



Dave Yost • Auditor of State

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	17
Statement of Assets and Liabilities – Agency Fund.....	18
Notes to the Basic Financial Statements.....	19
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio – Last Three Fiscal Years.....	52
State Teachers Retirement System of Ohio – Last Three Fiscal Years	53
Schedule of the School District’s Contributions:	
School Employees Retirement System of Ohio – Last Ten Fiscal Years	54
State Teachers Retirement System of Ohio – Last Ten Fiscal Years	56
Notes to the Required Supplementary Information	58
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59

This page intentionally left blank.



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, the 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, 2017, 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, whether due to fraud or error.

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, 2017, 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2018

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

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, 2017. 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 2017 are as follows:

- Net position of governmental activities increased \$132,566.
- General revenues accounted for \$7,817,337 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,572,344 or 17% of total revenues of \$9,389,681.
- Total assets of governmental activities increased \$838,414, while total liabilities increased \$1,940,718.
- The School District had \$9,257,115 in expenses related to governmental activities; \$1,572,344 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$7,817,337 provided the remaining resources for these programs.
- The School District's only major fund, the General Fund, had \$7,808,170 in revenues and \$7,355,572 in expenditures. The General Fund's balance increased \$451,232.

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 Wolf Creek Local 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 at the School District's most significant funds with all other non-major funds presented in total in one column.

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 2017?" The

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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 9. 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 only 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.

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 2017 compared to 2016.

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Table 1
Net Position

	Governmental Activities		
	2017	2016	Change
Assets			
Current and Other Assets	\$17,088,598	\$15,881,466	\$1,207,132
Capital Assets, Net	7,265,626	7,634,344	(368,718)
<i>Total Assets</i>	<u>24,354,224</u>	<u>23,515,810</u>	<u>838,414</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	69,540	44,578	24,962
Pension	2,250,621	955,625	1,294,996
<i>Total Deferred Outflows of Resources</i>	<u>2,320,161</u>	<u>1,000,203</u>	<u>1,319,958</u>
Liabilities			
Current and Other Liabilities	781,679	765,433	16,246
Long-term Liabilities:			
Due within One Year	475,076	392,089	82,987
Due in More Than One Year:			
Net Pension Liability	11,912,107	9,593,289	2,318,818
Other Amounts	4,869,871	5,347,204	(477,333)
<i>Total Liabilities</i>	<u>18,038,733</u>	<u>16,098,015</u>	<u>1,940,718</u>
Deferred Inflows of Resources			
Property Taxes	5,914,498	5,217,011	697,487
Pension	55,245	667,644	(612,399)
<i>Total Deferred Inflows of Resources</i>	<u>5,969,743</u>	<u>5,884,655</u>	<u>85,088</u>
Net Position			
Net Investment in Capital Assets	2,470,166	2,778,922	(308,756)
Restricted	657,595	834,080	(176,485)
Unrestricted	(461,852)	(1,079,659)	617,807
<i>Total Net Position</i>	<u>\$2,665,909</u>	<u>\$2,533,343</u>	<u>\$132,566</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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.

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*

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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.

GASB 68 requires the net pension liability to equal 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.

Total assets of governmental activities increased \$838,414. Current assets increased by \$1,207,132 primarily due to an increase in property taxes receivables of \$1,096,075. This increase was offset by a decrease in capital assets of \$368,718, due to current year depreciation exceeding capital asset additions.

Total liabilities increased \$1,940,718. The \$2,318,818 increase in net pension liability accounts for the majority of the increase. Intergovernmental payables and vacation benefits payables also increased by \$53,209 and \$13,154. The largest decrease was in other amounts due in one year of \$477,333.

Wolf Creek Local School District, Ohio*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, and comparisons to fiscal year 2016.

Table 2
Changes in Net Position

	Governmental Activities		
	2017	2016	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,026,035	\$951,567	\$74,468
Operating Grants, Contributions and Interest	546,309	640,796	(94,487)
Total Program Revenues	<u>1,572,344</u>	<u>1,592,363</u>	<u>(20,019)</u>
General Revenues:			
Property Taxes	5,700,167	5,080,518	619,649
Grants and Entitlements	1,970,264	2,045,150	(74,886)
Investment Earnings	46,470	150,241	(103,771)
Donations	9,050	2,710	6,340
Miscellaneous	91,386	12,327	79,059
Gain on Sale of Capital Assets	0	1,794	(1,794)
Total General Revenues	<u>7,817,337</u>	<u>7,292,740</u>	<u>524,597</u>
Total Revenues	<u>9,389,681</u>	<u>8,885,103</u>	<u>504,578</u>
Program Expenses			
Instruction:			
Regular	3,958,541	3,683,655	274,886
Special	1,269,036	1,044,148	224,888
Vocational	149,903	205,396	(55,493)
Support Services:			
Pupils	440,909	397,261	43,648
Instructional Staff	211,346	198,853	12,493
Board of Education	71,227	31,527	39,700
Administration	639,869	625,140	14,729
Fiscal	504,892	406,955	97,937
Operation and Maintenance of Plant	733,229	575,455	157,774
Pupil Transportation	452,259	418,371	33,888
Central	4,440	3,380	1,060
Operation of Non-Instructional Services:			
Food Service Operations	314,873	244,447	70,426
Other	6,339	15,006	(8,667)
Extracurricular Activities	384,149	382,400	1,749
Intergovernmental	750	0	750
Interest and Fiscal Charges	115,353	295,464	(180,111)
Total Expenses	<u>9,257,115</u>	<u>8,527,458</u>	<u>729,657</u>
Change in Net Position	<u>132,566</u>	<u>357,645</u>	<u>(225,079)</u>
Net Position Beginning of Year	<u>2,533,343</u>	<u>2,175,698</u>	<u>357,645</u>
Net Position End of Year	<u>\$2,665,909</u>	<u>\$2,533,343</u>	<u>\$132,566</u>

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

From fiscal year 2016 to fiscal year 2017, total revenues increased \$504,578. Total expenses also increased \$729,657. This resulted in an increase in net position of \$132,566.

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.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017	2017	2016	2016
Program Expenses				
Instruction:				
Regular	\$3,958,541	\$3,361,410	\$3,683,655	\$3,083,648
Special	1,269,036	840,493	1,044,148	625,429
Vocational	149,903	141,947	205,396	196,805
Support Services:				
Pupils	440,909	423,421	397,261	387,797
Instructional Staff	211,346	207,438	198,853	188,011
Board of Education	71,227	71,227	31,527	31,527
Administration	639,869	639,444	625,140	625,140
Fiscal	504,892	504,892	406,955	406,955
Operation and Maintenance of Plant	733,229	732,552	575,455	554,457
Pupil Transportation	452,259	450,524	418,371	405,480
Central	4,440	4,440	3,380	3,380
Operation of Non-Instructional Services:				
Food Service Operations	314,873	36,769	244,447	(9,678)
Other	6,339	2,566	15,006	8,556
Extracurricular Activities	384,149	151,545	382,400	132,124
Intergovernmental	750	750		
Interest and Fiscal Charges	115,353	115,353	295,464	295,464
Total	<u>\$9,257,115</u>	<u>\$7,684,771</u>	<u>\$8,527,458</u>	<u>\$6,935,095</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. Over 83% of program expenses are supported through taxes and other general revenues.

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

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 \$9,239,978 and expenditures of \$8,810,537. The General Fund's fund balance increased \$451,232 from 2016 due to several large increases in revenues and less increases in expenditures compared to the prior year. General Fund property taxes alone increased \$315,068, along with tuition and fees and miscellaneous revenues.

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 2017, 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.

For the General Fund, budget basis revenue was \$7,724,877, below final estimates of \$7,828,000. The difference was the result of overestimating taxes offset by underestimating donations, investment earnings, and tuition and fees. Final estimated revenues were higher than the original estimates of \$7,059,625. Final appropriations were increased \$63,277 from original appropriations. Actual expenditures were below final appropriations of \$7,552,737 by \$103,859. The School District's ending General Fund balance was \$9,054,469.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the School District had \$2,470,166 invested (net of related debt) in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to 2016.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	\$19,171	\$19,171
Buildings and Improvements	7,009,324	7,311,009
Furniture and Equipment	117,199	148,399
Vehicles	119,932	155,765
Totals	<u>\$7,265,626</u>	<u>\$7,634,344</u>

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

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

Debt

At June 30, 2017, the School District had \$4,865,000 in bonds outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2017	2016
2002 School Facilities Bonds:		
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	\$0	\$20,000
Accretion on Capital Appreciation Bonds	0	339,353
Premium on Capital Appreciation Bonds	0	37,864
2012 School Facilities Refunding		
Serial Bonds - 3%	0	4,880,000
2016 School Facilities Refunding		
Term Bonds - 1.910%	4,865,000	0
Total General Obligation Bonds	<u>\$4,865,000</u>	<u>\$5,277,217</u>

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

ECONOMIC FACTORS

As the preceding information shows, the School District relies on its taxpayers. The School District only receives 21% support from the State. During 2017, the School District has 38.14% of its student population in economic disadvantage. Therefore, the School District received an additional \$35,452.50 from the State. The future outlook for Wolf Creek Local School will have adjustments in spending with the closing of the American Electric Power Plant (AEP) in calendar year 2015. During 2017, 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 2021.

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, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,244,839
Cash and Cash Equivalents in Segregated Accounts	2,347
Accounts Receivable	11,208
Intergovernmental Receivable	222,968
Inventory Held for Resale	1,812
Materials and Supplies Inventory	8,798
Prepaid Items	91,867
Property Taxes Receivable	6,504,759
Nondepreciable Capital Assets	19,171
Depreciable Capital Assets, Net	<u>7,246,455</u>
<i>Total Assets</i>	<u>24,354,224</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	69,540
Pension	<u>2,250,621</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,320,161</u>
Liabilities	
Accounts Payable	28,749
Accrued Wages and Benefits Payable	498,308
Accrued Interest Payable	7,743
Vacation Benefits Payable	33,843
Intergovernmental Payable	213,036
Long-Term Liabilities:	
Due Within One Year	475,076
Due In More Than One Year:	
Net Pension Liability (See Note 15)	11,912,107
Other Amounts Due in More Than One Year	<u>4,869,871</u>
<i>Total Liabilities</i>	<u>18,038,733</u>
Deferred Inflows of Resources	
Property Taxes	5,914,498
Pension	<u>55,245</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,969,743</u>
Net Position	
Net Investment in Capital Assets	2,470,166
Restricted for:	
Debt Service	510,537
Student Activities	126,591
Other Purposes	20,467
Unrestricted (Deficit)	<u>(461,852)</u>
<i>Total Net Position</i>	<u>\$2,665,909</u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$3,958,541	\$589,207	\$7,924	(\$3,361,410)
Special	1,269,036	92,414	336,129	(840,493)
Vocational	149,903	0	7,956	(141,947)
Support Services:				
Pupils	440,909	0	17,488	(423,421)
Instructional Staff	211,346	0	3,908	(207,438)
Board of Education	71,227	0	0	(71,227)
Administration	639,869	0	425	(639,444)
Fiscal	504,892	0	0	(504,892)
Operation and Maintenance of Plant	733,229	677	0	(732,552)
Pupil Transportation	452,259	0	1,735	(450,524)
Central	4,440	0	0	(4,440)
Operation of Non-Instructional Services:				
Food Service Operations	314,873	112,731	165,373	(36,769)
Other	6,339	0	3,773	(2,566)
Extracurricular Activities	384,149	231,006	1,598	(151,545)
Intergovernmental	750	0	0	(750)
Interest and Fiscal Charges	115,353	0	0	(115,353)
Totals	\$9,257,115	\$1,026,035	\$546,309	(7,684,771)
General Revenues				
Property Taxes Levied for:				
General Purposes				5,177,490
Debt Service				522,677
Grants and Entitlements not Restricted to Specific Programs				1,970,264
Investment Earnings				46,470
Donations not Restricted to Specific Programs				9,050
Miscellaneous				91,386
Total General Revenues				7,817,337
Change in Net Position				132,566
Net Position Beginning of Year				2,533,343
Net Position End of Year				\$2,665,909

See accompanying notes to the basic financial statements

Wolf Creek Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,053,461	\$1,191,378	\$10,244,839
Cash and Cash Equivalents in Segregated Accounts	0	2,347	2,347
Receivables:			
Property Taxes	5,928,163	576,596	6,504,759
Accounts	3,508	7,700	11,208
Intergovernmental	62,043	160,925	222,968
Interfund	110,888	0	110,888
Prepaid Items	86,525	5,342	91,867
Inventory Held for Resale	0	1,812	1,812
Materials and Supplies Inventory	8,764	34	8,798
<i>Total Assets</i>	<u>\$15,253,352</u>	<u>\$1,946,134</u>	<u>\$17,199,486</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$20,117	\$8,632	\$28,749
Accrued Wages and Benefits Payable	459,118	39,190	498,308
Intergovernmental Payable	209,763	3,273	213,036
Interfund Payable	0	110,888	110,888
<i>Total Liabilities</i>	<u>688,998</u>	<u>161,983</u>	<u>850,981</u>
Deferred Inflows of Resources			
Property Taxes	5,390,896	523,602	5,914,498
Unavailable Revenue	448,085	90,205	538,290
<i>Total Deferred Inflows of Resources</i>	<u>5,838,981</u>	<u>613,807</u>	<u>6,452,788</u>
Fund Balances			
Nonspendable	95,289	5,376	100,665
Restricted	0	632,793	632,793
Committed	10,756	14,981	25,737
Assigned	715,288	552,515	1,267,803
Unassigned (Deficit)	7,904,040	(35,321)	7,868,719
<i>Total Fund Balances</i>	<u>8,725,373</u>	<u>1,170,344</u>	<u>9,895,717</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$15,253,352</u>	<u>\$1,946,134</u>	<u>\$17,199,486</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, 2017*

Total Governmental Fund Balances		\$9,895,717
<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.		7,265,626
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	458,358	
Extracurricular Activities	1,469	
Intergovernmental Revenue	47,013	
Miscellaneous Revenue	31,450	538,290
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.		(7,743)
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.		(33,843)
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		69,540
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	2,250,621	
Deferred Inflows - Pension	(55,245)	
Net Pension Liability	(11,912,107)	(9,716,731)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Refunding Bonds	(4,865,000)	
Sick Leave Benefits Payable	(479,947)	(5,344,947)
Net Position of Governmental Activities		\$2,665,909

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, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$4,836,636	\$495,710	\$5,332,346
Intergovernmental	2,122,306	581,205	2,703,511
Investment Earnings	99,009	9,075	108,084
Charges for Services	0	112,731	112,731
Tuition and Fees	682,328	0	682,328
Extracurricular Activities	0	230,383	230,383
Donations	10,051	100	10,151
Miscellaneous	57,840	2,604	60,444
<i>Total Revenues</i>	<u>7,808,170</u>	<u>1,431,808</u>	<u>9,239,978</u>
Expenditures			
Current:			
Instruction:			
Regular	3,435,680	2,148	3,437,828
Special	905,507	325,856	1,231,363
Vocational	138,891	0	138,891
Support Services:			
Pupils	386,468	29,380	415,848
Instructional Staff	205,176	1,800	206,976
Board of Education	71,227	0	71,227
Administration	600,751	713	601,464
Fiscal	413,065	14,115	427,180
Operation and Maintenance of Plant	628,704	0	628,704
Pupil Transportation	398,131	0	398,131
Central	4,440	0	4,440
Operation of Non-Instructional Services	0	277,575	277,575
Extracurricular Activities	154,307	209,416	363,723
Capital Outlay	12,475	52,861	65,336
Intergovernmental	750	0	750
Debt Service:			
Principal	0	35,000	35,000
Interest on Capital Appreciation Bonds	0	370,000	370,000
Interest and Fiscal Charges	0	74,941	74,941
Issuance Costs	0	61,160	61,160
<i>Total Expenditures</i>	<u>7,355,572</u>	<u>1,454,965</u>	<u>8,810,537</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>452,598</u>	<u>(23,157)</u>	<u>429,441</u>
Other Financing Sources			
Refunding Bonds Issued	0	4,880,000	4,880,000
Payment to Refunded Bond Escrow Agent	0	(4,957,267)	(4,957,267)
Transfers In	53	1,419	1,472
Transfers Out	(1,419)	(53)	(1,472)
Total Other Financing Sources (Uses)	<u>(1,366)</u>	<u>(75,901)</u>	<u>(77,267)</u>
<i>Net Change in Fund Balance</i>	451,232	(99,058)	352,174
<i>Fund Balances Beginning of Year</i>	<u>8,274,141</u>	<u>1,269,402</u>	<u>9,543,543</u>
<i>Fund Balances End of Year</i>	<u>\$8,725,373</u>	<u>\$1,170,344</u>	<u>\$9,895,717</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, 2017*

Net Change in Fund Balances - Total Governmental Funds \$352,174

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

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

Capital Asset Additions	17,011	
Depreciation Expense	<u>(385,729)</u>	(368,718)

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

Delinquent Property Taxes	367,821	
Investment Earnings	(61,510)	
Extracurricular Activities	623	
Student Fees and Sales	(30)	
Intergovernmental Revenues	(188,143)	
Miscellaneous	<u>30,942</u>	149,703

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 35,000

Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities:

School Construction Refunding Bonds		(4,880,000)
-------------------------------------	--	-------------

Payment to refunded bond escrow agent is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position 4,957,267

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	(30,647)	
Accrued Interest Payable	4,676	
Interest on Capital Appreciation Bonds	370,000	
Amortization of Deferred Charge on Refunding	(52,305)	
Bond Premium	<u>37,864</u>	329,588

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows 552,684

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities (964,107)

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	(13,154)	
Sick Leave Benefits Payable	<u>(17,871)</u>	<u>(31,025)</u>

Change in Net Position of Governmental Activities \$132,566

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, 2017*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$4,462,000	\$4,947,648	\$4,807,870	(\$139,778)
Intergovernmental	1,978,000	2,193,287	2,140,171	(53,116)
Investment Earnings	60,000	66,530	99,070	32,540
Tuition and Fees	557,600	618,290	667,894	49,604
Donations	0	0	9,050	9,050
Miscellaneous	2,025	2,245	822	(1,423)
<i>Total Revenues</i>	<u>7,059,625</u>	<u>7,828,000</u>	<u>7,724,877</u>	<u>(103,123)</u>
Expenditures				
Current:				
Instruction:				
Regular	3,453,957	3,483,139	3,435,242	47,897
Special	907,371	915,038	902,454	12,584
Vocational	144,638	145,860	143,854	2,006
Support Services:				
Pupils	385,090	388,343	383,003	5,340
Instructional Staff	208,720	210,483	207,589	2,894
Board of Education	85,148	85,868	84,687	1,181
Administration	614,720	619,913	611,389	8,524
Fiscal	470,228	474,201	467,680	6,521
Operation and Maintenance of Plant	649,383	654,869	645,864	9,005
Pupil Transportation	405,694	409,122	403,496	5,626
Central	4,464	4,502	4,440	62
Extracurricular Activities	146,512	147,750	145,718	2,032
Capital Outlay	12,781	12,889	12,712	177
Intergovernmental	754	760	750	10
<i>Total Expenditures</i>	<u>7,489,460</u>	<u>7,552,737</u>	<u>7,448,878</u>	<u>103,859</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(429,835)</u>	<u>275,263</u>	<u>275,999</u>	<u>736</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	34,783	34,783	0
Transfers Out	0	(1,419)	(1,419)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>33,364</u>	<u>33,364</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(429,835)	308,627	309,363	736
<i>Fund Balance Beginning of Year</i>	8,641,233	8,641,233	8,641,233	0
Prior Year Encumbrances Appropriated	103,873	103,873	103,873	0
<i>Fund Balance End of Year</i>	<u>\$8,315,271</u>	<u>\$9,053,733</u>	<u>\$9,054,469</u>	<u>\$736</u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio

Statement of Assets and Liabilities

Agency Fund

June 30, 2017

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$46,230</u></u>
Liabilities	
Due to Students	<u><u>\$46,230</u></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, 2017*

Note 1 - Description of the School District and Reporting Entity

Wolf Creek Local 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 32 classified employees and 48 certificated full-time teaching personnel who provide services to 583 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 Wolf Creek Local 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 Metropolitan Educational Technology Association, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Benefits Cooperative, 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 Wolf Creek Local 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, 2017*

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, 2017*

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, 2017*

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, 2017, but which were levied to finance fiscal year 2018 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, extracurricular activities, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. 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, 2017

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 2017, 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 2017 amounted to \$99,009, which includes \$1,124 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, 2017, 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.

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).

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Donated fixed assets are recorded at their acquisition 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, 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. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

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.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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.

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. State statute authorizes the

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned the fund balance to cover a gap between estimated revenues and appropriations in fiscal year 2018's appropriated budget.

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.

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.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 - Change in Accounting Principle

For fiscal year 2017, the School District implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Fund Deficits

The Federal Grants Special Revenue Fund had a deficit fund balance as of June 30, 2017, of \$32,221 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:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

<u>Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Prepays	\$86,525	\$5,342	\$91,867
Materials and Supplies Inventory	8,764	34	8,798
<i>Total Nonspendable</i>	<u>95,289</u>	<u>5,376</u>	<u>100,665</u>
Restricted for:			
Local Grant Expenditures	0	866	866
State Grant Expenditures	0	4,010	4,010
Race to the Top Program	0	8	8
Food Service Operations	0	23,100	23,100
Athletic and Music Programs	0	124,872	124,872
Debt Service	0	479,937	479,937
<i>Total Restricted</i>	<u>0</u>	<u>632,793</u>	<u>632,793</u>
Committed:			
Purchases on Order	10,756	14,981	25,737
<i>Total Committed</i>	<u>10,756</u>	<u>14,981</u>	<u>25,737</u>
Assigned to:			
Capital Improvements	0	552,515	552,515
Purchases on Order	69,123	0	69,123
Public School Support	8,259	0	8,259
Fiscal Year 2018 Appropriations	637,906	0	637,906
<i>Total Assigned</i>	<u>715,288</u>	<u>552,515</u>	<u>1,267,803</u>
Unassigned (Deficit):	7,904,040	(35,321)	7,868,719
<i>Total Fund Balances</i>	<u>\$8,725,373</u>	<u>\$1,170,344</u>	<u>\$9,895,717</u>

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).

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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	\$451,232
Revenue Accruals	17,783
Expenditure Accruals	11,286
Beginning:	
Unreported Interest	55,847
Prepaid Items	74,015
Ending:	
Unreported Interest	(1,640)
Prepaid Items	(86,525)
Advances to Other Funds for Cash Deficits	(110,888)
To reclassify excess of expenditures over revenues into financial statement fund types	(1,766)
Encumbrances	<u>(99,981)</u>
Budget Basis	<u><u>\$309,363</u></u>

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations or political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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 \$8,470,867. \$5,478,003 was covered by Federal depository insurance; \$2,992,864 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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Money Market Mutual Funds	\$44,715	One day	AAAm	2.37%
Federal Farm Credit Bank Bonds	847,093	Less than two years	AA+	44.93%
Federal Home Loan Bank Bonds	<u>993,580</u>	Less than five years	AA+	52.70
Total Investments	<u>\$1,885,388</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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, 2017*

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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 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, 2017, 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, 2017, was \$117,252 in the General Fund and \$14,651 in the Bond Retirement Fund. The amount available as an advance at June 30, 2016, was \$88,486 in the General Fund and \$12,650 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, 2017*

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$49,505,290	33.49%	\$55,378,560	32.82%
Commerical/Industrial and Public Utility Real	17,762,010	12.01%	9,123,830	5.41%
Public Utility Personal	80,569,740	54.50%	104,229,090	61.77%
	<u>\$147,837,040</u>	<u>100.00%</u>	<u>\$168,731,480</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$40.83	\$39.73	

Note 9 - Receivables

Receivables at June 30, 2017, 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. The delinquent property taxes amounted to \$458,358.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Part B Idea	\$106,758
Title I	51,392
School Employees Retirement System	25,892
Foundation Adjustments	13,813
Washington County Job and Family Services	10,656
Workers' Comp. Refund	9,410
Battelle for Kids	3,144
Medicaid	1,903
Total	<u>\$222,968</u>

Note 10 - Interfund Activity

A. Transfers

The General Fund made transfers to the Student Activities and the Federal Grants Special Revenue Funds in the amounts of \$1,250 and \$169, respectively, to supplement the programs.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The General Fund also received a transfer from the Student Activities Fund in the amount of \$53.

B. Interfund Balances

Unpaid interfund cash advances at June 30, 2017, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$110,888	\$0
Nonmajor Special Revenue Funds:		
Miscellaneous Federal Grants	<u>0</u>	<u>110,888</u>
Total All Funds	<u>\$110,888</u>	<u>\$110,888</u>

The Federal Grants Special Revenue Fund owes the General Fund \$110,888 at fiscal year end for cash deficits. Once grant monies are received, the liability will be repaid.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>6/30/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2017</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$19,171	\$0	\$0	\$19,171
Depreciable Capital Assets:				
Buildings and Improvements	11,159,217	15,544	0	11,174,761
Furniture and Equipment	1,461,440	1,467	0	1,462,907
Vehicles	1,004,494	0	0	1,004,494
Total Capital Assets being Depreciated	<u>13,625,151</u>	<u>17,011</u>	<u>0</u>	<u>13,642,162</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,848,208)	(317,229)	0	(4,165,437)
Furniture and Equipment	(1,313,041)	(32,667)	0	(1,345,708)
Vehicles	(848,729)	(35,833)	0	(884,562)
Total Accumulated Depreciation	<u>(6,009,978)</u>	<u>(385,729)</u> *	<u>0</u>	<u>(6,395,707)</u>
Total Capital Assets being Depreciated, Net	<u>7,615,173</u>	<u>(368,718)</u>	<u>0</u>	<u>7,246,455</u>
Capital Assets, Net	<u>\$7,634,344</u>	<u>(\$368,718)</u>	<u>\$0</u>	<u>\$7,265,626</u>

* Depreciation expense was charged to governmental functions as follows:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Instruction:	
Regular	\$313,615
Special	3,167
Vocational	2,943
Support Services:	
Pupils	625
Fiscal	147
Operation and Maintenance of Plant	14,550
Pupil Transportation	37,235
Food Service Operations	2,818
Extracurricular Activities	<u>10,629</u>
Total Depreciation Expense	<u><u>\$385,729</u></u>

Note 12 - Significant Commitments

A. Contractual Commitments

As of June 30, 2017, the School District had contractual purchase commitments as follows:

	<u>Purchase</u> <u>Commitments</u>	<u>Amounts</u> <u>Paid as of</u> <u>6/30/2017</u>	<u>Amount</u> <u>Remaining</u> <u>on Contract</u>
Paving Project:			
Permanent Improvement Capital Projects Fund	<u>\$14,981</u>	<u>\$0</u>	<u>\$14,981</u>
AC Units			
General Fund	<u>10,756</u>	<u>0</u>	<u>10,756</u>
Total	<u><u>\$25,737</u></u>	<u><u>\$0</u></u>	<u><u>\$25,737</u></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	\$100,131
Nonmajor Funds	<u>40,301</u>
Total	<u><u>\$140,432</u></u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 Wright Specialty Insurance school insurance program, a public entity insurance purchasing pool. Each individual school district enters into an agreement with Wright Specialty Insurance 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 Wright Specialty Insurance .

The types and amounts of coverage provided by Wright Specialty Insurance are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$30,144,705
Crime (\$1,000 deductible):	
Employee Theft	100,000
Forgery or Alteration	100,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	1,000,000
Personal and Advertising Injury	1,000,000
General Aggregate Limit	3,000,000
Completed Operations Aggregate Limit	3,000,000
Employers' - Stop Gap - Bodily Injury	1,000,000
Educational Legal - Errors and Omissions:	
Injury Limit	1,000,000
Aggregate Limit	3,000,000
Automobile Liability:	
Liability	1,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

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 2016.

B. Worker's Compensation

For fiscal year 2017, 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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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.

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. The School District pays ninety percent of the total monthly premiums of \$1,384.81 for family coverage, \$868.92 for employee with children coverage, \$950.36 for two adults' coverage, and \$543.07 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 Delta Dental. The School District also pays ninety percent of the total monthly premiums of \$76.35 for family coverage and \$25.41 for single coverage.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2017

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	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$130,371 for fiscal year 2017. Of this amount, \$12,285 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$422,313 for fiscal year 2017. Of this amount, \$88,300 is reported as an intergovernmental payable.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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, 2016, 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>	
Proportion of the Net Pension Liability Prior Measurement Date	0.03033340%	0.02844888%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.02978230%</u>	<u>0.02907511%</u>	
Change in Proportionate Share	<u>-0.00055110%</u>	<u>0.00062623%</u>	
Proportionate Share of the Net Pension Liability	\$2,179,791	\$9,732,316	<u>Total</u> \$11,912,107
Pension Expense	\$220,218	\$743,889	\$964,107

At June 30, 2017, 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	\$29,401	\$393,232	\$422,633
Changes of assumptions	145,513	0	145,513
Net difference between projected and actual earnings on pension plan investments	179,801	808,044	987,845
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	3,115	138,831	141,946
School District contributions subsequent to the measurement date	<u>130,371</u>	<u>422,313</u>	<u>552,684</u>
Total Deferred Outflows of Resources	<u>\$488,201</u>	<u>\$1,762,420</u>	<u>\$2,250,621</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>\$21,617</u>	<u>\$33,628</u>	<u>\$55,245</u>

\$552,684 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$82,279	\$213,697	\$295,976
2019	82,148	213,697	295,845
2020	120,100	523,765	643,865
2021	<u>51,686</u>	<u>355,320</u>	<u>407,006</u>
Total	<u>\$336,213</u>	<u>\$1,306,479</u>	<u>\$1,642,692</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.

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, 2016, compared with June 30, 2015, are presented below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments	7.75 percent net of investments
	expense, including inflation	expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

The long-term return expectation for the Pension Plan Investments has been determined 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$2,885,906	\$2,179,791	\$1,588,741

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
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 commences 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	10 Year Expected Nominal 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>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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	\$12,933,457	\$9,732,316	\$7,031,965

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, 2017, all Board Members except one have elected Social Security. The contribution rate is 6.2 percent of wages.

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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 2017, the School District's surcharge obligation was \$15,984.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$15,984, \$15,582, and \$7,505, respectively. The full amount has been contributed for fiscal year 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 6/30/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities					
2002 School Facilities Bonds:					
Original Issue of Capital Appreciation					
Bonds - 21.947%-21.861%	\$20,000	\$0	\$20,000	\$0	\$0
Accretion on Bonds	339,353	30,647	370,000	0	0
Premium on Bonds	37,864	0	37,864	0	0
Total 2002 School Facilities Bonds	<u>397,217</u>	<u>30,647</u>	<u>427,864</u>	<u>0</u>	<u>0</u>
2012 Advance Refunding Bonds:					
Serial Bonds - 3%	<u>4,880,000</u>	<u>0</u>	<u>4,880,000</u>	<u>0</u>	<u>0</u>
2016 Advance Refunding Bonds:					
Term Bonds - 1,910%	<u>0</u>	<u>4,880,000</u>	<u>15,000</u>	<u>4,865,000</u>	<u>445,000</u>
Net Pension Liability:					
SERS	1,730,852	448,939	0	2,179,791	0
STRS	7,862,437	1,869,879	0	9,732,316	0
Total Net Pension Liability	<u>9,593,289</u>	<u>2,318,818</u>	<u>0</u>	<u>11,912,107</u>	<u>0</u>
Sick Leave Benefits	<u>462,076</u>	<u>42,838</u>	<u>24,967</u>	<u>479,947</u>	<u>30,076</u>
Total Governmental Activities Long-Term Liabilities	<u>\$15,332,582</u>	<u>\$7,272,303</u>	<u>\$5,347,831</u>	<u>\$17,257,054</u>	<u>\$475,076</u>

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, Food Service, and Federal Grant Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund and the Food Service and Federal Grants Special Revenue Funds. 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. 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 were retired from Bond Retirement Debt Service Fund, with the proceeds of a 5.50 mill voted property tax levy.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The capital appreciation bonds were sold at a premium of \$567,974. Some of the capital appreciation bonds matured in fiscal years 2015 and 2016. Final maturity was in fiscal year 2017. For the fiscal year 2017, \$30,647 was accreted and \$370,000 was retired.

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 2017 was \$44,578. 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. The refunding bonds were refunded in fiscal year 2017.

On August 11, 2016, the School District issued \$4,880,000 in general obligation refunding bonds with an interest rate of 1.910 percent. The proceeds were used to current refund \$4,880,000 of outstanding Series 2012 general obligation refunding bonds, which had an interest rate of 3 percent. The net proceeds of \$4,957,267 (after payment of \$61,160 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the debt service payment on the refunded bonds. As a result, \$4,880,000 of the Series 2012 bonds are considered defeased and the liabilities for those bonds have been removed from the Statement of Net Position.

The reacquisition price exceeded the net carrying amount of the old debt by \$77,267. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The School District refunded the Series 2012 bonds to reduce its total debt service payments over 10 years by \$326,957 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$184,926.

The term bonds are subject to redemption at the option of the School District, in whole, on or after December 1, 2016 on any date that is thirty days after notice of call for redemption, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Principal and interest requirements to retire the refunding bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending	2016 General Obligation Bonds	
	Principal	Interest
2018	\$445,000	\$88,672
2019	455,000	80,077
2020	470,000	71,243
2021	485,000	62,123
2022	495,000	52,764
2023-2027	2,515,000	116,558
Total	<u>\$4,865,000</u>	<u>\$471,437</u>

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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, 2017, was \$10,793,360, with an unvoted debt margin of \$168,649.

Note 18 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2017, the School District paid \$52,565 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

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 over 130 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 2017.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 Benefits Cooperative

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The School District participates in the first option. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

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.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

	Capital Improvements
Set-aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	110,326
Offsetting Credits	(493,709)
Total	<u>(\$383,383)</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.

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, 2017, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional 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 Four Fiscal Years (1)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0297823%	0.0303334%	0.030230%	0.030230%
School District's Proportionate Share of the Net Pension Liability	\$2,179,791	\$1,730,852	\$1,797,681	\$1,529,923
School District's Covered Payroll	\$945,664	\$915,281	\$885,859	\$889,473
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.50%	189.11%	202.93%	172.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined 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 Four Fiscal Years (1)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02907511%	0.02844888%	0.02862886%	0.02862886%
School District's Proportionate Share of the Net Pension Liability	\$9,732,316	\$7,862,437	\$8,294,911	\$6,963,650
School District's Covered Payroll	\$3,088,257	\$2,971,779	\$2,932,869	\$2,943,154
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	315.14%	264.57%	282.83%	236.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined 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 Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$130,371	\$132,393	\$120,634	\$122,780
Contributions in Relation to the Contractually Required Contribution	<u>(130,371)</u>	<u>(132,393)</u>	<u>(120,634)</u>	<u>(122,780)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered Payroll	\$931,221	\$945,664	\$915,281	\$885,859
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$123,103	\$96,227	\$97,184	\$99,658	\$81,300	\$66,908
<u>(123,103)</u>	<u>(96,227)</u>	<u>(97,184)</u>	<u>(99,658)</u>	<u>(81,300)</u>	<u>(66,908)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$889,473	\$715,441	\$773,141	\$736,025	\$826,216	\$681,343
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$422,313	\$432,356	\$416,049	\$381,273
Contributions in Relation to the Contractually Required Contribution	<u>(422,313)</u>	<u>(432,356)</u>	<u>(416,049)</u>	<u>(381,273)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,016,521	\$3,088,257	\$2,971,779	\$2,932,869
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$382,610	\$329,636	\$396,003	\$339,081	\$345,097	\$311,468
<u>(382,610)</u>	<u>(329,636)</u>	<u>(396,003)</u>	<u>(339,081)</u>	<u>(345,097)</u>	<u>(311,468)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,943,154	\$2,535,662	\$3,046,177	\$2,608,315	\$2,654,592	\$2,395,908
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Wolf Creek Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.



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, the 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, 2017 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 February 22, 2018.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2018



Dave Yost • Auditor of State

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 13, 2018