

**WOLF CREEK LOCAL SCHOOL DISTRICT**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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





Mary Taylor, CPA  
Auditor of State

Board of Education  
Wolf Creek Local School District  
P. O. Box 67  
Waterford, Ohio 45786

We have reviewed the *Independent Auditors' Report* of the Wolf Creek Local School District, Washington County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 30, 2009

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**WOLF CREEK LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2008, on our consideration of Wolf Creek Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
December 18, 2008

**WOLF CREEK LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*

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The discussion and analysis of the Wolf Creek Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- € Net assets of governmental activities increased \$1,055,916.
- € General revenues accounted for \$7,149,137 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,008,665 or 12% of total revenues of \$8,157,802.
- € Total assets of governmental activities increased \$1,725,072; total liabilities increased \$669,156.
- € The School District had \$7,101,886 in expenses related to governmental activities; \$1,008,665 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$7,149,137 provided the remaining resources for these programs.
- € The School District's only major fund, the General Fund, had \$7,003,765 in revenues and \$5,823,060 in expenditures. The General Fund's balance increased \$1,180,705.

### **USING THIS ANNUAL FINANCIAL REPORT**

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

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

## Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*

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

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*

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**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1  
Net Assets

	Governmental Activities		
	2008	2007	Change
<b>Assets</b>			
Current and Other Assets	\$10,330,910	\$8,480,584	\$1,850,326
Capital Assets, Net	7,721,632	7,846,886	(125,254)
<i>Total Assets</i>	<u>18,052,542</u>	<u>16,327,470</u>	<u>1,725,072</u>
<b>Liabilities</b>			
Current and Other Liabilities	5,574,378	4,753,876	820,502
Long-term Liabilities	6,835,475	6,986,821	(151,346)
<i>Total Liabilities</i>	<u>12,409,853</u>	<u>11,740,697</u>	<u>669,156</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,901,686	1,895,890	5,796
Restricted	886,881	1,046,062	(159,181)
Unrestricted	2,854,122	1,644,821	1,209,301
<i>Total Net Assets</i>	<u>\$5,642,689</u>	<u>\$4,586,773</u>	<u>\$1,055,916</u>

Total assets increased \$1,725,072. The increase in current assets reflects additional collection of property taxes, investment earnings, and increases in payments from the State as cash and cash equivalents increased \$1,138,849. Intergovernmental receivables decreased \$75,159, while property taxes receivable increased \$791,919. Long-term liabilities increased \$669,156. The increase of \$820,502 in other liabilities is mainly due to an increase in deferred revenue of \$787,043 related to the taxes receivable increase.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, and comparisons to fiscal year 2007.

**Wolf Creek Local School District, Ohio***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*Table 2  
Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$522,164	\$430,071	\$92,093
Operating Grants, Contributions and Interest	479,455	764,252	(284,797)
Capital Grants and Contributions	7,046	5,330	1,716
Total Program Revenues	<u>1,008,665</u>	<u>1,199,653</u>	<u>(190,988)</u>
General Revenues:			
Property Taxes	4,544,589	4,123,762	420,827
Grants and Entitlements	2,319,087	2,199,816	119,271
Investment Earnings	163,972	126,879	37,093
Donations	107,620	97,096	
Miscellaneous	13,869	451	13,418
Total General Revenues	<u>7,149,137</u>	<u>6,548,004</u>	<u>601,133</u>
Total Revenues	<u>8,157,802</u>	<u>7,747,657</u>	<u>410,145</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,946,764	2,848,826	97,938
Special	437,593	513,208	(75,615)
Vocational	156,149	149,490	6,659
Support Services:			
Pupils	198,605	252,535	(53,930)
Instructional Staff	487,447	454,096	33,351
Board of Education	11,829	12,400	(571)
Administration	451,685	455,271	(3,586)
Fiscal	529,078	437,378	91,700
Operation and Maintenance of Plant	571,822	540,318	31,504
Pupil Transportation	400,068	407,251	(7,183)
Central	42,095	46,432	(4,337)
Operation of Non-Instructional Services:			
Other	26,585	23,508	3,077
Food Service Operations	227,493	210,797	16,696
Extracurricular Activities	321,072	238,008	83,064
Interest and Fiscal Charges	293,601	227,715	65,886
Total Expenses	<u>7,101,886</u>	<u>6,817,233</u>	<u>284,653</u>
Increase in Net Assets	1,055,916	930,424	125,492
Net Assets Beginning of Year	4,586,773	3,656,349	930,424
Net Assets End of Year	<u>\$5,642,689</u>	<u>\$4,586,773</u>	<u>\$1,055,916</u>

## Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*

The School District's assessed property values have decreased \$649,256 mainly due to the phase out of personal property.

Other than wages and insurance, the School District tried to maintain operating expense levels with the prior fiscal year. The cash balance carryover has increased due to the passage of the Emergency Levy in 2007 but also because of the prudent spending of the School District. The employee wage increases were per negotiated agreements, which were set in 2007 and will expire in 2010. The School District has also seen an increase in all types of insurance but has taken steps to keep the increases at a minimum.

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

Table 3  
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$2,946,764	\$2,595,328	\$2,848,826	\$2,575,233
Special	437,593	238,318	513,208	84,220
Vocational	156,149	152,100	149,490	132,364
Support Services:				
Pupils	198,605	163,314	252,535	203,982
Instructional Staff	487,447	441,596	454,096	379,911
Board of Education	11,829	11,829	12,400	12,400
Administration	451,685	451,122	455,271	450,871
Fiscal	529,078	529,078	437,378	437,378
Operation and Maintenance of Plant	571,822	571,822	540,318	540,318
Pupil Transportation	400,068	374,149	407,251	394,242
Central	42,095	41,937	46,432	46,432
Operation of Non-Instructional Services:				
Other	26,585	1,156	23,508	23,508
Food Service Operations	227,493	17,761	210,797	(23,502)
Extracurricular Activities	321,072	210,110	238,008	132,508
Interest and Fiscal Charges	293,601	293,601	227,715	227,715
Total	<u>\$7,101,886</u>	<u>\$6,093,221</u>	<u>\$6,817,233</u>	<u>\$5,617,580</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. 95% of program expenses are supported through taxes and other general revenues.

## Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*

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### THE SCHOOL DISTRICT'S FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,231,996 and expenditures of \$7,119,367. The General Fund's fund balance increased \$1,180,705 from 2007 due to an increase in property tax revenues and intergovernmental revenues.

#### *General Fund Budgeting Highlights*

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2008, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$6,984,093, below final estimates of \$7,004,309. The difference was mainly the result of overestimating investment earnings. Final estimated revenues were above original estimates of \$5,195,800 due to original conservative estimates.

The School District's ending General Fund balance was \$3,751,825.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal year 2008, the School District had \$1,901,686 invested (net of related debt) in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$19,171	\$19,171
Construction in Progress	31,007	30,157
Buildings and Improvements	7,109,769	7,281,181
Furniture and Equipment	182,312	160,527
Vehicles	379,373	355,850
Totals	<u>\$7,721,632</u>	<u>\$7,846,886</u>

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

**Wolf Creek Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*

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**Debt**

At June 30, 2008, the School District had \$6,527,035 in bonds outstanding.

Table 5  
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2008	2007
2002 School Facilities		
Construction and Improvement Bonds:		
Serial Bonds - 1.75%-4.75%	\$3,800,000	\$3,945,000
Term Bonds - 4.75%	2,210,000	2,210,000
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	75,000	75,000
Accretion on Capital Appreciation Bonds	181,397	133,290
Premium on Capital Appreciation Bonds	340,784	378,649
Serial and Term Bond Discount	(80,146)	(84,365)
Total General Obligation Bonds	<u>\$6,527,035</u>	<u>\$6,657,574</u>

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 future outlook for Wolf Creek Local School highly depends on the activity of its two large plants in the School District boundaries – the electric power plant (Columbus Southern) and the alloy metals plant (Globe Metallurgical). Solsil, a new manufacturing plant producing solar panels, will be constructed in calendar year 2009 and will have a positive effect on the School District in fiscal years 2010 and 2011. On August 7, 2007, the voters of the School District approved an emergency tax levy for five years. \$780,000 will be generated for each calendar year that the millage is in effect.

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

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

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**Wolf Creek Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2008*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,117,653
Cash and Cash Equivalents in Segregated Accounts	1,078
Accounts Receivable	1,307
Intergovernmental Receivable	46,832
Materials and Supplies Inventory	9,504
Prepaid Items	21,056
Property Taxes Receivable	4,948,572
Deferred Charges	184,908
Nondepreciable Capital Assets	19,171
Construction in Progress	31,007
Depreciable Capital Assets, Net	<u>7,671,454</u>
<i>Total Assets</i>	<u>18,052,542</u>
<b>Liabilities</b>	
Accounts Payable	67,276
Contracts Payable	850
Accrued Wages and Benefits Payable	390,683
Accrued Interest Payable	22,115
Vacation Benefits Payable	14,044
Deferred Revenue	4,926,544
Intergovernmental Payable	152,866
Long-Term Liabilities:	
Due Within One Year	150,000
Due In More Than One Year	<u>6,685,475</u>
<i>Total Liabilities</i>	<u>12,409,853</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,901,686
Restricted for:	
Capital Projects	581,368
Bus Purchase	17,995
Textbooks and Instructional Materials	84,046
Unclaimed Monies	400
Other Purposes	203,072
Unrestricted	<u>2,854,122</u>
<i>Total Net Assets</i>	<u><u>\$5,642,689</u></u>

See accompanying notes to the financial statements



**Wolf Creek Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,840,031	\$1,177,762	\$5,017,793
Cash and Cash Equivalents in Segregated Accounts	0	1,078	1,078
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	99,860	0	99,860
Receivables:			
Property Taxes	4,510,270	438,302	4,948,572
Accounts	848	459	1,307
Intergovernmental	14,134	32,698	46,832
Prepaid Items	21,056	0	21,056
Materials and Supplies Inventory	2,473	7,031	9,504
<i>Total Assets</i>	<u>\$8,488,672</u>	<u>\$1,657,330</u>	<u>\$10,146,002</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$51,621	\$15,655	\$67,276
Contracts Payable	850	0	850
Accrued Wages and Benefits Payable	353,241	37,442	390,683
Intergovernmental Payable	135,665	17,201	152,866
Deferred Revenue	4,494,460	446,723	4,941,183
<i>Total Liabilities</i>	<u>5,035,837</u>	<u>517,021</u>	<u>5,552,858</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	122,482	35,281	157,763
Reserved for Unclaimed Monies	400	0	400
Reserved for Property Taxes	18,475	2,360	20,835
Reserved for Bus Purchase	17,995	0	17,995
Reserved for Textbooks and Instructional Materials	84,046	0	84,046
Unreserved, Undesignated, Reported in:			
General Fund	3,209,437	0	3,209,437
Special Revenue Funds	0	197,543	197,543
Debt Service Fund	0	324,209	324,209
Capital Projects Funds	0	580,916	580,916
<i>Total Fund Balances</i>	<u>3,452,835</u>	<u>1,140,309</u>	<u>4,593,144</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,488,672</u>	<u>\$1,657,330</u>	<u>\$10,146,002</u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

<b>Total Governmental Fund Balances</b>		<b>\$4,593,144</b>
 <i>Amounts reported for governmental activities in the statement of    net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,721,632
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	1,193	
Student Fees and Sales	2,817	
Grants	<u>10,629</u>	14,639
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.		(22,115)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year and therefore are not reported in the funds.		(14,044)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		184,908
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(6,527,035)	
Sick Leave Benefits Payable	<u>(308,440)</u>	<u>(6,835,475)</u>
Net Assets of Governmental Activities		<u><u>\$5,642,689</u></u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$4,093,323	\$452,880	\$4,546,203
Intergovernmental	2,355,089	519,998	2,875,087
Investments Earnings	128,456	40,674	169,130
Charges for Services	0	92,576	92,576
Tuition and Fees	318,702	0	318,702
Extracurricular Activities	0	110,962	110,962
Donations	107,620	0	107,620
Miscellaneous	575	11,141	11,716
<i>Total Revenues</i>	<u>7,003,765</u>	<u>1,228,231</u>	<u>8,231,996</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,857,094	33,912	2,891,006
Special	225,815	232,133	457,948
Vocational	147,958	0	147,958
Support Services:			
Pupils	150,545	44,122	194,667
Instructional Staff	391,838	55,643	447,481
Board of Education	11,829	0	11,829
Administration	438,032	689	438,721
Fiscal	510,220	12,157	522,377
Operation and Maintenance of Plant	504,004	0	504,004
Pupil Transportation	345,203	78,770	423,973
Central	41,902	193	42,095
Operation of Non-Instructional Services	0	235,391	235,391
Extracurricular Activities	198,620	111,470	310,090
Capital Outlay	0	77,052	77,052
Debt Service:			
Principal	0	145,000	145,000
Interest and Fiscal Charges	0	269,775	269,775
<i>Total Expenditures</i>	<u>5,823,060</u>	<u>1,296,307</u>	<u>7,119,367</u>
<i>Net Change in Fund Balance</i>	1,180,705	(68,076)	1,112,629
<i>Fund Balances Beginning of Year</i>	<u>2,272,130</u>	<u>1,208,385</u>	<u>3,480,515</u>
<i>Fund Balances End of Year</i>	<u>\$3,452,835</u>	<u>\$1,140,309</u>	<u>\$4,593,144</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, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,112,629

*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	147,306	
Depreciation Expense	<u>(272,063)</u>	(124,757)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (497)

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

Delinquent Taxes	(1,614)	
Student Fees and Sales	(76)	
Grants	(74,657)	
Miscellaneous Revenues	<u>2,153</u>	(74,194)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 145,000

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

Amortization of Premium	37,865	
Annual Accretion	(48,107)	
Accrued Interest Payable	366	
Amortization of Discount	<u>(4,218)</u>	(14,094)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities. This is the unamortized issuance costs on the bonds. (9,732)

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

Vacation Benefits Payable	755	
Sick Leave Benefits Payable	<u>20,806</u>	<u>21,561</u>

*Change in Net Assets of Governmental Activities* \$1,055,916

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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$3,000,000	\$4,084,555	\$4,087,047	\$2,492
Intergovernmental	1,867,500	2,343,943	2,343,943	0
Investment Earnings	50,000	149,549	126,841	(22,708)
Tuition and Fees	200,800	317,887	317,887	0
Donations	77,500	107,620	107,620	0
Miscellaneous	0	755	755	0
<i>Total Revenues</i>	<u>5,195,800</u>	<u>7,004,309</u>	<u>6,984,093</u>	<u>(20,216)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,932,576	2,840,603	2,840,603	0
Special	241,564	233,988	233,988	0
Vocational	153,716	148,895	148,895	0
Support Services:				
Pupils	159,946	154,930	154,930	0
Instructional Staff	406,023	393,289	393,289	0
Board of Education	18,990	18,394	18,394	0
Administration	454,461	440,208	440,208	0
Fiscal	535,996	519,186	519,186	0
Operation and Maintenance of Plant	548,767	531,556	531,556	0
Pupil Transportation	370,008	358,404	358,404	0
Central	45,840	44,402	44,402	0
Extracurricular Activities	297,180	287,861	287,861	0
<i>Total Expenditures</i>	<u>6,165,067</u>	<u>5,971,716</u>	<u>5,971,716</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(969,267)</u>	<u>1,032,593</u>	<u>1,012,377</u>	<u>(20,216)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	2,000	2,000	0
Advances Out	0	(302)	0	302
Other Financing Uses	(25,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>1,698</u>	<u>2,000</u>	<u>302</u>
<i>Net Change in Fund Balance</i>	<u>(994,267)</u>	<u>1,034,291</u>	<u>1,014,377</u>	<u>(19,914)</u>
<i>Fund Balance Beginning of Year</i>	2,681,623	2,681,623	2,681,623	0
Prior Year Encumbrances Appropriated	<u>55,825</u>	<u>55,825</u>	<u>55,825</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,743,181</u></u>	<u><u>\$3,771,739</u></u>	<u><u>\$3,751,825</u></u>	<u><u>(\$19,914)</u></u>

See accompanying notes to the financial statements

**Wolf Creek Local School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2008*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$30,517</u>
<b>Liabilities</b>	
Due to Students	<u>\$30,517</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, 2008*

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### **Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's two instructional/support facilities staffed by 37 classified employees, 50 certified teaching personnel, and 4 administrators, who provide services to 640 students and other community members.

#### *Reporting Entity*

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

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

The School District participates in 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 Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

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

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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

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

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

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

### **B. Fund Accounting**

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

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

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

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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

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

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

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

### ***D. Basis of Accounting***

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

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

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

### ***E. Cash and Cash Equivalents***

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

During fiscal year 2008, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$128,456, which includes \$15,204 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.

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

### ***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

### ***H. Capital Assets***

The School District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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***I. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended grants restricted for the purchase of buses, amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional materials, and unclaimed monies. See Note 18 for additional information regarding set-asides.

***J. Compensated Absences***

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

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

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

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

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

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

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### ***M. Interfund Activity***

Transfers between governmental on the government-wide statements are reported in the same manner as general revenues. 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 Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed monies must be held for five years before it becomes available for appropriation. Monies not yet held for the five year period are presented as reserved. The reserve for textbooks represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials.

### ***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$886,881 of restricted net assets; none were restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations and athletic and music activities, and federal and state grants restricted to expenditure for specified purposes.

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

### ***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.

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### ***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 without resolution by the Board.

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

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

### **Note 3 - Changes in Accounting Principles**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"; GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"; and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and the STRS post-employment healthcare plans in the amount of \$14,343 and \$3,666, respectively, which are the same as the previously reported liabilities.



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

### **Note 4 - Budgetary Basis of Accounting**

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

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

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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Net Change in Fund Balance

GAAP Basis	\$1,180,705
Revenue Accruals	(18,057)
Expenditure Accruals	37,984
Unreported Items:	
End of Fiscal Year	(1,615)
Prepaid Items:	
Beginning of Fiscal Year	20,867
End of Fiscal Year	(21,056)
Advances In	2,000
Encumbrances	<u>(186,451)</u>
Budget Basis	<u><u>\$1,014,377</u></u>

**Note 5 - Deposits and Investments**

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

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

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;

## Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$5,190,389. \$301,078 was covered by Federal depository insurance; \$3,403,661 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 City 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.

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

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2008, 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. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2008, was \$20,835 and is recognized as revenue: \$18,475 in the General Fund and \$2,360 in the Bond Retirement Fund. The amount available as an advance at June 30, 2007, was \$14,345 and is recognized as revenue: \$12,199 in the General Fund and \$2,146 in the Bond Retirement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$50,624,220	38%	\$53,311,820	40%
Public Utility Personal	75,857,270	56%	76,211,520	56%
Tangible Personal Property	8,650,834	6%	4,959,728	4%
	\$135,132,324	100%	\$134,483,068	100%
 Tax Rate per \$1,000 of Assessed Valuation	\$37.40		\$41.63	

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 7 - Receivables**

Receivables at June 30, 2008, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Basic State Aid Adjustment	\$9,380
Part B Idea	9,009
REAP	8,080
Title IIA	6,894
Title I	4,557
Bus Purchase	2,581
Dibels Reimbursements	2,173
First Year Evaluation Grant	1,800
School Wellness Grant	1,488
Appalachian Research Project	500
Title IVA	255
Title V	91
National School Lunch Reimbursement	24
Total	<u>\$46,832</u>

**Note 8 - Interfund Activity**

During the fiscal year, the Athletic and Music Special Revenue Fund repaid \$2,000 owed the General Fund at June 30, 2007, for services provided by the General Fund.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2008</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$19,171	\$0	\$0	\$19,171
Construction in Progress	30,157	850	0	31,007
Total Capital Assets not being Depreciated	<u>49,328</u>	<u>850</u>	<u>0</u>	<u>50,178</u>
Depreciable Capital Assets:				
Buildings and Improvements	9,899,362	27,969	0	9,927,331
Furniture and Equipment	923,702	44,628	(25,338)	942,992
Vehicles	712,332	73,859	0	786,191
Total Capital Assets being Depreciated	<u>11,535,396</u>	<u>146,456</u>	<u>(25,338)</u>	<u>11,656,514</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,618,181)	(199,381)	24,841	(2,792,721)
Furniture and Equipment	(763,175)	(22,346)	0	(785,521)
Vehicles	(356,482)	(50,336)	0	(406,818)
Total Accumulated Depreciation	<u>(3,737,838)</u>	<u>(272,063)</u> *	<u>24,841</u>	<u>(3,985,060)</u>
Total Capital Assets being Depreciated, Net	<u>7,762,631</u>	<u>(125,607)</u>	<u>(497)</u>	<u>7,671,454</u>
Capital Assets, Net	<u>\$7,811,959</u>	<u>(\$124,757)</u>	<u>(\$497)</u>	<u>\$7,721,632</u>

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

Instruction:	
Regular	\$91,569
Special	16,553
Vocational	7,580
Support Services:	
Pupils	6,420
Instructional Staff	32,469
Administration	12,856
Fiscal	7,068
Operation and Maintenance of Plant	19,184
Pupil Transportation	50,737
Food Service Operations	15,795
Extracurricular Activities	11,832
Total Depreciation Expense	<u>\$272,063</u>

## Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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### **Note 10 - Risk Management**

#### ***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 17). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$24,584,210
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Educational General	3,000,000
Employee Benefits:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employers' – Stop Gap - Bodily Injury	1,000,000
Educational Legal - Errors and Omissions:	
Injury Limit	1,000,000
Aggregate Limit	3,000,000
Automobile Liability (\$100 deductible):	
Liability	4,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2007.

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

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 11 - Employee Benefits**

***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, employees receive payment for one-fourth of their accumulated sick days to a maximum as follows: 30 days for having ten years of service; 35 days for 15 to 19 years of service with this School District; 40 days for 20 to 24 years of service with this School District; and 45 days for more than 24 years of service with this School District. Also, teachers having 20 years of service or more with this School District will have an additional severance amount calculated as follows: 45 days subtracted from their total accumulated sick leave divided by 2; then multiplied by a fixed figure of \$85 not to exceed \$7,225.

***B. Insurance***

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays ninety percent of the total monthly premiums of \$1,271.06 for family coverage, \$797.53 for employee with children coverage, \$872.29 for two adults coverage, and \$498.45 for single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through AIG Life Insurance Company, 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 \$66.73 for family coverage and \$22.20 for single coverage.

**Note 12 - Contractual Commitment**

As of June 30, 2008, the School District had contractual purchase commitments to replace the running track. The contracts are accounted for in the Building Capital Projects Fund and the General Fund.

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
Running Track	\$121,264	\$31,007	\$90,257



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### **Note 13 - Defined Benefit Pension Plans**

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

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$62,411, \$90,298, and \$84,224, respectively; 45.84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$311,389, \$308,931, and \$320,916, respectively; 87.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$79 made by the School District and \$575 made by the plan members.

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

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

## **Note 14 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing multiple employer defined 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 obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2008, 4.18 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 2008, this amount was \$35,800.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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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, 2008, 2007, and 2006, were \$46,250, \$44,514, and \$42,216, respectively; 39.84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$4,672, \$4,497, and \$4,265, respectively; 47.87 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

Plan Description – The School District contributes to 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. 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 may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$23,953, \$23,764, and \$24,686, respectively; 87.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/07	Additions	Reductions	Principal Outstanding 6/30/08	Amounts Due in One Year
<b>Governmental Activities</b>					
2002 School Facilities					
Construction and Improvement Bonds:					
Serial Bonds - 1.75%-4.75%	\$3,945,000	\$0	\$145,000	\$3,800,000	\$150,000
Term Bonds - 4.75%	2,210,000	0	0	2,210,000	0
Original Issue of Capital Appreciation					
Bonds - 21.947%-21.861%	75,000	0	0	75,000	0
Accretion on Capital Appreciation Bonds	133,290	48,107	0	181,397	0
Premium on Capital Appreciation Bonds	378,649	0	37,865	340,784	0
Serial and Term Bond Discount	<u>(84,364)</u>	<u>0</u>	<u>(4,218)</u>	<u>(80,146)</u>	<u>0</u>
Total General Obligation Bonds	6,657,575	48,107	178,647	6,527,035	150,000
 Sick Leave Benefits	 329,246	 31,589	 52,395	 308,440	 0
 Total Governmental Activities Long-Term Liabilities	 <u>\$6,986,821</u>	 <u>\$79,696</u>	 <u>\$231,042</u>	 <u>\$6,835,475</u>	 <u>\$150,000</u>

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service and Title I Special Revenue Funds. Sick leave benefit payments during fiscal year 2008 were made from the General Fund.

On August 2, 2002, the School District issued \$6,600,000 in voted general obligation bonds for constructing, improving, and making additions to school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,315,000, \$2,210,000, and \$75,000, respectively. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 5.50 mill voted property tax levy. The serial and term general obligation bonds were sold at a discount of \$105,455 which is being amortized over the term of the bonds. Issuance costs associated with the bond issue were \$243,300 and are also amortized over the term of the bonds.

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

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

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

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

The capital appreciation bonds were sold at a premium of \$567,974. The capital appreciation bonds will mature in fiscal years 2014, 2015, and 2016. The maturity amount of the bonds is \$1,170,000. For the fiscal year 2008, \$48,107 was accreted for a total bond value of \$256,397.

The overall debt margin of the School District as of June 30, 2008, was \$5,870,609, with an unvoted debt margin of \$129,212.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$150,000	\$269,775	\$0	\$0	\$0	\$0
2010	160,000	265,383	0	0	0	0
2011	170,000	260,340	0	0	0	0
2012	180,000	248,295	0	0	0	0
2013	190,000	241,355	0	0	0	0
2014-2018	610,000	1,143,270	0	0	75,000	1,095,000
2019-2023	2,340,000	756,039	0	52,488	0	0
2024-2027	0	0	2,210,000	205,438	0	0
<b>Total</b>	<b>\$3,800,000</b>	<b>\$3,184,457</b>	<b>\$2,210,000</b>	<b>\$257,926</b>	<b>\$75,000</b>	<b>\$1,095,000</b>

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 16 - Jointly Governed Organizations**

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

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2008, the School District paid \$29,553 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, Janine Satterfield, Treasurer, at 21740 State Route 676, Marietta, Ohio 45750.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-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 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council 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 Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 17 - Insurance Purchasing Pools**

***A. Ohio School Plan***

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

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

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

**Note 18 - Set asides**

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

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

**Wolf Creek Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2007	\$0	\$64,230
Current Year Set-aside Requirement	100,591	100,591
Current Year Offsets	(452,667)	0
Qualifying Disbursements	0	(80,775)
Total	<u>(\$352,076)</u>	<u>\$84,046</u>
Set-aside Balance Carry Forward to Future Fiscal Years	<u>\$0</u>	<u>\$84,046</u>

The School District had qualifying offsets during the fiscal year that reduced the capital improvement set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirements of future fiscal years.

**Note 19 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

***B. Litigation***

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

**Note 20 - Compliance**

Contrary to Ohio Revised Code Section 5705.39, the District had various funds in which appropriations exceeded estimated resources.



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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolf Creek Local School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wolf Creek Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*. We noted certain immaterial instances of noncompliance, which we have reported to management of Wolf Creek Local School District in a separate letter, dated December 18, 2008.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
December 18, 2008



**Mary Taylor, CPA**  
Auditor of State

**WOLF CREEK LOCAL SCHOOL DISTRICT**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2009**