

**WOLF CREEK LOCAL SCHOOL DISTRICT**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

*Wolfe, Wilson, & Phillips, Inc.*  
*37 South Seventh Street*  
*Zanesville, Ohio 43701*





**Auditor of State  
Betty Montgomery**

Board of Education  
Wolf Creek Local School District  
PO Box 67  
Waterford, Ohio 45786

We have reviewed the *Independent Auditors' Report* of the Wolf Creek Local School District, Washington County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2004 to June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 11, 2006

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**WOLF CREEK LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Wolf Creek Local School District  
Waterford, Ohio 45786

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2005, on our consideration of Wolf Creek Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine of the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
October 28, 2005

**WOLF CREEK LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**JUNE 30, 2005**

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## **Wolf Creek Local School District, Ohio**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*Unaudited*

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The discussion and analysis of the Wolf Creek Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

**Key financial highlights for the fiscal year 2005 are as follows:**

- Net assets of governmental activities increased \$739,710.
- General revenues accounted for \$5,697,691 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,060,112 or 16% of total revenues of \$6,757,803.
- Total assets of governmental activities only increased \$327,978 as cash decreased \$1,486,845, investments decreased \$989,293, capital assets decreased \$108,435, and taxes receivable increased \$33,790 due to the increased property tax valuation mainly from increased assessed values as a result of the completion of the sexennial valuation.
- The School District had \$6,018,093 in expenses related to governmental activities; \$1,060,112 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$5,697,691 provided remaining funds for these programs.
- The School District has three major funds; the General Fund, Bond Retirement, and the Building Capital Projects Fund. The General Fund had \$4,336,334 in revenues and \$3,294,187 in expenditures. The General Fund's balance increased \$741,324. The Bond Retirement Fund accounted for activity related to the \$6,600,000 in general obligation bonds for construction, including bond issuance costs, premiums, and discounts on serial, term, and capital appreciation bonds. The Building Capital Projects Fund had \$18,353 in revenues and \$26,503 in capital expenditures. The Building Capital Projects Fund's balance decreased by \$8,150.

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

## **Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*Unaudited*

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

#### *Statement of New Assets 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 2005?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. 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 Assets 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 funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement Fund, and the Building Capital Projects 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

Table 1  
Net Assets

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Current and Other Assets	\$6,678,745	\$6,242,332
Capital Assets	<u>7,563,240</u>	<u>7,671,675</u>
Total Assets	<u>14,241,985</u>	<u>13,914,007</u>
<b>Liabilities</b>		
Long-term Liabilities	7,278,133	7,340,661
Other Liabilities	<u>3,734,144</u>	<u>4,083,348</u>
Total Liabilities	<u>11,012,277</u>	<u>11,424,009</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,805,436	1,859,533
Restricted	1,076,948	1,172,524
Unrestricted (Deficit)	<u>347,324</u>	<u>(542,059)</u>
Total Net Assets	<u>\$3,229,708</u>	<u>\$2,489,998</u>

Total assets increased \$327,978. The increase in current assets reflects the additional collection of in excess of \$1,000,000 in property taxes due to the new utility company beginning production and property valuation increases. Long-term liabilities decreased due to the first principal payment on the outstanding school improvement bonds in fiscal year 2005. The decrease of \$349,204 in other liabilities is mainly due to decreases in completed contracts and retainage of \$309,532.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

Table 2  
Changes in Net Assets

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$388,650	\$363,478
Operating Grants, Contributions and Interest	658,202	654,203
Capital Grants and Contributions	13,260	7,025
Total Program Revenues	<u>1,060,112</u>	<u>1,024,706</u>
General Revenues:		
Property Taxes	3,491,213	2,349,227
Payments in Lieu of Taxes	50,000	50,000
Grants and Entitlements	2,090,079	2,134,770
Investment Earnings	40,083	33,896
Gain on Sale of Capital Assets	5,246	0
Miscellaneous	21,070	13,669
Total General Revenues	<u>5,697,691</u>	<u>4,581,562</u>
Total Revenues	<u>6,757,803</u>	<u>5,606,268</u>
<b>Program Expenses</b>		
Instruction:		
Regular	2,566,500	2,567,601
Special	487,847	381,039
Vocational	137,074	129,799
Support Services:		
Pupils	206,682	222,677
Instructional Staff	340,874	347,020
Board of Education	25,235	31,987
Administration	416,624	414,477
Fiscal	253,466	266,058
Operation and Maintenance of Plant	419,187	404,845
Pupil Transportation	368,017	325,758
Central	73,583	50,937
Operation of Non-Instructional Services:		
Other	15,158	6,140
Food Service Operations	209,676	187,040
Extracurricular Activities	202,254	210,677
Interest and Fiscal Charges	295,916	292,085
Total Expenses	<u>6,018,093</u>	<u>5,838,140</u>
Increase (Decrease) in Net Assets	<u>\$739,710</u>	<u>(\$231,872)</u>

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*Unaudited*

The School District's assessed property values increased \$48,640,270 from fiscal year 2004 to fiscal year 2005 due to reappraisals and the establishment of value for the new power company, PSEG.

Other than wages and insurance, the School District tried to maintain operating expenses at fiscal year 2004 levels. The cash balance carryover has declined as the School District continued to provide programs without increasing tuition and fees rates. The employees rolled over their negotiated contracts with no wage increase except the step increases. The School District has also seen a moderate increase in all types of insurance.

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

	<u>Total Cost of Services</u> <u>2005</u>	<u>Net Cost of Services</u> <u>2005</u>	<u>Total Cost of Services</u> <u>2004</u>	<u>Net Cost of Services</u> <u>2004</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$2,566,500	\$2,256,692	\$2,567,601	\$2,246,374
Special	487,847	142,505	381,039	45,463
Vocational	137,074	122,512	129,799	113,268
Support Services:				
Pupils	206,682	180,995	222,677	197,767
Instructional Staff	340,874	291,870	347,020	301,509
Board of Education	25,235	25,235	31,987	31,987
Administration	416,624	416,624	414,477	414,477
Fiscal	253,466	253,466	266,058	266,058
Operation and Maintenance of Plant	419,187	419,187	404,845	404,845
Pupil Transportation	368,017	350,688	325,758	306,762
Central	73,583	73,583	50,937	50,663
Operation of Non-Instructional Services:				
Other	15,158	1,703	6,140	(177)
Food Service Operations	209,676	3,748	187,040	(1,511)
Extracurricular Activities	202,254	123,257	210,677	143,864
Interest and Fiscal Charges	295,916	295,916	292,085	292,085
<b>Total</b>	<u>\$6,018,093</u>	<u>\$4,957,981</u>	<u>\$5,838,140</u>	<u>\$4,813,434</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. 82% of instructional activities 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, 2005  
Unaudited*

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### THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,703,767 and expenditures of \$6,006,063. The General Fund's fund balance increased \$741,324 from 2004 due to an increase in property tax revenue.

#### *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 2005, 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, final budget basis revenue was \$5,551,196, above original estimates of \$5,261,921. Of this \$289,275 difference, taxes revenues were increased \$103,696, tuition and fees were increased \$219,349, and intergovernmental revenues were decreased \$116,571

The School District's ending unobligated General Fund balance was \$1,448,333.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal year 2005, the School District had \$1,805,436 invested (net of related debt) in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land and Land Improvements	\$19,171	\$19,171
Buildings and Improvements	7,025,348	7,168,339
Furniture and Equipment	184,943	235,592
Vehicles	333,778	248,573
Totals	<u>\$7,563,240</u>	<u>\$7,671,675</u>

## Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

In fiscal year 2002, voters of the School District passed a bond issue in the amount of \$6,600,000 to construct an addition to Waterford Elementary School and for renovations to the existing elementary and high school buildings. This construction was completed in fiscal year 2004. The new addition consisted of twelve new classrooms, locker rooms, offices for staff, and a gymnasium with seating capacity of one thousand people. The construction was financed entirely by the bond issue. \$440,291 in unspent proceeds at fiscal year end is being invested for future projects. The School District also purchased several new computers, video equipment, and two new buses during fiscal year 2005. For additional information on capital assets, see note 9 to the financial statements.

### **Debt**

At June 30, 2005, the School District had \$6,974,639 in bonds outstanding.

Table 5  
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2005	2004
2002 School Facilities		
Construction and Improvement Bonds:		
Serial Bonds - 1.75%-4.75%	\$4,220,000	\$4,315,000
Term Bonds - 4.75%	2,210,000	2,210,000
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	75,000	75,000
Accretion on Capital Appreciation Bonds	62,623	36,851
Premium on Capital Appreciation Bonds	499,817	522,536
Serial and Term Bond Discount	(92,801)	(97,019)
Total General Obligation Bonds	<u>\$6,974,639</u>	<u>\$7,062,368</u>

See note 15 to the financial statements for more information on debt.

### **ECONOMIC FACTORS**

As the preceding information shows, the School District depends upon its taxpayers. The future outlook for Wolf Creek Local Schools highly depends on the activity of its two large plants in the school district – the electric power plant (PSEG) and the alloy metals plant (Globe Metallurgical). Waterford Energy LLC (known as PSEG) has recently constructed a new gas powered electric generating plant within the District's boundaries. PSEG invested more than originally projected, which was \$25 million in real estate and \$228 million in personal property. A \$140 million additional investment was later made. The real estate and the personal property was granted a 60% tax abatement by the Ohio Department of Taxation. The opening date of the plant was in May, 2003. The first tax collection was in the second half of fiscal year 2005. However, since the passage of House Bill 95 will accelerate the phase out of personal property taxes, the District may not receive tax revenues from PSEG as originally anticipated.

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*Unaudited*

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Globe Metallurgical, which declared bankruptcy in 2003, was purchased by an undisclosed investment group from New York and is operating again. The School District will experience a tax revenue increase from this plant also in fiscal year 2005 since no amounts were received from this bankrupted plant in fiscal year 2004.

**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 Karen S. Rohrer, Treasurer at Wolf Creek Local School District, P.O. Box 67, Waterford, Ohio 45786.

**Wolf Creek Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,157,741
Cash and Cash Equivalents in Segregated Accounts	183
Accounts Receivable	522
Intergovernmental Receivable	45,678
Materials and Supplies Inventory	6,474
Prepaid Items	16,644
Property Taxes Receivable	3,237,399
Deferred Charges	214,104
Nondepreciable Capital Assets	19,171
Depreciable Capital Assets, Net	<u>7,544,069</u>
<i>Total Assets</i>	<u>14,241,985</u>
<b>Liabilities</b>	
Accounts Payable	38,252
Accrued Wages and Benefits Payable	364,291
Accrued Interest Payable	23,066
Vacation Benefits Payable	14,072
Matured Compensated Absences Payable	11,719
Deferred Revenue	3,155,383
Intergovernmental Payable	127,361
Long-Term Liabilities:	
Due Within One Year	176,109
Due In More Than One Year	<u>7,102,024</u>
<i>Total Liabilities</i>	<u>11,012,277</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,805,436
Restricted for:	
Capital Projects	895,506
Bus Purchase	7,170
Textbooks and Instructional Materials	29,683
Unclaimed Monies	400
Other Purposes	144,189
Unrestricted	<u>347,324</u>
<i>Total Net Assets</i>	<u><u>\$3,229,708</u></u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,566,500	\$219,759	\$83,959	\$6,090	(\$2,256,692)
Special	487,847	1,318	344,024	0	(142,505)
Vocational	137,074	0	14,562	0	(122,512)
Support Services:					
Pupil	206,682	0	25,687	0	(180,995)
Instructional Staff	340,874	0	49,004	0	(291,870)
Board of Education	25,235	0	0	0	(25,235)
Administration	416,624	0	0	0	(416,624)
Fiscal	253,466	0	0	0	(253,466)
Operation and Maintenance of Plant	419,187	0	0	0	(419,187)
Pupil Transportation	368,017	0	10,159	7,170	(350,688)
Central	73,583	0	0	0	(73,583)
Operation of Non-Instructional Services:					
Food Service Operations	209,676	88,576	117,352	0	(3,748)
Other	15,158	0	13,455	0	(1,703)
Extracurricular Activities	202,254	78,997	0	0	(123,257)
Interest and Fiscal Charges	295,916	0	0	0	(295,916)
<b>Totals</b>	<b>\$6,018,093</b>	<b>\$388,650</b>	<b>\$658,202</b>	<b>\$13,260</b>	<b>(4,957,981)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					3,055,372
					435,841
					50,000
					2,090,079
					40,083
					5,246
					21,070
					<b>5,697,691</b>
					739,710
					2,489,998
					<b>\$3,229,708</b>

See accompanying notes to the basic financial statements

**Wolf Creek Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,457,212	\$150,250	\$672,717	\$840,709	\$3,120,888
Cash and Cash Equivalents in Segregated Accounts	0	0	0	183	183
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	36,853	0	0	0	36,853
Receivables:					
Property Taxes	2,820,091	417,308	0	0	3,237,399
Accounts	367	0	0	155	522
Intergovernmental	422	0	0	45,256	45,678
Interfund	2,000	0	0	0	2,000
Prepaid Items	16,644	0	0	0	16,644
Materials and Supplies Inventory	2,755	0	0	3,719	6,474
<i>Total Assets</i>	<u>\$4,336,344</u>	<u>\$567,558</u>	<u>\$672,717</u>	<u>\$890,022</u>	<u>\$6,466,641</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$24,149	\$0	\$0	\$14,103	\$38,252
Accrued Wages and Benefits Payable	339,578	0	0	24,713	364,291
Interfund Payable	0	0	0	2,000	2,000
Matured Compensated Absences Payable	11,719	0	0	0	11,719
Intergovernmental Payable	113,864	0	0	13,497	127,361
Deferred Revenue	2,804,877	414,685	0	0	3,219,562
<i>Total Liabilities</i>	<u>3,294,187</u>	<u>414,685</u>	<u>0</u>	<u>54,313</u>	<u>3,763,185</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	24,761	0	372,138	41,927	438,826
Reserved for Unclaimed Monies	400	0	0	0	400
Reserved for Property Taxes	15,214	2,623	0	0	17,837
Reserved for Bus Purchase	7,170	0	0	0	7,170
Reserved for Textbooks and Instructional Materials	29,683	0	0	0	29,683
Unreserved, Undesignated, Reported in:					
General Fund	964,929	0	0	0	964,929
Special Revenue Funds	0	0	0	130,702	130,702
Debt Service Fund	0	150,250	0	0	150,250
Capital Projects Funds	0	0	300,579	663,080	963,659
<i>Total Fund Balances</i>	<u>1,042,157</u>	<u>152,873</u>	<u>672,717</u>	<u>835,709</u>	<u>2,703,456</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,336,344</u>	<u>\$567,558</u>	<u>\$672,717</u>	<u>\$890,022</u>	<u>\$6,466,641</u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005*

<b>Total Governmental Fund Balances</b>		\$2,703,456
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,563,240
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes		64,179
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.		(23,066)
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.		(14,072)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		214,104
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(6,974,639)	
Sick Leave Benefits Payable	(303,494)	(7,278,133)
Net Assets of Governmental Activities		<u>\$3,229,708</u>
 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, 2005*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$3,010,576	\$431,847	\$0	\$0	\$3,442,423
Intergovernmental	2,217,517	23,289	0	494,117	2,734,923
Investments Earnings	9,073	2,988	18,353	11,287	41,701
Charges for Services	0	0	0	88,576	88,576
Payments in Lieu of Taxes	75,000	0	0	0	75,000
Tuition and Fees	221,077	0	0	0	221,077
Extracurricular Activities	0	0	0	78,997	78,997
Miscellaneous	320	0	0	20,750	21,070
<i>Total Revenues</i>	<u>5,533,563</u>	<u>458,124</u>	<u>18,353</u>	<u>693,727</u>	<u>6,703,767</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	2,356,542	0	0	74,646	2,431,188
Special	218,354	0	0	251,679	470,033
Vocational	127,659	0	0	0	127,659
Support Services:					
Pupils	168,124	0	0	31,401	199,525
Instructional Staff	276,213	0	0	56,411	332,624
Board of Education	25,235	0	0	0	25,235
Administration	407,158	0	0	0	407,158
Fiscal	238,544	10,398	862	0	249,804
Operation and Maintenance of Plant	407,378	0	0	1,835	409,213
Pupil Transportation	400,446	0	0	62,504	462,950
Central	73,583	0	0	0	73,583
Operation of Non-Instructional Services	0	0	0	217,313	217,313
Extracurricular Activities	99,003	0	0	101,028	200,031
Capital Outlay	0	0	25,641	0	25,641
Debt Service:					
Principal	0	95,000	0	0	95,000
Interest and Fiscal Charges	0	279,106	0	0	279,106
<i>Total Expenditures</i>	<u>4,798,239</u>	<u>384,504</u>	<u>26,503</u>	<u>796,817</u>	<u>6,006,063</u>
Excess of Revenues Over (Under) Expenditures	<u>735,324</u>	<u>73,620</u>	<u>(8,150)</u>	<u>(103,090)</u>	<u>697,704</u>
<b>Other Financing Sources</b>					
Proceeds from Sale of Capital Assets	6,000	0	0	0	6,000
<i>Net Change in Fund Balance</i>	741,324	73,620	(8,150)	(103,090)	703,704
<i>Fund Balances Beginning of Year</i>	<u>300,833</u>	<u>79,253</u>	<u>680,867</u>	<u>938,799</u>	<u>1,999,752</u>
<i>Fund Balances End of Year</i>	<u>\$1,042,157</u>	<u>\$152,873</u>	<u>\$672,717</u>	<u>\$835,709</u>	<u>\$2,703,456</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, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** \$703,704

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

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

Capital Asset Additions	148,337	
Depreciation Expense	<u>(256,018)</u>	(107,681)

The cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(754)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes		48,790
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

95,000

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

Amortization of Premium	22,719	
Annual Accretion	(25,772)	
Accrued Interest Payable	193	
Amortization of Discount	<u>(4,218)</u>	(7,078)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities. This is the unamortized issuance costs on the bonds.

(9,732)

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:

Intergovernmental Payables	43,207	
Vacation Benefits Payable	(545)	
Sick Leave Benefits Payable	<u>(25,201)</u>	<u>17,461</u>

*Change in Net Assets of Governmental Activities* \$739,710

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, 2005*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$2,830,300	\$2,933,993	\$3,027,927	\$93,934
Intergovernmental	2,334,721	2,218,150	2,218,150	0
Investment Earnings	20,000	7,000	8,678	1,678
Payments in Lieu of Taxes	75,000	75,000	75,000	0
Tuition and Fees	1,750	221,099	221,102	3
Miscellaneous	150	320	339	19
<i>Total Revenues</i>	<u>5,261,921</u>	<u>5,455,562</u>	<u>5,551,196</u>	<u>95,634</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,561,623	2,340,456	2,371,679	(31,223)
Special	258,135	227,635	208,304	19,331
Vocational	130,986	131,037	129,005	2,032
Adult	470	0	0	0
Support Services:				
Pupils	150,663	144,363	169,814	(25,451)
Instructional Staff	303,192	301,796	265,758	36,038
Board of Education	39,741	31,337	29,071	2,266
Administration	415,975	406,562	403,043	3,519
Fiscal	291,056	224,110	240,354	(16,244)
Operation and Maintenance of Plant	445,731	443,131	406,626	36,505
Pupil Transportation	400,590	397,390	395,019	2,371
Central	85,412	61,212	76,753	(15,541)
Extracurricular Activities	124,066	122,266	98,613	23,653
<i>Total Expenditures</i>	<u>5,207,640</u>	<u>4,831,295</u>	<u>4,794,039</u>	<u>37,256</u>
<i>Excess of Revenues Over Expenditures</i>	<u>54,281</u>	<u>624,267</u>	<u>757,157</u>	<u>132,890</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	6,000	6,000	0
Advances In	0	0	75,000	75,000
Advances Out	0	(77,185)	(77,000)	185
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(71,185)</u>	<u>4,000</u>	<u>75,185</u>
<i>Net Change in Fund Balance</i>	54,281	553,082	761,157	208,075
<i>Fund Balance Beginning of Year</i>	580,210	580,210	580,210	0
Prior Year Encumbrances Appropriated	106,966	106,966	106,966	0
<i>Fund Balance End of Year</i>	<u>\$741,457</u>	<u>\$1,240,258</u>	<u>\$1,448,333</u>	<u>\$208,075</u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2005*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,734</u>
<b>Liabilities</b>	
Due to Students	<u>\$1,734</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, 2005*

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### **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 36 classified employees, 51 certified teaching personnel, and 4 administrators, who provide services to 652 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 insure that 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. The School District has no component units.

The School District participates in four jointly governed organizations and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the South Eastern Ohio Special Education Regional Resource Center, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. 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, 2005*

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#### **A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and 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 liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Bond Retirement Fund** The Bond Retirement Fund accounts for the accumulation of resources for, and the payment of, principal and interest on long-term debt and related costs.

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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***Building Capital Projects Fund*** The Building Capital Projects Fund accounts for debt proceeds used for the construction and renovation of the School District's school facilities.

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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for student 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 assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net assets.

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

### ***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, the recording of deferred revenue, 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, 2005*

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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 6). 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 Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***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.

#### ***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".

During fiscal year 2005, the School District has no investments.

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 2005 amounted to \$9,073, which includes \$2,126 assigned from other School District funds.

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

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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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, 2005, 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.

### ***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 assets 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. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	8 - 75 years
Furniture and Equipment	5 - 50 years
Vehicles	15 - 20 years

### ***I. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets represent unexpended grants restricted for the purchase of buses and textbooks. See Note 18 for additional information regarding set-asides.

## **Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

### ***K. Unamortized Issuance Costs and Bond Premiums and Discounts***

On government-wide financial statements, issuance costs and bond discounts and premiums are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

Bond premiums on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

### ***L. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments 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. Interfund Activity***

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.

## **Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### ***N. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, unclaimed monies, property taxes, textbooks and materials, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

### ***O. Interfund Assets and Liabilities***

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

### ***P. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$1,076,948 of restricted net assets, of which none was restricted by enabling legislation. Net assets restricted for other purposes include activities for food service operations, athletic and music activities, and 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 assets are available.

### ***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, 2005*

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***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. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Note 3 - Changes in Accounting Principles and Restatement of Net Assets**

***A. Changes in Accounting Principles***

For fiscal year 2005, the School District has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation," and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers."

GASB Statement No. 40 describes the responsibility of governments to provide credit rating information on their investments.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40, GASB Statement No. 46, and GASB Technical Bulletin No. 2004-2 had no effect on the School District's financial statements for fiscal year 2005.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**B. Restatement of Net Assets**

During fiscal year 2005, the School District determined that capital assets were understated by \$201,421. Net assets have increased from \$2,288,577 to \$2,489,998.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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	\$741,394
Revenue Accruals	18,028
Expenditure Accruals	50,851
Unreported Interest:	
Beginning of Fiscal Year	136
End of Fiscal Year	(531)
Prepaid Items:	
Beginning of Fiscal Year	15,124
End of Fiscal Year	(16,644)
Advances In	75,000
Advances Out	(77,000)
Encumbrances	(45,201)
Budget Basis	<u><u>\$761,157</u></u>

## **Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 5 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

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

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

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Cash on Hand** At fiscal year end, the School District had \$25 in undeposited cash on hand which is included on the balance sheet of the School District as part of “equity in pooled cash and cash equivalents.”

**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, none of the School District’s bank balance of \$3,200,841 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name.

The School District has no deposit policy for custodial 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. 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 FDIC.

### **Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the school district 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2005, was \$17,837 and is recognized as revenue: \$15,214 in the General Fund and \$2,623 in the Bond Retirement Fund. The amount available as an advance at June 30, 2004, was \$39,429 and was recognized as revenue: \$32,565 in the General Fund and \$6,864 in the Bond Retirement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$44,392,420	54%	\$47,373,310	54%
Public Utility Personal	28,165,140	35%	72,964,160	35%
Tangible Personal Property	8,726,440	11%	9,586,800	11%
	<u>\$81,284,000</u>	<u>100%</u>	<u>\$129,924,270</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$37.40		\$37.40	

**Note 7 - Receivables**

Receivables at June 30, 2005, consisted of taxes, accounts, 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 year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

	<u>Amounts</u>
<b>Governmental Activities</b>	
E-Rate	\$422
Student Intervention	3,523
IDEA-B	21,094
Title I	<u>20,639</u>
Total	<u><u>\$45,678</u></u>

**Note 8 – Interfund Activity**

Interfund balances at June 30, 2005, consisted of the following for services provided by the General Fund for \$2,000 to the Athletic and Music Special Revenue Fund:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	<u>\$2,000</u>	<u>\$0</u>
Athletic and Music Special Revenue Fund	<u>0</u>	<u>2,000</u>
Total All Funds	<u><u>\$2,000</u></u>	<u><u>\$2,000</u></u>

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2005</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$19,171	\$0	\$0	\$19,171
Total Capital Assets not being Depreciated	<u>19,171</u>	<u>0</u>	<u>0</u>	<u>19,171</u>
Depreciable Capital Assets:				
Buildings and Improvements	9,294,975	23,233	0	9,318,208
Furniture and Equipment	889,632	2,367	(7,772)	884,227
Vehicles	583,358	122,737	0	706,095
Total Capital Assets being Depreciated	<u>10,767,965</u>	<u>148,337</u>	<u>(7,772)</u>	<u>10,908,530</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,126,636)	(166,224)	0	(2,292,860)
Furniture and Equipment	(654,040)	(52,262)	7,018	(699,284)
Vehicles	(334,785)	(37,532)	0	(372,317)
Total Accumulated Depreciation	<u>(3,115,461)</u>	<u>(256,018) *</u>	<u>7,018</u>	<u>(3,364,461)</u>
Total Capital Assets being Depreciated, Net	<u>7,652,504</u>	<u>(107,681)</u>	<u>(754)</u>	<u>7,544,069</u>
Capital Assets, Net	<u><u>\$7,671,675</u></u>	<u><u>(\$107,681)</u></u>	<u><u>(\$754)</u></u>	<u><u>\$7,563,240</u></u>

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

Instruction:	
Regular	\$118,973
Special	17,208
Vocational	9,287
Support Services:	
Pupils	6,379
Instructional Staff	18,913
Administration	11,341
Fiscal	6,654
Operation and Maintenance of Plant	13,757
Pupil Transportation	38,233
Food Service Operations	13,050
Extracurricular Activities	2,223
Total Depreciation Expense	<u><u>\$256,018</u></u>

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 10 - 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. During fiscal year 2005, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 17). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$15,547,201
Inland Marine:	
Fine Arts (\$100 deductible)	265,000
Signs (No deductible)	10,000
Band Uniforms (\$250 deductible)	50,000
Computers (\$100 deductible)	264,422
Crime – Public Employee Dishonesty (\$500 deductible)	25,000
Automobile Liability (\$100 deductible):	
Bodily Injury and Property Damage – combined single limit	1,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000
General Liability:	
Each Occurrence	2,000,000
Aggregate Limit	3,000,000
Products – Complete Operations Aggregate Limit	2,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	1,000,000
Per Disease Each Employee	1,000,000
Per Disease Policy Limit	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	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 2005.

## **Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### ***B. Worker's Compensation***

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

### **Note 11 - 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; 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; and 45 days for more than 24 years of service with this School District. Also, teachers having 20 years of service or more with this School District will have an additional severance amount calculated as follows: 45 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$85 not to exceed \$7,225.

#### ***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 \$920.13 for family coverage and \$363.10 for single coverage.

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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Dental coverage is provided through Core Source. The School District also pays ninety percent of the total monthly premiums of \$54.52 for family coverage and \$18.10 for single coverage.

**Note 12 – Contractual Commitment**

As of June 30, 2005, the School District had contractual purchase commitments for a HVAC project. The contracts are accounted for in the Building Capital Projects Fund.

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
HVAC Phase 3 Project	\$354,419	\$0	\$354,419

**Note 13 - Defined Benefit Pension Plans**

***A. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

## **Wolf Creek Local School District, Ohio**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005*

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For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$256,637, \$314,339, and \$267,029, respectively; 87.20 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$55 made by the School District and \$600 made by the plan members.

#### ***B. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$74,892, \$67,179, and \$54,639, respectively; 54.81 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

#### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 14 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$19,741 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$38,500 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/04	Additions	Reductions	Principal Outstanding 6/30/05	Amounts Due in One Year
<b>Governmental Activities</b>					
2002 School Facilities					
Construction and Improvement Bonds:					
Serial Bonds - 1.75%-4.75%	\$4,315,000	\$0	\$95,000	\$4,220,000	\$135,000
Term Bonds - 4.75%	2,210,000	0	0	2,210,000	0
Original Issue of Capital Appreciation					
Bonds - 21.947%-21.861%	75,000	0	0	75,000	0
Accretion on Capital Appreciation Bonds	36,851	25,772	0	62,623	0
Premium on Capital Appreciation Bonds	522,536	0	22,719	499,817	0
Serial and Term Bond Discount	(97,019)	0	(4,218)	(92,801)	0
Total General Obligation Bonds	<u>7,062,368</u>	<u>25,772</u>	<u>113,501</u>	<u>6,974,639</u>	<u>135,000</u>
Sick Leave Benefits	<u>278,293</u>	<u>107,422</u>	<u>82,221</u>	<u>303,494</u>	<u>41,109</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$7,340,661</u>	<u>\$133,194</u>	<u>\$195,722</u>	<u>\$7,278,133</u>	<u>\$176,109</u>

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service and Title I Special Revenue Funds.

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. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 5.50 mill voted property tax levy. The serial and term general obligation bonds were sold at a discount of \$105,455 and are amortized over the term of the bonds. Issuance costs associated with the bond issue were \$243,300 and are amortized over the term of the bonds.

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2023	\$550,000
2024	575,000
2025	610,000

The remaining principal amount of the term bonds (\$475,000) will mature at stated maturity on December 1, 2026.

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

The serial bonds maturing on or after December 1, 2013, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2012, at the redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

When partial redemption is authorized, the serial bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such Bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

The capital appreciation bonds were sold at a premium of \$567,974. The capital appreciation bonds will mature in fiscal years 2014, 2015, and 2016. The maturity amount of the bonds is \$1,170,000. For the fiscal year 2005, \$25,772 was accreted for a total bond value of \$137,623.

The overall debt margin of the School District as of June 30, 2005, was \$5,341,057, with an unvoted debt margin of \$129,924.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$135,000	\$279,106	\$0	\$0	\$0	\$0
2007	140,000	276,790	0	0	0	0
2008	145,000	273,555	0	0	0	0
2009	150,000	269,775	0	0	0	0
2010	160,000	265,383	0	0	0	0
2011-2015	750,000	1,418,283	0	0	30,000	390,000
2016-2020	1,265,000	932,735	0	0	45,000	705,000
2021-2025	1,475,000	552,924	1,125,000	209,595	0	0
2026-2028	0	0	1,085,000	48,331	0	0
Total	<u>\$4,220,000</u>	<u>\$4,268,551</u>	<u>\$2,210,000</u>	<u>\$257,926</u>	<u>\$75,000</u>	<u>\$1,095,000</u>

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

## **Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 16 - Jointly Governed Organizations**

#### ***A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)***

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2005, the School District paid \$22,875 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

#### ***B. Washington County Career Center***

The Washington County Career Center, a joint vocational school, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County 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, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

#### ***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council 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 Council. The School District's membership fee was \$300 for fiscal year 2005.

#### ***D. South Eastern Ohio Special Education Regional Resource Center (SEOSERRC)***

SEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2005, the School District paid \$2,341 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 17 - Insurance Purchasing Pools**

***A. Ohio School Plan***

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 program.

**Note 18 - 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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and 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, 2005*

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	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2004	(\$363,445)	(\$24,533)
Current Year Set-aside Requirement	92,106	92,106
Current Year Offsets	(432,538)	0
Qualifying Disbursements	0	(37,890)
Total	<u>(\$703,877)</u>	<u>\$29,683</u>
Set-aside Balance Carry Forward to Future Fiscal Years	<u>(\$703,877)</u>	<u>\$29,683</u>

The School District had qualifying offsets during the fiscal year that reduced the capital improvement set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years.

**Note 19 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

***B. Litigation***

The School District is currently not a party to any legal proceedings.

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Wolf Creek Local School District  
Waterford, Ohio 45786

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wolf Creek Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether Wolf Creek Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standard*. We noted certain immaterial instances of noncompliance, which we have reported to management of Wolf Creek Local School District in a separate letter dated October 28, 2005.

This report is intended for the information of the District's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
October 28, 2005

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Education  
Wolf Creek Local School District  
Waterford, Ohio 45786

**Compliance**

We have audited the compliance of Wolf Creek Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Wolf Creek Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wolf Creek Local School District management. Our responsibility is to express an opinion on Wolf Creek Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wolf Creek Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wolf Creek Local School District's compliance with those requirements.

In our opinion, the Wolf Creek Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of Wolf Creek Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wolf Creek Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Page 2

This report is intended for the information of the Board of Education, management, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
October 28, 2005

**WOLF CREEK LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION 505**

**1. Summary of Auditor's Results**

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Nutrition Cluster; CFDA #10.550 10.553 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

NONE

**3. Findings and Questioned Costs for Federal Awards**

NONE

**WOLF CREEK LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$ 15,890	\$ -	\$ 15,890	\$ -
National School Lunch Program	n/a	10.555	104,263	-	104,263	-
Food Distribution Program	n/a	10.550	-	33,556	-	31,449
Total Nutrition Cluster			120,153	33,556	120,153	31,449
<b>Total U.S. Department of Agriculture</b>			120,153	33,556	120,153	31,449
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	050518C1S104 050518C1S105	84.010	19,257 <u>133,827</u> 153,084	- - -	42,378 <u>128,072</u> 170,450	- - -
Title VI-B Special Education Assistance for handicapped Children	0505186BSF04 0505186BSF05	84.027	34,273 <u>103,432</u> 137,705	- - -	39,184 <u>97,037</u> 136,221	- - -
Drug Free School Program	050518DRS103 050518DRS104 050518DRS105	84.186	- - <u>2,367</u> 2,367	- - - -	751 738 <u>1,074</u> 2,563	- - - -
Innovative Education Program Strategies	050518C2S104 050518C2S105	84.298	- <u>2,744</u> 2,744	- - -	2,064 <u>2,320</u> 4,384	- - -
Technology Literacy Challenge	050518TJS104 050518TJS105	84.318	- <u>4,646</u> 4,646	- - -	358 <u>4,646</u> 5,004	- - -
Improving Teacher Quality State Grant	050518TRS104 050518TRS105	84.367	4,375 <u>38,310</u> 42,685	- - -	4,892 <u>35,396</u> 40,288	- - -
<b>Total U.S. Department of Education</b>			343,231	-	358,910	-
<b>Total Federal Awards Expenditures</b>			463,384	33,556	479,063	31,449

See notes to Schedule of Federal Awards Expenditures.

**WOLF CREEK LOCAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTES B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 9, 2006**