	432,620	489,656	473,846
Central	3,740	3,740	13,717	13,717
Operation of Non-Instructional Services:				
Food Service Operations	253,020	9,293	244,342	(4,676)
Other	818	(24)	2,189	(364)
Extracurricular Activities	317,763	148,306	288,579	134,401
Interest and Fiscal Charges	349,937	349,937	367,852	367,852
Total	<u>\$8,744,547</u>	<u>\$7,195,611</u>	<u>\$8,483,322</u>	<u>\$6,715,228</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. Over 82% of program expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT'S FUNDS

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,035,735 and expenditures of \$9,497,642. The General Fund's fund balance increased \$328,406 from 2014 due to a combination of revenues increases, increases in assets, and decreases in liabilities outpacing expenditures.

General Fund Budgeting 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. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2015, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

For the General Fund, budget basis revenue was \$7,502,089, above final estimates of \$7,396,976. The difference was mainly the result of underestimating tuition and fees. Final estimated revenues were higher than the original estimates of \$6,978,825. Final appropriations were increased \$248,101 from original appropriations. Actual expenditures were \$144,265 less than final appropriations. The School District's ending General Fund balance was \$8,483,279.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the School District had \$3,050,273 invested (net of related debt) in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$19,171	\$19,171
Construction in Progress	0	8,971
Buildings and Improvements	7,610,457	7,108,753
Furniture and Equipment	162,457	167,163
Vehicles	99,453	133,725
Totals	<u>\$7,891,538</u>	<u>\$7,437,783</u>

For additional information on capital assets, see Note 11 to the financial statements.

Debt

At June 30, 2015, the School District had \$5,607,303 in bonds outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2015	2014
2002 School Facilities		
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	\$45,000	\$75,000
Accretion on Capital Appreciation Bonds	606,574	814,332
Premium on Capital Appreciation Bonds	75,729	113,594
2012 School Facilities Refunding Bonds:		
Serial Bonds - 3%	4,880,000	4,880,000
Total General Obligation Bonds	<u>\$5,607,303</u>	<u>\$5,882,926</u>

See Note 17 to the financial statements for more information on debt.

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

ECONOMIC FACTORS

As the preceding information shows, the School District relies on its taxpayers. The School District only receives 26% support from the State. The future outlook for the School District will have major adjustments in spending with the closing of the American Electric Power Plant (AEP) in calendar year 2015. This will be a major loss to the School District amounting to a \$1.2 million loss in revenue per calendar year. During 2011, the voters of the School District renewed an emergency tax levy which generates \$780,000 for each calendar year that the millage is in effect. The emergency levy will expire in 2016.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rachel Miller, Treasurer at Wolf Creek Local School District, P.O. Box 67, Waterford, Ohio 45786.

Wolf Creek Local School District, Ohio

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,017,935
Cash and Cash Equivalents in Segregated Accounts	10
Accounts Receivable	3,779
Intergovernmental Receivable	221,935
Inventory Held for Resale	4,910
Materials and Supplies Inventory	6,373
Prepaid Items	85,075
Property Taxes Receivable	5,406,609
Nondepreciable Capital Assets	19,171
Depreciable Capital Assets, Net	<u>7,872,367</u>
<i>Total Assets</i>	<u>23,638,164</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	133,735
Pension	<u>616,743</u>
<i>Total Deferred Outflows of Resources</i>	<u>750,478</u>
Liabilities	
Accounts Payable	18,055
Contracts Payable	50,000
Accrued Wages and Benefits Payable	465,719
Accrued Interest Payable	12,426
Vacation Benefits Payable	28,139
Intergovernmental Payable	134,729
Long-Term Liabilities:	
Due Within One Year	424,633
Due In More Than One Year:	
Net Pension Liability (See Note 15)	8,493,453
Other Amounts Due in More Than One Year	<u>5,724,759</u>
<i>Total Liabilities</i>	<u>15,351,913</u>
Deferred Inflows of Resources	
Property Taxes	5,324,441
Pension	<u>1,536,590</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,861,031</u>
Net Position	
Net Investment in Capital Assets	3,050,273
Restricted for:	
Debt Service	519,488
Food Service	13,656
Student Activities	62,849
Other Purposes	158,190
Unrestricted (Deficit)	<u>(1,628,758)</u>
<i>Total Net Position</i>	<u><u>\$2,175,698</u></u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$3,734,649	\$555,270	\$51,461	(\$3,127,918)
Special	1,010,112	20,733	423,441	(565,938)
Vocational	209,151	0	9,810	(199,341)
Student Intervention Services	18,385	0	0	(18,385)
Support Services:				
Pupils	447,981	0	17,081	(430,900)
Instructional Staff	478,908	0	42,627	(436,281)
Board of Education	16,869	0	0	(16,869)
Administration	483,016	0	693	(482,323)
Fiscal	364,421	0	0	(364,421)
Operation and Maintenance of Plant	609,363	0	0	(609,363)
Pupil Transportation	446,414	0	13,794	(432,620)
Central	3,740	0	0	(3,740)
Operation of Non-Instructional Services:				
Food Service Operations	253,020	93,818	149,909	(9,293)
Other	818	0	842	24
Extracurricular Activities	317,763	166,218	3,239	(148,306)
Interest and Fiscal Charges	349,937	0	0	(349,937)
Totals	\$8,744,547	\$836,039	\$712,897	(7,195,611)
General Revenues				
Property Taxes Levied for:				
General Purposes				4,716,317
Debt Service				516,052
Grants and Entitlements not Restricted to Specific Programs				1,915,833
Investment Earnings				66,684
Donations not Restricted to Specific Programs				7,249
Miscellaneous				31,944
Total General Revenues				7,254,079
Change in Net Position				58,468
Net Position Beginning of Year - Restated (See Note 3)				2,117,230
Net Position End of Year				\$2,175,698

See accompanying notes to the basic financial statements.

Wolf Creek Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,563,819	\$1,454,116	\$10,017,935
Cash and Cash Equivalents in Segregated Accounts	0	10	10
Receivables:			
Property Taxes	4,864,801	541,808	5,406,609
Accounts	1,502	2,277	3,779
Intergovernmental	30,731	191,204	221,935
Interfund	4,932	0	4,932
Prepaid Items	80,674	4,401	85,075
Inventory Held for Resale	0	4,910	4,910
Materials and Supplies Inventory	6,308	65	6,373
<i>Total Assets</i>	<u>\$13,552,767</u>	<u>\$2,198,791</u>	<u>\$15,751,558</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$13,943	\$4,112	\$18,055
Contracts Payable	0	50,000	50,000
Accrued Wages and Benefits Payable	428,000	37,719	465,719
Interfund Payable	0	4,932	4,932
Intergovernmental Payable	127,501	7,228	134,729
<i>Total Liabilities</i>	<u>569,444</u>	<u>103,991</u>	<u>673,435</u>
Deferred Inflows of Resources			
Property Taxes	4,792,836	531,605	5,324,441
Unavailable Revenue	53,551	197,014	250,565
<i>Total Deferred Inflows of Resources</i>	<u>4,846,387</u>	<u>728,619</u>	<u>5,575,006</u>
Fund Balances			
Nonspendable	86,982	4,466	91,448
Restricted	0	679,739	679,739
Assigned	268,243	720,166	988,409
Unassigned	7,781,711	(38,190)	7,743,521
<i>Total Fund Balances</i>	<u>8,136,936</u>	<u>1,366,181</u>	<u>9,503,117</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,552,767</u>	<u>\$2,198,791</u>	<u>\$15,751,558</u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Fund Balances		\$9,503,117
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,891,538
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	32,272	
Interest Revenue	8,078	
Extracurricular Activities	706	
Student Fees and Sales	614	
Intergovernmental Revenue	208,895	250,565
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(12,426)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year and therefore are not reported in the funds.		(28,139)
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		133,735
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	616,743	
Deferred Inflows - Pension	(1,536,590)	
Net Pension Liability	(8,493,453)	(9,413,300)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(727,303)	
School Construction Refunding Bonds	(4,880,000)	
Sick Leave Benefits Payable	(542,089)	(6,149,392)
Net Position of Governmental Activities		\$2,175,698

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$4,717,280	\$516,164	\$5,233,444
Intergovernmental	2,134,756	726,798	2,861,554
Investment Earnings	52,125	6,543	58,668
Charges for Services	0	98,671	98,671
Tuition and Fees	575,639	0	575,639
Extracurricular Activities	1,400	164,427	165,827
Donations	9,363	625	9,988
Miscellaneous	31,724	220	31,944
<i>Total Revenues</i>	<u>7,522,287</u>	<u>1,513,448</u>	<u>9,035,735</u>
Expenditures			
Current:			
Instruction:			
Regular	3,379,604	118,383	3,497,987
Special	751,049	271,957	1,023,006
Vocational	213,146	0	213,146
Student Intervention	18,385	0	18,385
Support Services:			
Pupils	450,241	16,594	466,835
Instructional Staff	251,252	223,909	475,161
Board of Education	16,869	0	16,869
Administration	584,549	673	585,222
Fiscal	351,752	14,914	366,666
Operation and Maintenance of Plant	580,679	0	580,679
Pupil Transportation	411,730	0	411,730
Central	3,884	0	3,884
Operation of Non-Instructional Services	0	254,410	254,410
Extracurricular Activities	156,852	152,470	309,322
Capital Outlay	23,889	714,051	737,940
Debt Service:			
Principal	0	30,000	30,000
Interest on Capital Appreciation Bonds	0	360,000	360,000
Interest and Fiscal Charges	0	146,400	146,400
<i>Total Expenditures</i>	<u>7,193,881</u>	<u>2,303,761</u>	<u>9,497,642</u>
<i>Net Change in Fund Balance</i>	328,406	(790,313)	(461,907)
<i>Fund Balances Beginning of Year</i>	<u>7,808,530</u>	<u>2,156,494</u>	<u>9,965,024</u>
<i>Fund Balances End of Year</i>	<u>\$8,136,936</u>	<u>\$1,366,181</u>	<u>\$9,503,117</u>

See accompanying notes to the financial statements.

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

Net Change in Fund Balances - Total Governmental Funds (\$461,907)

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

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

Capital Asset Additions	820,825	
Depreciation Expense	(367,070)	453,755

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

Delinquent Property Taxes	(1,075)	
Student Fees and Sales	364	
Extracurricular Activities	391	
Charges for Services	(4,853)	
Interest	8,078	
Intergovernmental Revenues	(235,625)	(232,720)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 30,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Annual Accretion	(152,242)	
Accrued Interest Payable	(3)	
Interest on Capital Appreciation Bonds	360,000	
Amortization of Deferred Charge on Refunding	(89,157)	
Bond Premium	37,865	156,463

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 536,683

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (361,444)

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:

Vacation Benefits Payable	4,169	
Sick Leave Benefits Payable	(66,531)	(62,362)

Change in Net Position of Governmental Activities \$58,468

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2015*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$4,585,000	\$4,859,720	\$4,715,046	(\$144,674)
Intergovernmental	2,010,000	2,130,433	2,143,550	13,117
Investment Earnings	25,000	26,498	55,609	29,111
Tuition and Fees	347,800	368,639	575,639	207,000
Donations	6,000	6,360	7,249	889
Miscellaneous	5,025	5,326	4,996	(330)
<i>Total Revenues</i>	<u>6,978,825</u>	<u>7,396,976</u>	<u>7,502,089</u>	<u>105,113</u>
Expenditures				
Current:				
Instruction:				
Regular	3,303,769	3,434,157	3,367,242	66,915
Special	615,375	765,818	750,896	14,922
Vocational	203,515	217,277	213,043	4,234
Student Intervention	9,006	28,765	28,205	560
Support Services:				
Pupils	346,958	460,540	451,566	8,974
Instructional Staff	193,181	255,852	250,867	4,985
Board of Education	25,534	18,475	18,115	360
Administration	618,790	601,690	589,966	11,724
Fiscal	384,014	377,569	370,212	7,357
Operation and Maintenance of Plant	721,849	639,443	626,983	12,460
Pupil Transportation	484,076	427,581	419,250	8,331
Central	14,000	3,961	3,884	77
Extracurricular Activities	169,465	148,353	145,462	2,891
Capital Outlay	66,212	24,364	23,889	475
<i>Total Expenditures</i>	<u>7,155,744</u>	<u>7,403,845</u>	<u>7,259,580</u>	<u>144,265</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(176,919)</u>	<u>(6,869)</u>	<u>242,509</u>	<u>249,378</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	58,622	58,622	0
Refund of Prior Year Receipts	0	(23,899)	(23,899)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>34,723</u>	<u>34,723</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(176,919)</u>	<u>27,854</u>	<u>277,232</u>	<u>249,378</u>
<i>Fund Balance Beginning of Year</i>	<u>8,152,314</u>	<u>8,152,314</u>	<u>8,152,314</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>53,733</u>	<u>53,733</u>	<u>53,733</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,029,128</u></u>	<u><u>\$8,233,901</u></u>	<u><u>\$8,483,279</u></u>	<u><u>\$249,378</u></u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio

Statement of Assets and Liabilities

Agency Fund

June 30, 2015

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$31,118</u>
Liabilities	
Due to Students	<u>\$31,118</u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

Wolf Creek Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's two instructional/support facilities staffed by 35 classified employees and 51 certificated full-time teaching personnel who provide services to 596 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the School District are not misleading. The primary government 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.

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 benefit to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

A. 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 the fiduciary fund. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. 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 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. 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the School District can be classified using two categories, governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 is the description of the School District's major governmental fund:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

General Fund The General Fund accounts for and reports 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 and transferred to the general laws of Ohio.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The School District's agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., 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 current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/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. Available means that the resources will be collected 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 sixty days of fiscal year end.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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 year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 as an advance, investment earnings, tuition, grants, fees, and rentals.

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 15.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. 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, interest, extracurricular activities, student fees and sales, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 15)

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 governmental funds.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2015, the School District's investments were limited to certificates of deposit, which are reported at cost, and federal agency securities, which are reported at fair value based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$52,125, which includes \$505 assigned from other School District funds.

The School District has a segregated bank account for athletic activities. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

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

G. Inventory

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

H. Capital Assets

The School District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally 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.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction and 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:

Description	Estimated Lives
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

I. 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 liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

J. Bond Premium

On government-wide financial statement, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are recorded in the year the bonds are issued.

K. Deferred Charge on Refunding

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 funds. However, claims and judgments, net pension liability, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

M. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. 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 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” 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 determined 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 the use in satisfying those contractual requirements.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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 the amounts in any of the unrestricted fund balance classifications could be used.

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for federal and state grants restricted to expenditure for specified purposes.

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

P. Pensions

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

Q. 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.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

R. 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.

S. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, 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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds except the General Fund where the legal level of control is at the fund, function, and object level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations to the function and object level for all funds other than the General Fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year 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.

Note 3 - Changes in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$11,705,769
Adjustments:	
Net Pension Liability	(10,092,592)
Deferred Outflow - Payments	
Subsequent to Measurement Date	504,053
Restated Net Position June 30, 2014	<u><u>\$2,117,230</u></u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

Note 4 - Fund Deficits

The Federal Grants Special Revenue Fund had a deficit fund balance as of June 30, 2015, of \$36,034 as a result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue fund; however, this is done when cash is needed rather than when accruals occur.

Note 5 - 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$80,674	\$4,401	\$85,075
Materials and Supplies Inventory	6,308	65	6,373
<i>Total Nonspendable</i>	86,982	4,466	91,448
Restricted for:			
Local Grant Expenditures	0	1,335	1,335
State Grant Expenditures	0	3,642	3,642
Race to the Top Program	0	8	8
Food Service Operations	0	9,372	9,372
Athletic and Music Programs	0	62,143	62,143
Debt Service	0	603,239	603,239
<i>Total Restricted</i>	0	679,739	679,739
Assigned to:			
Capital Improvements	0	720,166	720,166
Purchases on Order	55,019	0	55,019
Public School Support	7,536	0	7,536
Fiscal Year 2016 Appropriations	205,688	0	205,688
<i>Total Assigned</i>	268,243	720,166	988,409
Unassigned:	7,781,711	(38,190)	7,743,521
<i>Total Fund Balances</i>	\$8,136,936	\$1,366,181	\$9,503,117

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance 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 Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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 an assignment of fund balance (GAAP basis).
4. Unrecorded and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

GAAP Basis	\$328,406
Revenue Accruals	55,753
Expenditure Accruals	(35,455)
Unreported Items:	
Beginning of Fiscal Year	5,308
End of Fiscal Year	(8,761)
Prepaid Items:	
Beginning of Fiscal Year	86,103
End of Fiscal Year	(80,674)
Advances to Other Funds for Cash Deficits	(4,932)
To reclassify excess of expenditures over revenues into financial statement fund types	659
Encumbrances	<u>(69,175)</u>
Budget Basis	<u><u>\$277,232</u></u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 7 - 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

Deposits Custodial credit risk 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. At fiscal year end, the School District's bank balance was \$10,096,555. \$6,089,940 was covered by Federal depository insurance; \$4,006,615 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2015, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Percentage of Investments</u>	<u>Rating Agency</u>
Federal National Mortgage Association	\$499,810	12/27/2018	Aaa/AA+	50.1%	Moody's/S&P
Federal Home Loan Banks	498,155	6/6/2018	Aaa/AA+	49.9%	Moody's/S&P
Total	<u>\$997,965</u>			<u>100%</u>	

Interest Rate Risk The School District's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The School District has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, 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 has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 8 - 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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at thirty-five 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 Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2015, was \$43,716 in the General Fund and \$6,180 in the Bond Retirement Fund. The amount available as an advance at June 30, 2014, was \$41,482 in the General Fund and \$5,805 in the Bond Retirement Fund.

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 reported as deferred inflows of resources – unavailable revenue.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$47,493,820	31.47%	\$48,490,840	32.46%
Commerical/Industrial and Public Utility Real	17,985,920	11.92%	17,925,010	12.00%
Public Utility Personal	85,437,820	56.61%	82,968,760	55.54%
	<u>\$150,917,560</u>	<u>100.00%</u>	<u>\$149,384,610</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$40.65		\$40.74

Note 9 - Receivables

Receivables at June 30, 2015, consisted of property taxes, accounts (billings for user charged services and tuition and fees), interfund, and intergovernmental grants. 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. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Part B Idea	\$94,508
Title I	55,259
Title II-A	29,920
School Employees Retirement System	19,656
Washington County Job and Family Services	11,701
Rural Education Achievement Program	9,552
Medicaid	1,025
Miscellaneous	314
Total	<u>\$221,935</u>

Note 10 - Interfund Activity

The Federal Grants Special Revenue Fund owes the General Fund \$4,932 at fiscal year end for cash deficits. Once grant monies are received, the liability will be repaid.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 11 - Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	6/30/2014	<u>Additions</u>	<u>Deductions</u>	6/30/2015
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$19,171	\$0	\$0	\$19,171
Construction in Progress	8,971	690,488	(699,459)	0
Total Capital Assets not being Depreciated	<u>28,142</u>	<u>690,488</u>	<u>(699,459)</u>	<u>19,171</u>
Depreciable Capital Assets:				
Buildings and Improvements	10,343,154	799,517	0	11,142,671
Furniture and Equipment	1,418,666	30,279	0	1,448,945
Vehicles	961,843	0	0	961,843
Total Capital Assets being Depreciated	<u>12,723,663</u>	<u>829,796</u>	<u>0</u>	<u>13,553,459</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,234,401)	(297,813)	0	(3,532,214)
Furniture and Equipment	(1,251,503)	(34,985)	0	(1,286,488)
Vehicles	(828,118)	(34,272)	0	(862,390)
Total Accumulated Depreciation	<u>(5,314,022)</u>	<u>(367,070) *</u>	<u>0</u>	<u>(5,681,092)</u>
Total Capital Assets being Depreciated, Net	<u>7,409,641</u>	<u>462,726</u>	<u>0</u>	<u>7,872,367</u>
Capital Assets, Net	<u>\$7,437,783</u>	<u>\$1,153,214</u>	<u>(\$699,459)</u>	<u>\$7,891,538</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$298,159
Special	5,305
Vocational	2,943
Support Services:	
Pupils	312
Instructional Staff	118
Administration	782
Fiscal	228
Operation and Maintenance of Plant	10,935
Pupil Transportation	35,175
Food Service Operations	2,420
Extracurricular Activities	10,693
Total Depreciation Expense	<u>\$367,070</u>

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 12 - Significant Commitments

A. Contractual Commitments

As of June 30, 2015, the School District had contractual purchase commitments as follows:

	<u>Purchase Commitments</u>	<u>Amounts Paid as of 6/30/2015</u>	<u>Amount Remaining on Contract</u>
Electrical Upgrades:			
Permanent Improvement Capital Projects Fund	<u>\$12,899</u>	<u>\$0</u>	<u>\$12,899</u>

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or 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 fiscal year end, the amount of governmental encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$69,175
Nonmajor Funds	<u>93,990</u>
Total	<u>\$163,165</u>

Note 13 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 19).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$28,253,406
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Liability:	
Bodily Injury and Property Damage	\$4,000,000
Personal and Advertising Injury	4,000,000
General Aggregate Limit	6,000,000
Completed Operations Aggregate Limit	4,000,000
Employers' - Stop Gap - Bodily Injury	4,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	4,000,000
Aggregate Limit	6,000,000
Automobile Liability:	
Liability	4,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000
Deductibles: (buses - \$1000)	
Comprehensive	250
Collision	500

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2014.

B. Worker's Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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 school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. At fiscal year end, up to ten vacation days can be carried over for not more than one fiscal year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, employees receive payment for one-fourth of their accumulated sick days to a maximum as follows: 30 days for having ten years of service with any school district; 35 days for 15 to 19 years of service with this School District; 40 days for 20 to 24 years of service with this School District; 45 days for classified and 50 days for certified for more than 24 years of service with this School District; and 60 days for certified employees having 30 or more years of service with the School District. Also, employees having 20 years of service or more with this School District will have an additional severance amount calculated as follows: classified: 45 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$70 not to exceed \$5,950; certified: 40 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$85 with 20 years of service; 50 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$85 with 25 years of service; or 60 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$85 with 30 or more years of service.

B. Insurance

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. For those under the preferred provider plan, the School District pays ninety percent of the total monthly premiums of \$1,691.38 for family coverage, \$1,061.55 for employee with children coverage, \$1,160.99 for two adults' coverage, and \$663.76 for single coverage. For those under the high deductible plan, the School District pays ninety percent of the total monthly premiums of \$1,294.15 for family coverage, \$812.03 for employee with children coverage, \$888.14 for two adults' coverage, and \$507.52 for single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life, in the amount of \$25,000.

Dental coverage is provided through Core Source. The School District also pays ninety percent of the total monthly premiums of \$73.41 for family coverage and \$24.43 for single coverage.

Note 15 - Defined Benefit Pension Plans

A. Net Pension Liability

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$120,634 for fiscal year 2015. Of this amount \$9,122 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$416,049 for fiscal year 2015. Of this amount \$50,517 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,529,923	\$6,963,530	\$8,493,453
Proportion of the Net Pension Liability	0.030230%	0.02862886%	
Pension Expense	\$90,312	\$271,132	\$361,444

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$13,021	\$67,039	\$80,060
School District contributions subsequent to the measurement date	<u>120,634</u>	<u>416,049</u>	<u>536,683</u>
Total Deferred Outflows of Resources	<u>\$133,655</u>	<u>\$483,088</u>	<u>\$616,743</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$248,311</u>	<u>\$1,288,279</u>	<u>\$1,536,590</u>

\$536,683 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$58,790)	(\$305,310)	(\$364,100)
2017	(58,790)	(305,310)	(364,100)
2018	(58,790)	(305,310)	(364,100)
2019	<u>(58,920)</u>	<u>(305,310)</u>	<u>(364,230)</u>
Total	<u>(\$235,290)</u>	<u>(\$1,221,240)</u>	<u>(\$1,456,530)</u>

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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,182,746	\$1,529,923	\$980,843

Actuarial Assumptions - STRS

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

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

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

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$9,969,052	\$6,963,530	\$4,421,869

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, all Board Members have elected Social Security. The contribution rate is 6.2 percent of wages.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 16 - Postemployment Benefits

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$16,318.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$7,505, \$5,748, and \$6,484, respectively. For fiscal year 2015, 94.14 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$0, \$29,209, and \$29,351 respectively. The full amount has been contributed for all fiscal years.

Note 17 - Long-Term Obligations

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
Governmental Activities					
2002 School Facilities Bonds:					
Original Issue of Capital Appreciation					
Bonds - 21.947%-21.861%	\$75,000	\$0	\$30,000	\$45,000	\$25,000
Accretion on Bonds	814,332	152,242	360,000	606,574	365,000
Premium on Bonds	113,594	0	37,865	75,729	0
Total 2002 School Facilities Bonds	1,002,926	152,242	427,865	727,303	390,000
2012 Advance Refunding Bonds:					
Serial Bonds - 3%	4,880,000	0	0	4,880,000	0
Net Pension Liability:					
SERS	1,797,681	0	267,758	1,529,923	0
STRS	8,294,911	0	1,331,381	6,963,530	0
Total Net Pension Liability	10,092,592	0	1,599,139	8,493,453	0
Sick Leave Benefits	475,558	66,531	0	542,089	34,633
Total Governmental Activities Long-Term Liabilities	\$16,451,076	\$218,773	\$2,027,004	\$14,642,845	\$424,633

Sick leave benefits will be paid from the fund from which the employees’ salaries are paid. These funds include the General Fund and Food Service, IDEA, Part B, Special Education, and Title I Special Revenue Funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 15.

On August 2, 2002, the School District issued \$6,600,000 in voted general obligation bonds for constructing, improving, and making additions to school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,315,000, \$2,210,000, and \$75,000, respectively. During fiscal year 2012, the School District advance refunded \$2,740,000 of the serial bonds and \$2,210,000 of the term bonds.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The advance refunded portion of the bonds, as well as the unamortized discount of these advance refunded bonds, was removed from the financial statements of the School District. The remaining outstanding bonds are being retired from Bond Retirement Debt Service Fund, with the proceeds of a 5.50 mill voted property tax levy.

The capital appreciation bonds were sold at a premium of \$567,974. The capital appreciation bonds will mature in fiscal years 2015, 2016, and 2017. The maturity amount of the bonds is \$1,170,000. For the fiscal year 2015, \$152,242 was accreted and \$360,000 was retired for a total bond value of \$651,574.

On January 10, 2012, the School District issued \$4,950,000 of general obligation refunding bonds that were issued to partially refund the 2002 school facilities construction and improvement bonds. The bonds were issued for a 15 year period with final maturity at December 1, 2026. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$445,784. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$89,157. At the date of refunding, \$5,179,555 (including underwriting fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements. On December 1, 2012, the outstanding refunded bonds were retired.

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

Fiscal Year Ending	2012 General Obligation Bonds		2002 Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2016	\$0	\$146,400	\$25,000	\$365,000
2017	0	146,400	20,000	370,000
2018	425,000	140,025	0	0
2019	440,000	127,050	0	0
2020	460,000	113,550	0	0
2021-2025	2,560,000	347,100	0	0
2026-2027	995,000	27,675	0	0
Total	<u>\$4,880,000</u>	<u>\$1,048,200</u>	<u>\$45,000</u>	<u>\$735,000</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

The overall debt margin of the School District as of June 30, 2015, was \$9,115,252, with an unvoted debt margin of \$149,300.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 18 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of school districts in seven southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2015, the School District paid \$108,796 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

The Washington County Career Center, a joint vocational school, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Joe Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2015. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 19 - Insurance Purchasing Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

The OSP's business and affairs are conducted by a thirteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

Note 20 - Set asides

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 and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior fiscal years, the School District was also required to set-aside money for textbooks.

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	110,028
Offsetting Credits	(515,790)
Total	<u>(405,762)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

The School District had offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently party to pending litigation seeking damages and/or injunctive relief.

C. School Foundation

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

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.030230%	0.030230%
School District's Proportionate Share of the Net Pension Liability	\$1,797,681	\$1,529,923
School District's Covered-Employee Payroll	\$885,857	\$889,473
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	202.93%	172.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.02862886%	0.02862886%
School District's Proportionate Share of the Net Pension Liability	\$8,294,911	\$6,963,530
School District's Covered-Employee Payroll	\$2,932,869	\$2,943,154
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	282.83%	236.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$120,634	\$122,780	\$123,103
Contributions in Relation to the Contractually Required Contribution	<u>(120,634)</u>	<u>(122,780)</u>	<u>(123,103)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$915,279	\$885,857	\$889,473
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007	2006
\$96,227	\$97,184	\$99,658	\$81,300	\$66,908	\$90,298	\$84,224
(96,227)	(97,184)	(99,658)	(81,300)	(66,908)	(90,298)	(84,224)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$715,441	\$773,141	\$736,025	\$826,216	\$681,343	\$845,487	\$796,068
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$416,049	\$381,273	\$382,610	\$329,636
Contributions in Relation to the Contractually Required Contribution	<u>(416,049)</u>	<u>(381,273)</u>	<u>(382,610)</u>	<u>(329,636)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,971,779	\$2,932,869	\$2,943,154	\$2,535,662
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$396,003	\$339,081	\$345,097	\$311,468	\$308,947	\$320,916
(396,003)	(339,081)	(345,097)	(311,468)	(308,947)	(320,916)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,046,177	\$2,608,315	\$2,654,592	\$2,395,908	\$2,376,515	\$2,468,585
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$ 19,905	\$ 19,905
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	34,251	34,251
National School Lunch Program	2014/2015	10.555	92,956	92,956
Cash Assistance Subtotal			<u>127,207</u>	<u>127,207</u>
Total Child Nutrition Cluster			<u>147,112</u>	<u>147,112</u>
Total U.S. Department of Agriculture			147,112	147,112
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct from U.S. Department of Education:</i>				
Rural Education				
	2013	84.358	10,980	10,980
	2014		28,176	28,176
	2015		20,764	20,764
Total Rural Education			<u>59,920</u>	<u>59,920</u>
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
	2014	84.010	13,292	26,498
	2015		158,879	163,833
Total Title I Grants to Local Educational Agencies			<u>172,171</u>	<u>190,331</u>
Special Education Cluster:				
Special Education - Grants to States				
	2014	84.027	2,971	13,107
	2015		74,539	75,984
Total Special Education - Grants to States			<u>77,510</u>	<u>89,091</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants				
	2015	84.173	2,118	2,118
Total Special Education Cluster			79,628	91,209
<i>Passed Through Ohio Department of Education:</i>				
Improving Teacher Quality State Grants				
	2014	84.367	7,101	7,101
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants				
	2014	84.395A	908	0
	2015		28,687	29,579
<i>Passed thorough Ohio Appalachian Collaborative:</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants				
	2014	84.395A	0	39,290
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>29,595</u>	<u>68,869</u>
Total U.S. Department of Education			<u>348,415</u>	<u>417,430</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 495,527</u>	<u>\$ 564,542</u>

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

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Wolf Creek Local School District
Washington County
P.O. Box 67
Waterford, Ohio 45786

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 23, 2016, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2016



Dave Yost • Auditor of State

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

Wolf Creek Local School District
Washington County
P.O. Box 67
Waterford, Ohio 45786

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Wolf Creek Local School District's, Washington County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Programs

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2016

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Nutrition Cluster, CFDA #'s 10.553 and 10.555 • Title I Grants to Local Educational Agencies, CFDA # 84.010 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	A material federal noncompliance citation and material weakness was issued under 2 C.F.R. Part 215.51(a) (Cash Management) for variances between grant receipts and expenditures per the support and the amounts posted to the accounting system.	Yes	N/A
2014-002	A material federal noncompliance citation and material weakness was issued under 34 C.F.R. Part 80.41(b)(4) (Reporting) because the FER for the OAC portion of the fiscal year 2014 Race to the Top grant was not submitted after the end of the project period as required.	Yes	N/A



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WOLF CREEK LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2016**