

**WOLF CREEK LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY  
Single Audit  
For the Fiscal Year Ended June 30, 2012**

***Perry & Associates***  
Certified Public Accountants, A.C





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Wolf Creek Local School District, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2011 through June 30, 2012. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 15, 2013

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**Wolf Creek Local School District, Ohio**

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*For the Fiscal Year Ended June 30, 2012*

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***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT**

December 28, 2012

Wolf Creek Local School District  
Washington County  
330 Main Street  
Waterford, OH 45786

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Wolf Creek Local School District**, Washington County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 made by management, as well as evaluating the overall financial statement presentation. We believe 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, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

**Perry and Associates**  
Certified Public Accountants, A.C.



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

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*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, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2012 are as follows:

- Net assets of governmental activities increased \$523,090.
- General revenues accounted for \$7,067,390 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,249,993 or 15% of total revenues of \$8,317,383.
- Total assets of governmental activities increased \$34,586, while total liabilities decreased \$488,504.
- The School District had \$7,794,293 in expenses related to governmental activities; \$1,249,993 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$7,067,390 provided the remaining resources for these programs.
- The School District's only major fund, the General Fund, had \$6,980,535 in revenues and \$6,353,653 in expenditures. The General Fund's balance increased \$401,393.

### **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, 2012*

*Unaudited*

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

#### *Statement of Net 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 2012?" 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 fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

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

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*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 2012 compared to 2011.

Table 1  
Net Assets

	Governmental Activities		
	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$ 14,635,516	\$ 14,425,286	\$ 210,230
Capital Assets, Net	7,756,361	7,932,005	(175,644)
<i>Total Assets</i>	<u>22,391,877</u>	<u>22,357,291</u>	<u>34,586</u>
<b>Liabilities</b>			
Current and Other Liabilities	5,667,485	5,720,591	(53,106)
Long-term Liabilities	6,026,133	6,461,531	(435,398)
<i>Total Liabilities</i>	<u>11,693,618</u>	<u>12,182,122</u>	<u>(488,504)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,790,905	2,550,209	240,696
Restricted	1,216,132	1,336,585	(120,453)
Unrestricted	6,691,222	6,288,375	402,847
<i>Total Net Assets</i>	<u>\$ 10,698,259</u>	<u>\$ 10,175,169</u>	<u>\$ 523,090</u>

Total assets of governmental activities increased \$34,586. Current assets increased by \$210,230 primarily due to an increase in cash and cash equivalents of \$317,722 and an increase in intergovernmental receivables of \$28,885. The increase in assets was offset by a decrease in capital assets in the amount of \$175,644, primarily due to current year depreciation exceeding capital asset additions.

Total liabilities decreased \$488,504. Current and other liabilities decreased \$53,106 primarily due to a decrease in intergovernmental payable of \$24,129 and a decrease in deferred revenue of \$15,400. Long term liabilities decreased in the amount of \$435,398 primarily because of the School District refunding a portion of its bonds.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, and comparisons to fiscal year 2011.

**Wolf Creek Local School District, Ohio***Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2012**Unaudited*Table 2  
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$ 543,431	\$ 531,330	\$ 12,101
Operating Grants, Contributions and Interest	706,562	808,185	(101,623)
Total Program Revenues	<u>1,249,993</u>	<u>1,339,515</u>	<u>(89,522)</u>
General Revenues:			
Property Taxes	4,832,824	4,732,810	100,014
Grants and Entitlements	2,049,076	2,522,313	(473,237)
Investment Earnings	54,031	66,450	(12,419)
Donations	78,165	78,000	165
Gain on Sale of Capital Assets	66	2,000	(1,934)
Miscellaneous	53,228	91,656	(38,428)
Total General Revenues	<u>7,067,390</u>	<u>7,493,229</u>	<u>(425,839)</u>
Total Revenues	<u>8,317,383</u>	<u>8,832,744</u>	<u>(515,361)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	3,404,248	3,289,110	115,138
Special	447,289	554,980	(107,691)
Vocational	174,262	166,220	8,042
Student Intervention Services	20,868	-	20,868
Support Services:			
Pupils	262,429	249,881	12,548
Instructional Staff	476,437	415,740	60,697
Board of Education	19,802	28,830	(9,028)
Administration	485,772	480,606	5,166
Fiscal	619,903	579,590	40,313
Operation and Maintenance of Plant	599,154	569,556	29,598
Pupil Transportation	464,413	407,527	56,886
Central	40,450	33,708	6,742
Operation of Non-Instructional Services:			
Food Service Operations	241,514	217,024	24,490
Other	-	7,228	(7,228)
Extracurricular Activities	227,126	274,278	(47,152)
Interest and Fiscal Charges	310,626	319,576	(8,950)
Total Expenses	<u>7,794,293</u>	<u>7,593,854</u>	<u>200,439</u>
Increase in Net Assets	523,090	1,238,890	(715,800)
Net Assets Beginning of Year	10,175,169	8,936,279	1,238,890
Net Assets End of Year	<u>\$ 10,698,259</u>	<u>\$ 10,175,169</u>	<u>\$ 523,090</u>

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

Total expenses increased \$200,439. Regular instruction increased \$115,138 as a result of a retirement and the payment of their severance and contract and a 10% increase in medical/dental premiums.

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

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
<b>Program Expenses</b>				
Instruction:				
Regular	\$ 3,404,248	\$ 2,986,699	\$ 3,289,110	\$ 2,871,430
Special	447,289	221,539	554,980	230,178
Vocational	174,262	170,625	166,220	162,583
Student Intervention Services	20,868	3,351	-	-
Support Services:				
Pupils	262,429	210,279	249,881	170,302
Instructional Staff	476,437	369,800	415,740	380,074
Board of Education	19,802	19,802	28,830	28,830
Administration	485,772	467,209	480,606	442,893
Fiscal	619,903	596,025	579,590	551,517
Operation and Maintenance of Plant	599,154	588,482	569,556	564,462
Pupil Transportation	464,413	448,182	407,527	328,947
Central	40,450	39,659	33,708	32,775
Operation of Non-Instructional Services:				
Food Service Operations	241,514	14,348	217,024	225
Other	-	-	7,228	205
Extracurricular Activities	227,126	97,674	274,278	170,342
Interest and Fiscal Charges	310,626	310,626	319,576	319,576
<b>Total</b>	<b>\$ 7,794,293</b>	<b>\$ 6,544,300</b>	<b>\$ 7,593,854</b>	<b>\$ 6,254,339</b>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. 84% of program expenses are supported through taxes and other general revenues.

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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

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### **THE SCHOOL DISTRICT'S FUNDS**

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,427,571 and expenditures of \$7,733,318. The General Fund's fund balance increased \$401,393 from 2011 due to increases in property tax collections and both unions rolling over their contracts for another year.

#### ***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 2012, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$6,981,157, above final estimates of \$6,976,708. The difference was mainly the result of underestimating intergovernmental revenues. Final estimated revenues were below original estimates of \$7,076,106 due to conservative estimates of intergovernmental revenues. Final appropriations were decreased \$780,883 from original appropriations due to conservative spending by the School District and estimates of spending which did not occur. Given the current economic climate, the School District only spent funds on what was needed and agreed upon. The School District's ending General Fund balance was \$7,821,036.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal year 2012, the School District had \$2,790,905 invested (net of related debt) in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011.

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 19,171	\$ 19,171
Construction in Progress	-	367,149
Buildings and Improvements	7,347,646	7,032,820
Furniture and Equipment	220,112	281,003
Vehicles	169,432	231,862
Totals	<u>\$ 7,756,361</u>	<u>\$ 7,932,005</u>

For additional information on capital assets, see Note 9 to the financial statements.

***Debt***

At June 30, 2012, the School District had \$5,725,865 in bonds outstanding.

Table 5  
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2012	2011
2002 School Facilities		
Construction and Improvement Bonds:		
Serial Bonds - 1.75%-4.75%	\$ 400,000	\$ 3,320,000
Term Bonds - 4.75%	-	2,210,000
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	75,000	75,000
Accretion on Capital Appreciation Bonds	512,747	402,469
Premium on Capital Appreciation Bonds	189,324	227,189
Serial and Term Bond Discount	-	(67,492)
2012 School Facilities Refunding Bonds:		
Serial Bonds - 3%	4,950,000	-
Deferred Amount on Refunding	(401,206)	-
Total General Obligation Bonds	<u>\$ 5,725,865</u>	<u>\$ 6,167,166</u>

See Note 14 to the financial statements for more information on debt.

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

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**ECONOMIC FACTORS**

As the preceding information shows, the School District relies on its taxpayers. The School District only receives 21% support from the State. The future outlook for Wolf Creek Local School highly depends on the activity of its three large plants in the School District boundaries – the electric power plants (Columbus Southern & AEP) and the alloy metals plant (Globe Metallurgical). The voters of the School District renewed an emergency tax levy for five more years and it will generate \$780,000 for each calendar year that the millage is in effect.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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



**Wolf Creek Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,250,556
Cash and Cash Equivalents in Segregated Accounts	200
Accrued Interest Receivable	874
Accounts Receivable	2,565
Intergovernmental Receivable	198,377
Inventory Held for Resale	13,557
Materials and Supplies Inventory	12,479
Prepaid Items	85,610
Property Taxes Receivable	5,012,960
Deferred Charges	58,338
Nondepreciable Capital Assets	19,171
Depreciable Capital Assets, Net	<u>7,737,190</u>
<i>Total Assets</i>	<u>22,391,877</u>
<b>Liabilities</b>	
Accounts Payable	33,189
Accrued Wages Payable	427,991
Accrued Interest Payable	13,659
Vacation Benefits Payable	23,328
Intergovernmental Payable	220,481
Deferred Revenue	4,948,837
Long-Term Liabilities:	
Due Within One Year	235,000
Due In More Than One Year	<u>5,791,133</u>
<i>Total Liabilities</i>	<u>11,693,618</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,790,905
Restricted for:	
Debt Service	289,209
Capital Projects	808,885
Other Purposes	118,038
Unrestricted	<u>6,691,222</u>
<i>Total Net Assets</i>	<u>\$ 10,698,259</u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2012*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				Governmental Activities
Instruction:				
Regular	\$ 3,404,248	\$ 322,723	\$ 94,826	\$ (2,986,699)
Special	447,289	-	225,750	(221,539)
Vocational	174,262	-	3,637	(170,625)
Student Intervention Services	20,868	-	17,517	(3,351)
Support Services:				
Pupils	262,429	-	52,150	(210,279)
Instructional Staff	476,437	-	106,637	(369,800)
Board of Education	19,802	-	-	(19,802)
Administration	485,772	-	18,563	(467,209)
Fiscal	619,903	-	23,878	(596,025)
Operation and Maintenance of Plant	599,154	-	10,672	(588,482)
Pupil Transportation	464,413	-	16,231	(448,182)
Central	40,450	-	791	(39,659)
Operation of Non-Instructional Services:				
Food Service Operations	241,514	94,429	132,737	(14,348)
Extracurricular Activities	227,126	126,279	3,173	(97,674)
Interest and Fiscal Charges	310,626	-	-	(310,626)
<b>Totals</b>	<b>\$ 7,794,293</b>	<b>\$ 543,431</b>	<b>\$ 706,562</b>	<b>\$ (6,544,300)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				4,398,873
Debt Service				433,951
Grants and Entitlements not Restricted to Specific Programs				2,049,076
Investment Earnings				54,031
Donations not Restricted to Specific Programs				78,165
Gain on Sale of Capital Assets				66
Miscellaneous				53,228
<b>Total General Revenues</b>				<b>7,067,390</b>
<b>Change in Net Assets</b>				<b>523,090</b>
<b>Net Assets Beginning of Year</b>				<b>10,175,169</b>
<b>Net Assets End of Year</b>				<b>\$ 10,698,259</b>

See accompanying notes to the basic financial statements

**Wolf Creek Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 7,847,302	\$ 1,403,254	\$ 9,250,556
Cash and Cash Equivalents in Segregated Accounts	-	200	200
Receivables:			
Property Taxes	4,551,695	461,265	5,012,960
Accounts	197	2,368	2,565
Accrued Interest	874	-	874
Intergovernmental	13,178	185,199	198,377
Interfund	98,305	-	98,305
Prepaid Items	79,247	6,363	85,610
Inventory Held for Resale	-	13,557	13,557
Materials and Supplies Inventory	12,469	10	12,479
<i>Total Assets</i>	<u>\$ 12,603,267</u>	<u>\$ 2,072,216</u>	<u>\$ 14,675,483</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 25,517	\$ 7,672	\$ 33,189
Accrued Wages Payable	371,117	56,874	427,991
Interfund Payable	-	98,305	98,305
Intergovernmental Payable	211,152	9,329	220,481
Deferred Revenue	4,535,471	482,376	5,017,847
<i>Total Liabilities</i>	<u>5,143,257</u>	<u>654,556</u>	<u>5,797,813</u>
<b>Fund Balances</b>			
Nonspendable	91,716	6,373	98,089
Restricted	-	602,402	602,402
Committed	55,047	-	55,047
Assigned	1,137,565	808,885	1,946,450
Unassigned	6,175,682	-	6,175,682
<i>Total Fund Balances</i>	<u>7,460,010</u>	<u>1,417,660</u>	<u>8,877,670</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 12,603,267</u>	<u>\$ 2,072,216</u>	<u>\$ 14,675,483</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, 2012*

<b>Total Governmental Fund Balances</b>		\$ 8,877,670
 <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.		7,756,361
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	45,565	
Student Fees and Sales	2,418	
Grants	21,027	69,010
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.		(13,659)
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.		(23,328)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		58,338
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(1,177,071)	
School Construction Refunding Bonds	(4,548,794)	
Sick Leave Benefits Payable	(300,268)	(6,026,133)
Net Assets of Governmental Activities		\$ 10,698,259

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, 2012*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 4,400,348	\$ 434,123	\$ 4,834,471
Intergovernmental	2,068,944	792,045	2,860,989
Investment Earnings	46,757	7,430	54,187
Charges for Services	-	93,952	93,952
Tuition and Fees	323,341	-	323,341
Extracurricular Activities	9,932	116,633	126,565
Donations	78,165	2,673	80,838
Miscellaneous	53,048	180	53,228
<i>Total Revenues</i>	<u>6,980,535</u>	<u>1,447,036</u>	<u>8,427,571</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,978,693	102,568	3,081,261
Special	188,202	259,589	447,791
Vocational	170,508	-	170,508
Student Intervention Services	85	20,783	20,868
Support Services:			
Pupils	196,235	65,038	261,273
Instructional Staff	336,890	146,534	483,424
Board of Education	19,802	-	19,802
Administration	447,898	22,594	470,492
Fiscal	603,394	15,017	618,411
Operation and Maintenance of Plant	633,040	11,627	644,667
Pupil Transportation	408,911	-	408,911
Central	39,512	938	40,450
Operation of Non-Instructional Services	-	248,904	248,904
Extracurricular Activities	146,447	107,593	254,040
Capital Outlay	123,686	6,800	130,486
Debt Service:			
Principal	-	180,000	180,000
Interest and Fiscal Charges	-	191,680	191,680
Issuance Costs	60,350	-	60,350
<i>Total Expenditures</i>	<u>6,353,653</u>	<u>1,379,665</u>	<u>7,733,318</u>
<i>Excess of Revenues Over Expenditures</i>	<u>626,882</u>	<u>67,371</u>	<u>694,253</u>
<b>Other Financing Sources (Use)</b>			
Proceeds from Sale of Capital Assets	-	66	66
Refunding Bonds Issued	-	4,950,000	4,950,000
Payment to Refunded Bond Escrow Agent	(225,489)	(4,954,066)	(5,179,555)
Total Other Financing Sources (Use)	<u>(225,489)</u>	<u>(4,000)</u>	<u>(229,489)</u>
<i>Net Change in Fund Balance</i>	401,393	63,371	464,764
<i>Fund Balances Beginning of Year</i>	<u>7,058,617</u>	<u>1,354,289</u>	<u>8,412,906</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,460,010</u>	<u>\$ 1,417,660</u>	<u>\$ 8,877,670</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, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 464,764

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

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

Capital Asset Additions	223,137	
Depreciation Expense	(398,781)	(175,644)

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

Delinquent Property Taxes	(1,647)	
Student Fees and Sales	(618)	
Extracurricular Activities	(286)	
Charges for Services	477	
Grants	(108,180)	(110,254)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 5,130,000

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

General Obligation Refunding Bonds	(4,950,000)	
Deferred Amount on Refunding	229,555	(4,720,445)

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:

Annual Accretion	(110,278)	
Accrued Interest Payable	7,032	
Amortization of Deferred Amount on Refunding	(44,578)	
Amortization of Issuance Costs	(6,878)	
Amortization of Premium	37,865	
Amortization of Discount	(2,109)	(118,946)

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. 60,350

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(832)	
Sick Leave Benefits Payable	(5,903)	(6,735)

*Change in Net Assets of Governmental Activities* \$ 523,090

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, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 4,375,000	\$ 4,399,139	\$ 4,399,139	\$ -
Intergovernmental	2,151,981	2,089,196	2,093,582	4,386
Investment Earnings	65,000	48,603	47,970	(633)
Tuition and Fees	352,500	323,341	323,341	-
Extracurricular Activities	37,300	9,612	9,932	320
Donations	75,000	78,165	78,165	-
Miscellaneous	19,325	28,652	29,028	376
<i>Total Revenues</i>	<u>7,076,106</u>	<u>6,976,708</u>	<u>6,981,157</u>	<u>4,449</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,392,508	3,001,657	3,001,657	-
Special	221,705	196,162	196,162	-
Vocational	194,431	172,031	172,031	-
Support Services:				
Pupils	222,695	197,038	197,038	-
Instructional Staff	400,616	354,461	355,582	(1,121)
Board of Education	37,202	32,916	32,916	-
Administration	518,340	458,622	459,713	(1,091)
Fiscal	688,972	609,596	609,596	-
Operation and Maintenance of Plant	767,887	679,419	679,419	-
Pupil Transportation	458,488	405,666	405,666	-
Central	43,659	38,629	38,629	-
Extracurricular Activities	167,622	148,310	148,310	-
Capital Outlay	187,617	166,002	166,002	-
Debt Service:				
Issuance Costs	-	60,350	60,350	-
<i>Total Expenditures</i>	<u>7,301,742</u>	<u>6,520,859</u>	<u>6,523,071</u>	<u>(2,212)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(225,636)</u>	<u>455,849</u>	<u>458,086</u>	<u>2,237</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	-	15,646	15,646	-
Payment to Refunded Bond Escrow Agent	-	(225,489)	(225,489)	-
<i>Total Other Financing Uses</i>	<u>-</u>	<u>(209,843)</u>	<u>(209,843)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(225,636)	246,006	248,243	2,237
<i>Fund Balance Beginning of Year</i>	7,405,624	7,405,624	7,405,624	-
Prior Year Encumbrances Appropriated	167,169	167,169	167,169	-
<i>Fund Balance End of Year</i>	<u>\$ 7,347,157</u>	<u>\$ 7,818,799</u>	<u>\$ 7,821,036</u>	<u>\$ 2,237</u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**

*Statement of Assets and Liabilities*

*Agency Fund*

*June 30, 2012*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$29,833</u>
<b>Liabilities</b>	
Due to Students	<u>\$29,833</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, 2012*

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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 35 classified employees and 51 certificated full-time teaching personnel who provide services to 627 students and other community members.

#### *Reporting Entity*

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

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

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

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

The financial statements of the Wolf Creek Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund unless those pronouncements 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, 2012

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***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 statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

The Statement of Net 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 is the description of the School District's major governmental fund:

## Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***B. Fund Accounting (Continued)***

**General Fund** The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred to the general laws of Ohio.

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

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

#### ***C. Measurement Focus***

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) 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.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***D. Basis of Accounting (Continued)***

***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.

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, 2012, but which were levied to finance fiscal year 2013 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.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***E. Cash and Cash Equivalents (Continued)***

Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

During fiscal year 2012, the School District’s investments were limited to a money market mutual fund. The money market mutual fund is reported at fair value based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$46,757, which includes \$2,952 assigned from other School District funds.

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

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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 expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

***H. Capital Assets***

The School District’s only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net 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. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***H. Capital Assets (Continued)***

District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

Sick leave benefits are accrued as a liability using the 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.

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

On the government fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which the bonds are issued.

***K. 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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***K. Accrued Liabilities and Long-term Obligations (Continued)***

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.

***L. Internal Activity***

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

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

***M. Fund Balance***

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

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

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

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

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***M. Fund Balance (Continued)***

the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

***N. 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. Net assets restricted for other purposes include resources restricted for food service operations and 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.

***O. 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.

***P. 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, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Q. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds except the General Fund where the legal level of control is at the fund, function, and object level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations to the function and object level for all funds other than the General Fund.

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

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 3 - Fund Balances**

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Prepays	\$ 79,247	\$ 6,363	\$ 85,610
Materials and Supplies Inventory	12,469	10	12,479
<i>Total Nonspendable</i>	<u>91,716</u>	<u>6,373</u>	<u>98,089</u>
Restricted for:			
Local Grant Expenditures	-	121	121
State Grant Expenditures	-	3,644	3,644
Federal Grant Expenditures	-	13,963	13,963
Food Service Operations	-	56,512	56,512
Athletic Programs	-	41,200	41,200
Debt Service	-	486,962	486,962
<i>Total Restricted</i>	<u>-</u>	<u>602,402</u>	<u>602,402</u>
Committed:			
Athletic Building	18,251	-	18,251
Building Upgrades	36,796	-	36,796
<i>Total Committed</i>	<u>55,047</u>	<u>-</u>	<u>55,047</u>
Assigned to:			
Capital Improvements	-	808,885	808,885
Encumbrances	48,939	-	48,939
Public School Support	9,815	-	9,815
Fiscal Year 2013 Appropriations	1,078,811	-	1,078,811
<i>Total Assigned</i>	<u>1,137,565</u>	<u>808,885</u>	<u>1,946,450</u>
Unassigned:	6,175,682	-	6,175,682
<i>Total Fund Balances</i>	<u>\$ 7,460,010</u>	<u>\$ 1,417,660</u>	<u>\$ 8,877,670</u>

## Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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### **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 Balance - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Unrecorded and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

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	\$401,393
Revenue Accruals	15,258
Expenditure Accruals	(70,634)
Unreported Items:	
Beginning of Fiscal Year	1,547
End of Fiscal Year	(537)
Prepaid Items:	
Beginning of Fiscal Year	104,497
End of Fiscal Year	(79,247)
Encumbrances	<u>(124,034)</u>
Budget Basis	<u><u>\$248,243</u></u>

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

Monies held by the School District are classified by State statute into three categories.

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

## Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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### **Note 5 - Deposits and Investments (Continued)**

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

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

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

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

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$9,473,253. \$750,415 was covered by Federal depository insurance; \$8,722,838 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 5 - Deposits and Investments (Continued)**

*Investments* As of June 30, 2012, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Rating Agency</u>
Money Market Mutual Funds	\$7,989	N/A	Aaa/AA+	Moody's/S&P

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$16,421 in the General Fund and \$2,137 in the Bond Retirement Fund. The amount available as an advance at June 30, 2011, was \$15,212 in the General Fund and \$1,953 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 has been deferred.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 6 - Property Taxes (Continued)**

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 39,889,910	29.28%	\$ 39,987,620	29.46%
Commerical/Industrial and Public Utility Real	17,869,700	13.12%	17,866,190	13.16%
Public Utility Personal	78,464,600	57.60%	77,870,920	57.38%
	<u>\$ 136,224,210</u>	<u>100.00%</u>	<u>\$ 135,724,730</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of assessed valuation	 \$ 40.98		 \$ 41.02	

**Note 7 - Receivables**

Receivables at June 30, 2012, consisted of property taxes, accounts (billings for user charged services and tuition and fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year.

**Intergovernmental Receivables:**

	<u>Amounts</u>
<b>Governmental Activities</b>	
Education Jobs	\$ 76,410
Title I	46,505
Part B Idea	31,573
Rural Education Achievement Program	18,914
Washington County Treasurer	13,178
Race to the Top (Battelle for Kids)	8,240
Race to the Top	3,324
Title II-D	233
Total	<u>\$ 198,377</u>

**Note 8 - Interfund Activity**

At June 30, 2012, the Other Nonmajor Governmental Funds owed the General Fund \$98,305. The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds. The interfund balances are anticipated to be repaid within one fiscal year.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>6/30/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2012</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$ 19,171	\$ -	\$ -	\$ 19,171
Construction in Progress	367,149	194,840	(561,989)	-
Total Capital Assets not being Depreciated	<u>386,320</u>	<u>194,840</u>	<u>(561,989)</u>	<u>19,171</u>
Depreciable Capital Assets:				
Buildings and Improvements	9,440,021	583,621	-	10,023,642
Furniture and Equipment	1,375,023	6,665	(1,808)	1,379,880
Vehicles	899,575	-	-	899,575
Total Capital Assets being Depreciated	<u>11,714,619</u>	<u>590,286</u>	<u>(1,808)</u>	<u>12,303,097</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,407,201)	(268,795)	-	(2,675,996)
Furniture and Equipment	(1,094,020)	(67,556)	1,808	(1,159,768)
Vehicles	(667,713)	(62,430)	-	(730,143)
Total Accumulated Depreciation	<u>(4,168,934)</u>	<u>(398,781) *</u>	<u>1,808</u>	<u>(4,565,907)</u>
Total Capital Assets being Depreciated, Net	<u>7,545,685</u>	<u>191,505</u>	<u>-</u>	<u>7,737,190</u>
Capital Assets, Net	<u>\$ 7,932,005</u>	<u>\$ 386,345</u>	<u>\$ (561,989)</u>	<u>\$ 7,756,361</u>

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

Instruction:	
Regular	\$ 306,154
Special	6,315
Vocational	3,041
Support Services:	
Pupils	205
Instructional Staff	2,814
Administration	2,132
Fiscal	228
Operation and Maintenance of Plant	8,103
Pupil Transportation	63,307
Food Service Operations	1,349
Extracurricular Activities	5,133
Total Depreciation Expense	<u>\$ 398,781</u>

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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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. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$25,649,291
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	4,000,000
Personal and Advertising Injury	4,000,000
General Aggregate Limit	6,000,000
Completed Operations Aggregate Limit	4,000,000
Employers' – Stop Gap - Bodily Injury	4,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	4,000,000
Aggregate Limit	6,000,000
Automobile Liability:	
Liability	4,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000
Deductibles:	
Comprehensive	250
Collision	500

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2011.



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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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### **Note 10 - Risk Management (Continued)**

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

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

### **Note 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 with any school district; 35 days for 15 to 19 years of service with this School District; 40 days for 20 to 24 years of service with this School District; and 45 days for classified and 50 days for certified for more than 24 years of service with this School District. Also, employees having 20 years of service or more with this School District will have an additional severance amount calculated as follows: classified: 45 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$70 not to exceed \$5,950; certified: 40 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$85; or 50 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$85 with 25 years of service.

#### ***B. Insurance***

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays ninety percent of the total monthly premiums of \$1,392.13 for family coverage, \$873.51 for employee with children coverage, \$955.38 for two adults' coverage, and \$545.95 for single coverage.

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 11 - Employee Benefits (Continued)**

***B. Insurance (Continued)***

Dental coverage is provided through Core Source. The School District also pays ninety percent of the total monthly premiums of \$66.64 for family coverage and \$22.18 for single coverage.

**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$90,861, \$91,308 and \$122,048, respectively. For fiscal year 2012, 57.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 12 - Defined Benefit Pension Plans (Continued)**

***B. State Teachers Retirement System (Continued)***

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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$328,791, \$395,635, and \$337,572, respectively. For fiscal year 2012, 84.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$845 made by the School District and \$604 made by the plan members.

***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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, there are no employees who have elected Social Security.

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **Note 13 - Postemployment Benefits**

#### ***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$13,063, \$30,536, and \$4,398, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$5,091, \$6,194, and \$7,247 respectively. For fiscal year 2012, 55.53 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

#### ***B. State Teachers Retirement System***

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

**Note 13 - Postemployment Benefits (Continued)**

***B. State Teachers Retirement System (Continued)***

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$25,292, \$30,443, and \$25,967 respectively. For fiscal year 2012, 84.36 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 14 - Long-Term Obligations**

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

	Principal Outstanding 6/30/11	Additions	Reductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<b>Governmental Activities</b>					
2002 School Facilities					
Construction and Improvement Bonds:					
Serial Bonds - 1.75%-4.75%	\$ 3,320,000	\$ -	\$ 2,920,000	\$ 400,000	\$ 190,000
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	402,469	110,278	-	512,747	-
Premium on Capital Appreciation Bonds	227,189	-	37,865	189,324	-
Serial and Term Bond Discount	(67,492)	-	(67,492)	-	-
<b>Total 2002 School Facilities Bonds</b>	<b>6,167,166</b>	<b>110,278</b>	<b>5,100,373</b>	<b>1,177,071</b>	<b>190,000</b>
2012 Advance Refunding Bonds:					
Serial Bonds - 3%	-	4,950,000	-	4,950,000	45,000
Deferred Amount on Refunding	-	(445,784)	(44,578)	(401,206)	-
<b>Total 2012 Advance Refunding Bonds</b>	<b>-</b>	<b>4,504,216</b>	<b>(44,578)</b>	<b>4,548,794</b>	<b>45,000</b>
Sick Leave Benefits	294,365	37,406	31,503	300,268	-
<b>Total Governmental Activities</b>					
Long-Term Liabilities	\$ 6,461,531	\$ 4,651,900	\$ 5,087,298	\$ 6,026,133	\$ 235,000

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 14 - Long-Term Obligations (Continued)**

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. Sick leave benefit payments were made from the General Fund during fiscal year 2012.

On August 2, 2002, the School District issued \$6,600,000 in voted general obligation bonds for constructing, improving, and making additions to school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,315,000, \$2,210,000, and \$75,000, respectively. During fiscal year 2012, the School District made the scheduled repayment of serial bonds in the amount of \$180,000, and advance refunded \$2,740,000 of the serial bonds, and \$2,210,000 of the term bonds. The advance refunded portion of the bonds, as well as the unamortized discount of these advance refunded bonds, were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from Bond Retirement Debt Service Fund, with the proceeds of a 5.50 mill voted property tax levy.

The capital appreciation bonds were sold at a premium of \$567,974. The capital appreciation bonds will mature in fiscal years 2015, 2016, and 2017. The maturity amount of the bonds is \$1,170,000. For the fiscal year 2011, \$110,278 was accreted for a total bond value of \$587,747.

On January 10, 2012, the School District issued \$4,950,000 of general obligation refunding bonds that were issued to partially refund the 2002 school facilities construction and improvement bonds. The bonds were issued for a 15 year period with final maturity at December 1, 2026. The issuance costs of \$60,350 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 was \$2,012. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$445,784. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for fiscal year 2012 was \$44,578. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$950,109. The issuance resulted in an economic gain of \$482,483. At the date of refunding, \$5,179,555 (including underwriting fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements, and as of June 30, 2012, \$4,950,000 of the refunded bonds are still outstanding, and the balance of the irrevocable trust account was \$5,060,721.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

**Note 14 - Long-Term Obligations (Continued)**

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2012, were as follows:

Fiscal Year Ending	General Obligation Bonds				Capital Appreciation	
	2002		2012		Principal	Interest
	Principal	Interest	Principal	Interest		
2013	\$ 190,000	\$ 11,800	\$ 45,000	\$ 147,825	\$ -	\$ -
2014	210,000	4,095	25,000	146,775	-	-
2015	-	-	-	146,400	30,000	360,000
2016	-	-	-	146,400	25,000	365,000
2017	-	-	-	146,400	20,000	370,000
2018-2022	-	-	2,290,000	565,200	-	-
2023-2027	-	-	2,590,000	190,200	-	-
Total	<u>\$ 400,000</u>	<u>\$ 15,895</u>	<u>\$ 4,950,000</u>	<u>\$ 1,489,200</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.

The overall debt margin of the School District as of June 30, 2012, was \$7,277,188, with an unvoted debt margin of \$135,725.

**Note 15 - 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 26 participants consisting of school districts in eight southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2012, the School District paid \$32,015 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

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

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 15 - Jointly Governed Organizations (Continued)**

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2012. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 16 - 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 thirteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

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



**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 17 - Set asides**

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

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

	Capital Improvements
Set-aside Balance as of June 30, 2011	\$ -
Current Year Set-aside Requirement	109,083
Offsetting Credits	(433,939)
Total	<u>(324,856)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ -</u>

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

**Note 18 - Contingencies**

***A. Grants***

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

***B. Litigation***

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 19 – Compliance**

The General, Race to the Top Special Revenue and the Special Education Special Revenue Funds had expenditures plus encumbrances in excess of appropriations, in the amounts of \$2,212, \$6,000 and \$4,876, respectively, for the fiscal year ended June 30, 2012. The Treasurer will monitor budgetary transactions to ensure that expenditures are within appropriations.

**Wolf Creek Local School District, Ohio**  
*Schedule of Receipts and Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2012*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Thru Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	2012	10.553	\$ 24,686	\$ 24,686
National School Lunch Program				
Cash Assistance	2012	10.555	88,988	88,988
Non-Cash Assistance (Food Distribution)	2012	10.555	15,641	15,641
National School Lunch Program Subtotal			<u>104,629</u>	<u>104,629</u>
<b>Total - Child Nutrition Cluster</b>			<u>129,315</u>	<u>129,315</u>
<b>Total U.S. Department of Agriculture</b>			<u>129,315</u>	<u>129,315</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Direct from the Agency:</i>				
Rural Education Achievement Program	2012	84.358	1,206	1,206
	2011		<u>17,216</u>	<u>17,216</u>
<b>Total - Rural Education Achievement Program</b>			<u>18,422</u>	<u>18,422</u>
<i>Passed through the Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2012	84.010	143,804	165,911
	2011		<u>18,531</u>	<u>21,954</u>
<b>Total - Title I Grants to Local Educational Agencies</b>			<u>162,335</u>	<u>187,865</u>
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	<u>3,451</u>	<u>4,347</u>
<b>Total - Title I Cluster</b>			<u>165,786</u>	<u>192,212</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	2012	84.027	94,563	109,940
	2011		<u>9,377</u>	<u>19,262</u>
<b>Total - Special Education Cluster (IDEA)</b>			<u>103,940</u>	<u>129,202</u>
ARRA - Race to the Top	2012	84.395A	93,821	91,226
	2011		<u>56,405</u>	<u>55,380</u>
<b>Total - ARRA - Race to the Top</b>			<u>150,226</u>	<u>146,606</u>
Title II-A - Improving Teacher Quality	2012	84.367	30,811	30,811
Education Jobs Fund	2012	84.410	26,727	88,890
Title II-D - Technology Literacy Challenge Fund Grants	2012	84.318	<u>1,200</u>	<u>1,200</u>
<b>Total - U.S. Department of Education</b>			<u>497,112</u>	<u>607,343</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 626,427</u>	<u>\$ 736,658</u>

The accompanying notes are an integral part of this schedule.

**Wolf Creek Local School District, Ohio**  
*Notes to the Schedule of Receipts and Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2012*

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**Note A – Significant Accounting Policies**

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

**Note B – Child Nutrition Cluster**

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

**Note C – Food Donation**

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

**Note D – Matching Requirements**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

December 28, 2012

Wolf Creek Local School District  
Washington County  
330 Main Street  
Waterford, OH 45786

To the Board of Education:

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**, Washington County, Ohio (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents, and have issued our report dated December 28, 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated December 28, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, pass-through entities and others within the School District. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

December 28, 2012

Wolf Creek Local School District  
Washington County  
330 Main Street  
Waterford, OH 45786

To the Board of Education:

**Compliance**

We have audited the compliance of the **Wolf Creek Local School District**, Washington County, Ohio (the 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Audit Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures 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 of the School District's compliance with these requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### **Internal Control over Compliance**

The School District's management 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 the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, pass-through entities and others within the School District. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**Wolf Creek Local School District, Ohio**  
*Schedule of Audit Findings*  
*OMB Circular A -133 § .505*  
*For the Fiscal Year Ended June 30, 2012*

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 and ARRA - Title I Grants to Local Educational Agencies – CFDA #84.389 ARRA – Race to the Top – CFDA #84.395A Special Education Cluster: Special Education – Grants to States (IDEA, Part B) – CFDA #84.027
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: All Others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**WOLF CREEK LOCAL SCHOOL DISTRICT**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 28, 2013**