



Dave Yost • Auditor of State

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

March 3, 2015

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Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

The discussion and analysis of the Wolf Creek Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- Net position of governmental activities increased \$544,771.
- General revenues accounted for \$7,259,999 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,768,094 or 20% of total revenues of \$9,028,093.
- Total assets of governmental activities increased \$846,986, while total liabilities decreased \$93,067.
- The School District had \$8,483,322 in expenses related to governmental activities; \$1,768,094 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$7,259,999 provided the remaining resources for these programs.
- The School District's only major fund, the General Fund, had \$7,282,810 in revenues and \$6,742,923 in expenditures. The General Fund's balance increased \$533,479.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?"

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Wolf Creek Local School District, Ohio*Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2014**Unaudited*

Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

	Governmental Activities		
	2014	2013	Change
Assets			
Current and Other Assets	\$16,512,959	\$15,516,128	\$996,831
Capital Assets, Net	7,437,783	7,587,628	(149,845)
<i>Total Assets</i>	<u>23,950,742</u>	<u>23,103,756</u>	<u>846,986</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	222,892	312,049	(89,157)
Liabilities			
Current and Other Liabilities	712,900	833,948	(121,048)
Long-term Liabilities	6,358,484	6,330,503	27,981
<i>Total Liabilities</i>	<u>7,071,384</u>	<u>7,164,451</u>	<u>(93,067)</u>
Deferred Inflows of Resources			
Property Taxes	5,396,481	5,090,356	306,125
Net Position			
Net Investment in Capital Assets	2,696,704	2,709,677	(12,973)
Restricted	1,036,464	577,078	459,386
Unrestricted	7,972,601	7,874,243	98,358
<i>Total Net Position</i>	<u>\$11,705,769</u>	<u>\$11,160,998</u>	<u>\$544,771</u>

Total assets of governmental activities increased \$846,986. Current assets increased by \$996,831 primarily due to an increase in cash and cash equivalents of \$368,784, due to an increase in intergovernmental receivables of \$321,970, and from an increase in property taxes receivable of \$296,381. The increase in assets was offset by a decrease in capital assets in the amount of \$149,845, primarily due to current year depreciation exceeding capital asset additions.

Total liabilities decreased \$93,067. Other liabilities decreased in nearly every area, none significantly. The table reflects an increase in long-term liabilities of \$27,981. This is primarily due to the accretion of capital appreciation bonds offset by higher current year principal debt expenses.

Wolf Creek Local School District, Ohio*Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2014**Unaudited*

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014, and comparisons to fiscal year 2013.

Table 2
Changes in Net Position

	Governmental Activities		
	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$579,549	\$565,089	\$14,460
Operating Grants, Contributions and Interest	1,188,545	898,046	290,499
Capital Grants and Contributions	0	6,798	(6,798)
Total Program Revenues	1,768,094	1,469,933	298,161
General Revenues:			
Property Taxes	5,154,659	4,923,882	230,777
Grants and Entitlements	2,027,378	1,828,824	198,554
Investment Earnings	44,209	45,120	(911)
Donations	5,145	6,810	(1,665)
Miscellaneous	28,608	430,843	(402,235)
Total General Revenues	7,259,999	7,235,479	24,520
Total Revenues	9,028,093	8,705,412	322,681
Program Expenses			
Instruction:			
Regular	3,746,900	3,541,978	204,922
Special	827,342	642,663	184,679
Vocational	173,066	208,366	(35,300)
Student Intervention Services	49,035	64,590	(15,555)
Support Services:			
Pupils	387,388	409,774	(22,386)
Instructional Staff	324,028	422,105	(98,077)
Board of Education	17,295	16,202	1,093
Administration	575,200	549,186	26,014
Fiscal	358,058	362,204	(4,146)
Operation and Maintenance of Plant	618,675	603,299	15,376
Pupil Transportation	489,656	451,426	38,230
Central	13,717	30,072	(16,355)
Operation of Non-Instructional Services:			
Food Service Operations	244,342	258,805	(14,463)
Other	2,189	0	2,189
Extracurricular Activities	288,579	277,902	10,677
Intergovernmental	0	200	(200)
Interest and Fiscal Charges	367,852	403,901	(36,049)
Total Expenses	8,483,322	8,242,673	240,649
Increase in Net Position	544,771	462,739	82,032
Net Position Beginning of Year	11,160,998	10,698,259	462,739
Net Position End of Year	\$11,705,769	\$11,160,998	\$544,771

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Total revenues increased \$322,681 from fiscal year 2013 to fiscal year 2014. This increase was offset by increases in expenses of \$240,649 mainly for regular and special education instruction.

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

Table 3
Governmental Activities

	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>
Program Expenses				
Instruction:				
Regular	\$3,746,900	\$2,995,524	\$3,541,978	\$3,134,779
Special	827,342	445,810	642,663	228,103
Vocational	173,066	164,778	208,366	204,729
Student Intervention Services	49,035	37,591	64,590	27,194
Support Services:				
Pupils	387,388	351,882	409,774	343,996
Instructional Staff	324,028	177,228	422,105	303,967
Board of Education	17,295	17,295	16,202	16,202
Administration	575,200	566,984	549,186	540,227
Fiscal	358,058	354,685	362,204	337,106
Operation and Maintenance of Plant	618,675	618,675	603,299	603,299
Pupil Transportation	489,656	473,846	451,426	434,843
Central	13,717	13,717	30,072	28,817
Operation of Non-Instructional Services:				
Food Service Operations	244,342	(4,676)	258,805	28,311
Other	2,189	(364)	0	0
Extracurricular Activities	288,579	134,401	277,902	137,266
Intergovernmental	0	0	200	0
Interest and Fiscal Charges	367,852	367,852	403,901	403,901
Total	<u>\$8,483,322</u>	<u>\$6,715,228</u>	<u>\$8,242,673</u>	<u>\$6,772,740</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. Over 79% of program expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT'S FUNDS

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,738,177 and expenditures of \$8,212,897. The General Fund's fund balance increased \$533,479 from 2013 due to cash increasing \$402,656 and decreases in all liabilities except matured compensated absences payable.

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

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 2014, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$7,148,519, below final estimates of \$7,261,973. The difference was mainly the result of underestimating intergovernmental revenues and the collection of property taxes. Final estimated revenues were higher than the original estimates of \$6,727,493. Final appropriations were decreased \$285,890 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 \$8,152,314.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had \$2,709,677 invested (net of related debt) in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$19,171	\$19,171
Construction in Progress	8,971	62,259
Buildings and Improvements	7,108,753	7,159,921
Furniture and Equipment	167,163	169,450
Vehicles	133,725	176,827
Totals	<u>\$7,437,783</u>	<u>\$7,587,628</u>

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

Debt

At June 30, 2014, the School District had \$5,989,565 in bonds outstanding.

Wolf Creek Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2014	2013
2002 School Facilities		
Construction and Improvement Bonds:		
Serial Bonds - 1.75%-4.75%	\$0	\$210,000
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	75,000	75,000
Accretion on Capital Appreciation Bonds	814,332	648,106
Premium on Capital Appreciation Bonds	113,594	151,459
2012 School Facilities Refunding Bonds:		
Serial Bonds - 3%	4,880,000	4,905,000
Total General Obligation Bonds	\$5,882,926	\$5,989,565

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

ECONOMIC FACTORS

As the preceding information shows, the School District relies on its taxpayers. The School District only receives 26% support from the State. The future outlook for Wolf Creek Local School will have major adjustments in spending. The announcement of the American Electric Power Plant (AEP) closing in calendar year 2015 will be a major loss to the School District, amounting to a \$1.2 million loss in revenue per calendar year. During 2012, the voters of the School District renewed an emergency tax levy which generates \$780,000 for each calendar year that the millage is in effect. The emergency levy will expire in 2016.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

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Wolf Creek Local School District, Ohio

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,402,546
Cash and Cash Equivalents in Segregated Accounts	1,140
Accounts Receivable	6,804
Intergovernmental Receivable	513,849
Inventory Held for Resale	13,338
Materials and Supplies Inventory	8,440
Prepaid Items	89,727
Property Taxes Receivable	5,477,115
Nondepreciable Capital Assets	28,142
Depreciable Capital Assets, Net	<u>7,409,641</u>
<i>Total Assets</i>	<u>23,950,742</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>222,892</u>
Liabilities	
Accounts Payable	35,252
Contracts Payable	14,321
Accrued Wages and Benefits Payable	452,317
Matured Compensated Absences Payable	12,597
Accrued Interest Payable	12,423
Vacation Benefits Payable	32,308
Intergovernmental Payable	153,682
Long-Term Liabilities:	
Due Within One Year	433,291
Due In More Than One Year	<u>5,925,193</u>
<i>Total Liabilities</i>	<u>7,071,384</u>
Deferred Inflows of Resources	
Property Taxes	<u>5,396,481</u>
Net Position	
Net Investment in Capital Assets	2,696,704
Restricted for:	
Debt Service	486,456
Food Service	23,301
Student Activities	48,876
Other Purposes	477,831
Unrestricted	<u>7,972,601</u>
<i>Total Net Position</i>	<u><u>\$11,705,769</u></u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$3,746,900	\$341,415	\$409,961	(\$2,995,524)
Special	827,342	0	381,532	(445,810)
Vocational	173,066	0	8,288	(164,778)
Student Intervention Services	49,035	0	11,444	(37,591)
Support Services:				
Pupils	387,388	0	35,506	(351,882)
Instructional Staff	324,028	0	146,800	(177,228)
Board of Education	17,295	0	0	(17,295)
Administration	575,200	0	8,216	(566,984)
Fiscal	358,058	0	3,373	(354,685)
Operation and Maintenance of Plant	618,675	0	0	(618,675)
Pupil Transportation	489,656	0	15,810	(473,846)
Central	13,717	0	0	(13,717)
Operation of Non-Instructional Services:				
Food Service Operations	244,342	93,194	155,824	4,676
Other	2,189	0	2,553	364
Extracurricular Activities	288,579	144,940	9,238	(134,401)
Interest and Fiscal Charges	367,852	0	0	(367,852)
Totals	\$8,483,322	\$579,549	\$1,188,545	(6,715,228)
General Revenues				
Property Taxes Levied for:				
General Purposes				4,690,862
Debt Service				463,797
Grants and Entitlements not Restricted to Specific Programs				2,027,378
Investment Earnings				44,209
Donations not Restricted to Specific Programs				5,145
Miscellaneous				28,608
Total General Revenues				7,259,999
Change in Net Position				544,771
Net Position Beginning of Year				11,160,998
Net Position End of Year				\$11,705,769

See accompanying notes to the basic financial statements.

Wolf Creek Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,219,350	\$2,183,196	\$10,402,546
Cash and Cash Equivalents in Segregated Accounts	0	1,140	1,140
Receivables:			
Property Taxes	4,934,204	542,911	5,477,115
Accounts	1,322	5,482	6,804
Intergovernmental	67,028	446,821	513,849
Prepaid Items	86,103	3,624	89,727
Inventory Held for Resale	0	13,338	13,338
Materials and Supplies Inventory	8,413	27	8,440
<i>Total Assets</i>	<u>\$13,316,420</u>	<u>\$3,196,539</u>	<u>\$16,512,959</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$28,749	\$6,503	\$35,252
Contracts Payable	0	14,321	14,321
Accrued Wages and Benefits Payable	410,143	42,174	452,317
Matured Compensated Absences Payable	12,597	0	12,597
Intergovernmental Payable	145,624	8,058	153,682
<i>Total Liabilities</i>	<u>597,113</u>	<u>71,056</u>	<u>668,169</u>
Deferred Inflows of Resources			
Property Taxes	4,863,510	532,971	5,396,481
Unavailable Revenue	47,267	436,018	483,285
<i>Total Deferred Inflows of Resources</i>	<u>4,910,777</u>	<u>968,989</u>	<u>5,879,766</u>
Fund Balances			
Nonspendable	94,516	3,651	98,167
Restricted	0	723,790	723,790
Committed	12,547	0	12,547
Assigned	264,262	1,430,031	1,694,293
Unassigned	7,437,205	(978)	7,436,227
<i>Total Fund Balances</i>	<u>7,808,530</u>	<u>2,156,494</u>	<u>9,965,024</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,316,420</u>	<u>\$3,196,539</u>	<u>\$16,512,959</u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances		\$9,965,024
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,437,783
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	33,347	
Student Fees and Sales	5,418	
Intergovernmental Revenue	444,520	483,285
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(12,423)
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.		(32,308)
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		222,892
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(1,002,926)	
School Construction Refunding Bonds	(4,880,000)	
Sick Leave Benefits Payable	(475,558)	(6,358,484)
Net Position of Governmental Activities		\$11,705,769

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$4,694,481	\$463,319	\$5,157,800
Intergovernmental	2,169,155	753,302	2,922,457
Investment Earnings	37,345	6,925	44,270
Charges for Services	0	91,627	91,627
Tuition and Fees	341,341	0	341,341
Extracurricular Activities	6,870	138,037	144,907
Donations	5,145	1,738	6,883
Miscellaneous	28,473	419	28,892
<i>Total Revenues</i>	<u>7,282,810</u>	<u>1,455,367</u>	<u>8,738,177</u>
Expenditures			
Current:			
Instruction:			
Regular	3,250,787	122,425	3,373,212
Special	614,448	239,496	853,944
Vocational	193,043	0	193,043
Student Intervention	47,970	9,813	57,783
Support Services:			
Pupils	371,345	31,150	402,495
Instructional Staff	157,025	135,961	292,986
Board of Education	17,295	0	17,295
Administration	553,446	7,644	561,090
Fiscal	351,046	16,287	367,333
Operation and Maintenance of Plant	569,930	0	569,930
Pupil Transportation	405,153	0	405,153
Central	13,717	0	13,717
Operation of Non-Instructional Services	0	257,801	257,801
Extracurricular Activities	138,978	138,845	277,823
Capital Outlay	58,740	124,695	183,435
Debt Service:			
Principal	0	235,000	235,000
Interest and Fiscal Charges	0	150,857	150,857
<i>Total Expenditures</i>	<u>6,742,923</u>	<u>1,469,974</u>	<u>8,212,897</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>539,887</u>	<u>(14,607)</u>	<u>525,280</u>
Other Financing Sources (Uses)			
Transfers In	0	6,408	6,408
Transfers Out	(6,408)	0	(6,408)
Total Other Financing Sources (Uses)	<u>(6,408)</u>	<u>6,408</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	533,479	(8,199)	525,280
<i>Fund Balances Beginning of Year</i>	<u>7,275,051</u>	<u>2,164,693</u>	<u>9,439,744</u>
<i>Fund Balances End of Year</i>	<u>\$7,808,530</u>	<u>\$2,156,494</u>	<u>\$9,965,024</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, 2014*

Net Change in Fund Balances - Total Governmental Funds \$525,280

*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	214,362	
Depreciation Expense	(364,207)	(149,845)

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

Delinquent Property Taxes	(3,141)	
Student Fees and Sales	74	
Extracurricular Activities	33	
Charges for Services	1,567	
Other	(284)	
Intergovernmental Revenues	291,667	289,916

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 235,000

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

Annual Accretion	(166,226)	
Accrued Interest Payable	523	
Amortization of Deferred Charge on Refunding	(89,157)	
Bond Premium	37,865	(216,995)

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	(3,965)	
Sick Leave Benefits Payable	(134,620)	(138,585)

Change in Net Position of Governmental Activities \$544,771

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$4,492,718	\$4,776,110	\$4,701,494	(\$74,616)
Intergovernmental	1,844,975	2,091,453	2,058,778	(32,675)
Investment Earnings	40,000	36,664	36,091	(573)
Tuition and Fees	344,800	346,801	341,383	(5,418)
Donations	0	5,227	5,145	(82)
Miscellaneous	5,000	5,718	5,628	(90)
<i>Total Revenues</i>	<u>6,727,493</u>	<u>7,261,973</u>	<u>7,148,519</u>	<u>(113,454)</u>
Expenditures				
Current:				
Instruction:				
Regular	3,415,808	3,278,765	3,278,765	0
Special	630,748	605,442	605,442	0
Vocational	207,241	198,927	198,927	0
Student Intervention	48,446	46,502	46,502	0
Support Services:				
Pupils	383,351	367,970	367,970	0
Instructional Staff	181,697	174,407	174,407	0
Board of Education	24,106	23,139	23,139	0
Administration	578,190	554,992	554,992	0
Fiscal	373,510	358,524	358,524	0
Operation and Maintenance of Plant	618,941	594,109	594,109	0
Pupil Transportation	435,337	417,871	417,871	0
Central	14,290	13,717	13,717	0
Extracurricular Activities	134,253	128,867	128,867	0
Capital Outlay	79,856	76,652	76,652	0
<i>Total Expenditures</i>	<u>7,125,774</u>	<u>6,839,884</u>	<u>6,839,884</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(398,281)</u>	<u>422,089</u>	<u>308,635</u>	<u>(113,454)</u>
Other Financing Sources				
Refund of Prior Year Expenditures	0	42,931	42,260	(671)
<i>Net Change in Fund Balance</i>	<u>(398,281)</u>	<u>465,020</u>	<u>350,895</u>	<u>(114,125)</u>
<i>Fund Balance Beginning of Year</i>	7,683,553	7,683,553	7,683,553	0
Prior Year Encumbrances Appropriated	<u>117,866</u>	<u>117,866</u>	<u>117,866</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,403,138</u></u>	<u><u>\$8,266,439</u></u>	<u><u>\$8,152,314</u></u>	<u><u>(\$114,125)</u></u>

See accompanying notes to the financial statements.

Wolf Creek Local School District, Ohio

Statement of Assets and Liabilities

Agency Fund

June 30, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$31,438</u>
Liabilities	
Due to Students	<u>\$31,438</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, 2014*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's two instructional/support facilities staffed by 34 classified employees and 49 certificated full-time teaching personnel who provide services to 616 students and other community members.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following is the description of the School District's major governmental fund:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, student fees and sales, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

E. Cash and Cash Equivalents

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

During fiscal year 2014, the School District's investments were limited to certificates of deposit, which are reported at cost, and federal agency securities, which are reported at fair value based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$37,345, which includes \$2,752 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, 2014, 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 position but are not reported in the fund financial statements.

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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

I. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave benefits payable" in the funds from which these payments will be made.

J. Bond Premium

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

K. Deferred Charge on Refunding

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

L. Accrued Liabilities and Long-term Obligations

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

M. Internal Activity

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

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

N. Fund Balance

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

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

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

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

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

O. Net Position

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

P. 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.

Q. 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.

R. 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.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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

Note 4 - Fund Balances

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

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$86,103	\$3,624	\$89,727
Materials and Supplies Inventory	8,413	27	8,440
<i>Total Nonspendable</i>	<u>94,516</u>	<u>3,651</u>	<u>98,167</u>
Restricted for:			
Local Grant Expenditures	0	1,635	1,635
State Grant Expenditures	0	10,086	10,086
Race to the Top Program	0	40,191	40,191
Food Service Operations	0	14,979	14,979
Athletic Programs	0	48,561	48,561
Debt Service	0	608,338	608,338
<i>Total Restricted</i>	<u>0</u>	<u>723,790</u>	<u>723,790</u>
Committed:			
Building Upgrades	12,547	0	12,547
Assigned to:			
Capital Improvements	0	1,430,031	1,430,031
Encumbrances	30,166	0	30,166
Public School Support	8,195	0	8,195
Fiscal Year 2015 Appropriations	225,901	0	225,901
<i>Total Assigned</i>	<u>264,262</u>	<u>1,430,031</u>	<u>1,694,293</u>
Unassigned:	7,437,205	(978)	7,436,227
<i>Total Fund Balances</i>	<u>\$7,808,530</u>	<u>\$2,156,494</u>	<u>\$9,965,024</u>

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 5 - 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.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

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

Net Change in Fund Balance

GAAP Basis	\$533,479
Revenue Accruals	(76,108)
Expenditure Accruals	(50,481)
Unreported Items:	
Beginning of Fiscal Year	3,387
End of Fiscal Year	(5,308)
Prepaid Items:	
Beginning of Fiscal Year	81,908
End of Fiscal Year	(86,103)
To reclassify excess of expenditures over revenues into financial statement fund types	3,854
Encumbrances	<u>(53,733)</u>
Budget Basis	<u><u>\$350,895</u></u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$10,639,429. \$4,103,829 was covered by Federal depository insurance; \$6,535,600 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2014, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Percentage of Investments</u>	<u>Rating Agency</u>
Federal Home Loan Mortgage Corporation	\$550,446	9/26/2017	AA+	36%	S&P
Federal National Mortgage Association	500,100	1/30/2018	Aaa/AA+	32%	Moody's/S&P
Federal Home Loan Banks	499,580	6/12/2018	Aaa/AA+	32%	Moody's/S&P
Total	<u>\$1,550,126</u>			<u>100%</u>	

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

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

Note 7 - Property Taxes

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014, was \$41,482 in the General Fund and \$5,805 in the Bond Retirement Fund. The amount available as an advance at June 30, 2013, was \$48,495 in the General Fund and \$5,395 in the Bond Retirement Fund.

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

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$40,234,230	28.18%	\$47,493,820	31.47%
Commerical/Industrial and Public Utility Real	18,139,390	12.71%	17,985,920	11.92%
Public Utility Personal	84,395,520	59.11%	85,437,820	56.61%
	<u>\$142,769,140</u>	<u>100.00%</u>	<u>\$150,917,560</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$40.25		\$40.65

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 8 - Receivables

Receivables at June 30, 2014, consisted of property taxes, accounts (billings for user charged services and tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Straight A Grant	\$260,522
Title I	59,000
Part B Idea	51,940
Rural Education Achievement Program	39,156
Race to the Top	27,541
Teacher Credentialing Grant	22,000
School Employees Retirement System	19,166
Ohio Department of Education	14,205
Washington County Job and Family Services	12,047
Title II-A	7,101
Miscellaneous	971
Ohio FFA Foundation Grant	200
Total	<u><u>\$513,849</u></u>

Note 9 - Interfund Activity

The General Fund transferred \$6,408 to the Athletic and Music Special Revenue Fund during fiscal year 2014 for general operating expenditures.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$19,171	\$0	\$0	\$19,171
Construction in Progress	62,259	122,972	(176,260)	8,971
Total Capital Assets not being Depreciated	81,430	122,972	(176,260)	28,142
Depreciable Capital Assets:				
Buildings and Improvements	10,112,935	230,219	0	10,343,154
Furniture and Equipment	1,381,235	37,431	0	1,418,666
Vehicles	961,843	0	0	961,843
Total Capital Assets being Depreciated	12,456,013	267,650	0	12,723,663
Less Accumulated Depreciation				
Buildings and Improvements	(2,953,014)	(281,387)	0	(3,234,401)
Furniture and Equipment	(1,211,785)	(39,718)	0	(1,251,503)
Vehicles	(785,016)	(43,102)	0	(828,118)
Total Accumulated Depreciation	(4,949,815)	(364,207) *	0	(5,314,022)
Total Capital Assets being Depreciated, Net	7,506,198	(96,557)	0	7,409,641
Capital Assets, Net	\$7,587,628	\$26,415	(\$176,260)	\$7,437,783

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$286,833
Special	5,446
Vocational	2,781
Support Services:	
Instructional Staff	480
Administration	1,103
Fiscal	228
Operation and Maintenance of Plant	10,459
Pupil Transportation	43,968
Food Service Operations	2,153
Extracurricular Activities	10,756
Total Depreciation Expense	\$364,207

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 11 - Significant Commitments

A. Contractual Commitments

As of June 30, 2014, the School District had contractual purchase commitments as follows:

	<u>Purchase Commitments</u>	<u>Amounts Paid as of 6/30/2014</u>	<u>Amount Remaining on Contract</u>
Baseball Field Fence:			
General Fund	\$6,400	\$5,403	\$997
Elementary School Cafeteria Renovations:			
General Fund	9,900	0	9,900
Computer Lab Carpet Installation:			
General Fund	1,650	0	1,650
Parking Lot Sealing:			
Permanent Improvement Capital Projects Fund	19,231	15,581	3,650
Total	<u>\$37,181</u>	<u>\$20,984</u>	<u>\$16,197</u>

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$53,733
Nonmajor Funds	<u>88,964</u>
Total	<u><u>\$142,697</u></u>

Note 12 - 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 18).

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Building and Contents - replacement cost (\$1,000 deductible)	\$27,430,492
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: (buses - \$1000)	
Comprehensive	250
Collision	500

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2013.

B. Worker's Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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 13 - Employee Benefits

A. Compensated Absences

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

B. Insurance

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays ninety percent of the total monthly premiums of \$1,580.44 for family coverage, \$991.66 for employee with children coverage, \$1,084.62 for two adults' coverage, and \$619.80 for single coverage.

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

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

Note 14 - 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, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$98,004, \$116,521 and \$90,861, respectively. For fiscal year 2014, 71.20 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

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 of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$379,533 and \$116 for the fiscal year ended June 30, 2014, \$380,510 and \$940 for the fiscal year ended June 30, 2013, and \$327,945 and \$583 for the fiscal year ended June 30, 2012. For fiscal year 2014, 82.32 percent has been contributed for the DB plan with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$68 made by the School District and \$54 made by the plan members. In addition, member contributions of \$91 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

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, 2013, all Board Members have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 15 - 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 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 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 2014, .14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$15,607 in surcharge.

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, 2014, 2013, and 2012, were \$16,593, \$16,155 and \$13,063, respectively. For fiscal year 2014, 4.12 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$5,748, \$6,484, and \$5,091 respectively. For fiscal year 2014, 71.51 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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 2014, 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, 2014, 2013, and 2012, were \$29,209, \$29,351, and \$25,292 respectively. For fiscal year 2014, 82.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 16 - Long-Term Obligations

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

	Principal Outstanding 6/30/13	Additions	Reductions	Principal Outstanding 6/30/14	Amounts Due in One Year
Governmental Activities					
2002 School Facilities					
Construction and Improvement Bonds:					
Serial Bonds - 1.75%-4.75%	\$210,000	\$0	\$210,000	\$0	\$0
Original Issue of Capital Appreciation Bonds - 21.947%-21.861%	75,000	0	0	75,000	30,000
Accretion on Capital Appreciation Bonds	648,106	166,226	0	814,332	360,000
Premium on Capital Appreciation Bonds	151,459	0	37,865	113,594	0
Total 2002 School Facilities Bonds	1,084,565	166,226	247,865	1,002,926	390,000
2012 Advance Refunding Bonds:					
Serial Bonds - 3%	4,905,000	0	25,000	4,880,000	0
Sick Leave Benefits	340,938	180,383	45,763	475,558	43,291
Total Governmental Activities Long-Term Liabilities	\$6,330,503	\$346,609	\$318,628	\$6,358,484	\$433,291

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service, IDEA, Part B, Special Education, and Title I Special Revenue Funds. Sick leave benefit payments were made from the General Fund during fiscal year 2014.

On August 2, 2002, the School District issued \$6,600,000 in voted general obligation bonds for constructing, improving, and making additions to school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,315,000, \$2,210,000, and \$75,000, respectively. During fiscal year 2012, the School District advance refunded \$2,740,000 of the serial bonds and \$2,210,000 of the term bonds. The advance refunded portion of the bonds, as well as the unamortized discount of these advance refunded bonds, 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 2014, \$166,226 was accreted for a total bond value of \$889,332.

On January 10, 2012, the School District issued \$4,950,000 of general obligation refunding bonds that were issued to partially refund the 2002 school facilities construction and improvement bonds. The bonds were issued for a 15 year period with final maturity at December 1, 2026. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$445,784. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for fiscal year 2014 was \$89,157. At the date of refunding, \$5,179,555 (including underwriting fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements. On December 1, 2012, the outstanding refunded bonds were retired.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2014, were as follows:

Fiscal Year Ending	2012 General Obligation Bonds		2002 Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2015	\$0	\$146,400	\$30,000	\$360,000
2016	0	146,400	25,000	365,000
2017	0	146,400	20,000	370,000
2018	425,000	140,025	0	0
2019	440,000	127,050	0	0
2020-2024	2,470,000	422,550	0	0
2025-2027	1,545,000	65,775	0	0
Total	<u>\$4,880,000</u>	<u>\$1,194,600</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, 2014, was \$9,228,439, with an unvoted debt margin of \$150,834.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 17 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of school districts in seven southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2014, the School District paid \$53,267 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

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

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2014. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 18 - Insurance Purchasing Pools

A. Ohio School Plan

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

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

Note 19 - Set asides

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	109,598
Offsetting Credits	<u>(462,909)</u>
Total	<u><u>(\$353,311)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 20 - Contingencies

A. Grants

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

B. Litigation

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

Note 21– Subsequent Events

On July 9, 2014, the Board of Education approved a contract with TREMCO for a roof repair project at a cost not to exceed \$670,000.

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**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 21,692	\$ 21,692
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	28,041	28,041
National School Lunch Program	2013/2014	10.555	89,451	89,451
Cash Assistance Subtotal			<u>117,492</u>	<u>117,492</u>
Total Child Nutrition Cluster			139,184	139,184
State Administrative Expenses for Child Nutrition	2013/2014	10.560		<u>9,206</u>
Total U.S. Department of Agriculture			139,184	148,390
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct from U.S. Department of Education:</i>				
Rural Education	2013	84.358	14,479	14,526
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	13,733 <u>193,466</u>	18,753 <u>180,259</u>
Total Title I Grants to Local Educational Agencies			207,199	199,012
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	7,580 <u>82,696</u>	11,555 <u>72,358</u>
Total Special Education - Grants to States			90,276	83,913
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2014	84.173	<u>2,120</u>	<u>2,120</u>
Total Special Education Cluster			92,396	86,033
<i>Passed Through Ohio Department of Education:</i>				
Improving Teacher Quality State Grants	2014	84.367	22,583	22,583
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013 2014	84.395A	7,715 12,596	1,970 18,943
<i>Passed thorough Ohio Appalachian Collaborative</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013 2014	84.395A	171,061	29,669 <u>137,990</u>
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>191,372</u>	<u>188,572</u>
Total U.S. Department of Education			528,029	<u>510,726</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 667,213</u>	<u>\$ 659,116</u>

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

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 3, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

March 3, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Wolf Creek Local School District's, Washington County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants

As described in Findings 2014-001 and 2014-002 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-001	84.395A	ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	Cash Management
2014-002	84.395A	ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	Eligibility

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to this program.

Qualified Opinion on the ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2014-001 and 2014-002 to be material weaknesses.

Wolf Creek Local School District
Washington County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required By OMB Circular A-133
Page 2

The School District's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings or Corrective Action Plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 3, 2015

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**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> • ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, CFDA # 84.395A 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2014-001
CFDA Titles and Numbers	ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, CFDA # 84.395A
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Appalachian Collaborative

Noncompliance/Material Weakness – Cash Management

2 C.F.R. § 215.51(a) provides that recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in 2 C.F.R. § 215.26.

The Ohio Department of Education (ODE) and Ohio Appalachian Cooperative (OAC) require recipients of the OAC Race to the Top (RttT) Grants to file manual Project Cash Request (PCR) to drawdown money to pay for grant expenditures. The School District must provide financial information including fund balance, expenditures to date, and receipts to date for the Grant to support the request of funds.

Expenditures reported to ODE on the PCR for the OAC Race to the Top Additional Funding Grant dated March 31, 2014 exceeded the amount posted to the accounting system by \$14,032 (100%).

Additionally, the fund balances reported to ODE on the PCR for the OAC Race to the Top Grant and the PCR for the OAC Race to the Top Additional Funding Grant dated March 31, 2014 differed from the amounts in to the accounting system.

This occurred as a result of using the incorrect supporting documentation to prepare the project cash requests. We were able to obtain adequate assurance that the amounts relating to these grant funds were accurately reported on the financial statements and Schedule of Federal Wards Receipts and Expenditures. We also verified the School District did not request more funds than what was available when the request was completed.

We recommend the Treasurer verify the accuracy of amounts and the related support reported on the project cash requests agree to the accounting system.

Officials' Response: Refer to the Corrective Action Plan at the end of this report.

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2014-002
CFDA Titles and Numbers	ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, CFDA # 84.395A
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Appalachian Collaborative

Noncompliance/Material Weakness – Reporting

34 C.F.R. 80.41(b)(4) provides that, when reports are required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support. For the Ohio Appalachian Cooperative (OAC) Race to the Top Grant the due date for the Final Expenditure Report (FER) was September 30, 2014.

The FER for the OAC portion of the fiscal year 2014 Race to the Top grant was not submitted after the end of the project period as required resulting in noncompliance with the reporting requirements.

We recommend the Treasurer review program guidelines and submit the FER within the required time period.

Officials' Response: Refer to the Corrective Action Plan at the end of this report.

**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	Every time a PCR is requested, documentation of actual expenses will be attached. Advancements requested will show expended that are anticipated and any anticipated expenses (PO's) will be paid in a timely manner. This will make sure requested funds will be spent in a timely manner.	All PCR's going forward.	Rachel Miller, Treasurer
2014-002	The paper FER filing was an error on my part (Treasurer). I know these need to be filed within 90 days and will correct this going forward	The missed FER was filed with OAC RttT and ODE.	Rachel Miller, Treasurer