



OHIO AUDITOR OF STATE
KEITH FABER



**WOLF CREEK LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
JUNE 30, 2019 AND 2018**

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WASHINGTON COUNTY
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WASHINGTON COUNTY
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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Wolf Creek Local School District
Washington County
PO Box 67
Waterford, Ohio 45786

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County, Ohio (the School District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County, Ohio, as of June 30, 2019 and 2018, and the respective changes in financial position thereof and the budgetary comparisons for the General Fund, thereof, for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. We did not modify our opinion regarding this matter. Further, as discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent "K" and "F".

Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2020

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Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited*

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, 2019. 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 2019 are as follows:

- Net position of governmental activities increased \$4,254,735.
- General revenues accounted for \$10,610,220 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,902,556 or 15% of total revenues of \$12,512,776.
- Total assets of governmental activities increased \$1,566,846, while total liabilities decreased \$2,117,155.
- The School District had \$8,258,041 in expenses related to governmental activities; \$1,902,556 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$10,610,220 provided the remaining resources for these programs.
- The School District's only major fund, the General Fund, had \$10,956,511 in revenues and \$8,086,246 in expenditures. The General Fund's balance increased \$2,871,815.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Unaudited

and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

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

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2019 compared to 2018.

Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	\$19,572,551	\$17,825,110	\$1,747,441
Capital Assets, Net	6,729,970	6,910,565	(180,595)
<i>Total Assets</i>	<u>26,302,521</u>	<u>24,735,675</u>	<u>1,566,846</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	54,087	61,813	(7,726)
Pension	1,985,258	2,509,608	(524,350)
OPEB	130,478	84,492	45,986
<i>Total Deferred Outflows of Resources</i>	<u>2,169,823</u>	<u>2,655,913</u>	<u>(486,090)</u>
Liabilities			
Current and Other Liabilities	927,352	776,546	150,806
Long-term Liabilities:			
Due within One Year	500,006	487,262	12,744
Due in More Than One Year:			
Net Pension Liability	7,437,162	8,274,626	(837,464)
Net OPEB Liability	869,215	1,861,512	(992,297)
Other Amounts	3,926,524	4,377,468	(450,944)
<i>Total Liabilities</i>	<u>13,660,259</u>	<u>15,777,414</u>	<u>(2,117,155)</u>
Deferred Inflows of Resources			
Property Taxes	4,063,525	5,966,725	(1,903,200)
Pension	1,007,101	711,024	296,077
OPEB	850,816	300,517	550,299
<i>Total Deferred Inflows of Resources</i>	<u>5,921,442</u>	<u>6,978,266</u>	<u>(1,056,824)</u>
Net Position			
Net Investment in Capital Assets	2,819,057	2,552,378	266,679
Restricted	851,981	684,641	167,340
Unrestricted	5,219,605	1,398,889	3,820,716
<i>Total Net Position</i>	<u>\$8,890,643</u>	<u>\$4,635,908</u>	<u>\$4,254,735</u>

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total assets of governmental activities increased \$1,556,846. Current assets increased by \$1,747,441, primarily due to an increase in property taxes receivable of \$1,578,240 and an increase in net OPEB asset of \$414,651. This increase was offset by a decrease in capital assets of \$180,595, due to current year depreciation exceeding capital asset additions, and a decrease in equity in pooled cash and cash equivalents of \$270,927.

Total liabilities decreased \$2,117,155. The \$992,297 decrease in net OPEB liability accounts for the largest amount of the decrease. Other amounts due in more than one year and net pension liability also decreased by \$450,944 and \$837,464. The largest offset to the decreases was an increase in the intergovernmental payables of \$81,805.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2019, and comparisons to fiscal year 2018.

Wolf Creek Local School District, Ohio*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited*Table 2
Changes in Net Position

	Governmental Activities		
	2019	2018	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,198,803	\$1,159,655	\$39,148
Operating Grants, Contributions and Interest	703,753	630,851	72,902
Total Program Revenues	<u>1,902,556</u>	<u>1,790,506</u>	<u>112,050</u>
General Revenues:			
Property Taxes	8,208,202	5,532,549	2,675,653
Grants and Entitlements	1,947,385	1,977,283	(29,898)
Investment Earnings	302,907	42,361	260,546
Donations	95,132	2,762	92,370
Miscellaneous	55,044	37,355	17,689
Gain on Sale of Capital Assets	1,550	150	1,400
Total General Revenues	<u>10,610,220</u>	<u>7,592,460</u>	<u>3,017,760</u>
Total Revenues	<u>12,512,776</u>	<u>9,382,966</u>	<u>3,129,810</u>
Program Expenses			
Instruction:			
Regular	3,434,901	1,563,107	1,871,794
Special	1,112,329	763,348	348,981
Vocational	152,518	54,065	98,453
Support Services:			
Pupils	396,469	131,990	264,479
Instructional Staff	252,247	164,851	87,396
Board of Education	22,351	23,779	(1,428)
Administration	576,305	272,271	304,034
Fiscal	405,027	407,004	(1,977)
Operation and Maintenance of Plant	678,869	609,843	69,026
Pupil Transportation	459,568	409,033	50,535
Central	5,731	6,517	(786)
Operation of Non-Instructional Services:			
Food Service Operations	288,527	237,085	51,442
Other	1,328	9,198	(7,870)
Extracurricular Activities	382,892	264,108	118,784
Intergovernmental	1,900	0	1,900
Interest and Fiscal Charges	87,079	95,691	(8,612)
Total Expenses	<u>8,258,041</u>	<u>5,011,890</u>	<u>3,246,151</u>
Change in Net Position	4,254,735	4,371,076	(116,341)
Net Position Beginning of Year	4,635,908	264,832	4,371,076
Net Position End of Year	<u>\$8,890,643</u>	<u>\$4,635,908</u>	<u>\$4,254,735</u>

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited*

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense decreased from \$743,889 in fiscal year 2017 to a negative pension expense of \$2,595,126 for fiscal year 2018. For fiscal year 2019, pension expense increased to \$403,943, closer to the 2017 pension expense amount.

From fiscal year 2018 to fiscal year 2019, total revenues increased \$3,129,810. The largest increase was in property taxes due to increases in assessed values and a penalty added to a local power company for a late payment. Total expenses also increased \$3,246,151. The largest increase was in regular instruction due to increased spending for purchased services and capital outlay. This resulted in a decrease in net position of \$116,341.

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> 2019	<u>Net Cost of Services</u> 2019	<u>Total Cost of Services</u> 2018	<u>Net Cost of Services</u> 2018
Program Expenses				
Instruction:				
Regular	\$3,434,901	\$2,548,172	\$1,563,107	\$807,002
Special	1,112,329	673,774	763,348	328,766
Vocational	152,518	142,018	54,065	45,231
Support Services:				
Pupils	396,469	396,469	131,990	117,053
Instructional Staff	252,247	185,546	164,851	128,659
Board of Education	22,351	22,351	23,779	23,779
Administration	576,305	576,305	272,271	271,487
Fiscal	405,027	405,027	407,004	407,004
Operation and Maintenance of Plant	678,869	668,744	609,843	591,293
Pupil Transportation	459,568	446,224	409,033	394,545
Central	5,731	5,731	6,517	6,517
Operation of Non-Instructional Services:				
Food Service Operations	288,527	(383)	237,085	(27,853)
Other	1,328	101	9,198	8,576
Extracurricular Activities	382,892	196,427	264,108	23,634
Intergovernmental	1,900	1,900	0	0
Interest and Fiscal Charges	87,079	87,079	95,691	95,691
Total	<u><u>\$8,258,041</u></u>	<u><u>\$6,355,485</u></u>	<u><u>\$5,011,890</u></u>	<u><u>\$3,221,384</u></u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. Nearly 77% 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, 2019
Unaudited*

THE SCHOOL DISTRICT'S FUNDS

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,507,025 and expenditures of \$9,419,772. The General Fund's fund balance increased \$2,871,815 from 2018 due to several large increases in revenues and less increases in expenditures compared to the prior year. General Fund property taxes alone increased \$2,094,549 due to increases in assessed values and a penalty added to a local power company for a late payment. Tuition and fees and investment earnings also saw increases during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$7,537,814, under final estimates of \$7,775,437. The difference was the result of overestimating the property tax revenues. Final estimated revenues were lower than the original estimates of \$8,108,150. Final appropriations were increased \$37,308 from original appropriations. Actual expenditures were below final appropriations of \$8,694,114 by \$367,699. The School District's ending General Fund balance was \$9,389,028.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the School District had \$2,819,057 invested (net of related debt) in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2019 balances compared to 2018.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	\$19,171	\$19,171
Buildings and Improvements	6,374,522	6,693,643
Furniture and Equipment	99,260	108,674
Vehicles	237,017	89,077
Totals	<u>\$6,729,970</u>	<u>\$6,910,565</u>

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

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited*

Debt

At June 30, 2019, the School District had \$3,965,000 in bonds outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2019	2018
2016 School Facilities Refunding Term Bonds - 1.910%	\$3,965,000	\$4,420,000

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

ECONOMIC FACTORS

As the preceding information shows, the School District relies on its taxpayers. The School District only receives 21% support from the State. During 2019, the School District has 36.26% of its student population in economic disadvantage. Therefore, the School District received an additional \$30,534 from the State. The Wolf Creek Local School District has seen some changes in revenue and expenses. The power companies have upgraded the sub stations in the area as well as the lines that transmit. The School District has seen an increase in taxable property value, which has offset the closing of the AEP plant in 2015. The School District will see a slight increase in real property revenue because of the revaluation of property in tax year 2019. In 2022, the properties in Washington County will go through a reappraisal which will also generate additional revenue. In 2017, the School District renewed an emergency tax levy which generates \$780,000 for each calendar year that the millage is in effect and it will expire in 2021. At this time, the Board of Education is unclear whether to seek renewal in 2021.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Wolf Creek Local School District, Ohio
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,238,508
Intergovernmental Receivable	140,977
Accounts Receivable	7,676
Prepaid Items	118,511
Inventory Held for Resale	2,629
Materials and Supplies Inventory	9,349
Property Taxes Receivable	7,640,250
Nondepreciable Capital Assets	19,171
Depreciable Capital Assets, Net	6,710,799
Net OPEB Asset	414,651
	<u>26,302,521</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	54,087
Pension	1,985,258
OPEB	130,478
	<u>2,169,823</u>
Total Deferred Outflows of Resources	
	<u>2,169,823</u>
Liabilities	
Accounts Payable	11,954
Accrued Wages Payable	642,621
Accrued Interest Payable	6,311
Intergovernmental Payable	227,698
Vacation Benefits Payable	38,768
Long-Term Liabilities:	
Due Within One Year	500,006
Due In More Than One Year:	
Net Pension Liability	7,437,162
Net OPEB Liability	869,215
Other Amounts Due in More than One Year	3,926,524
	<u>13,660,259</u>
Total Liabilities	
	<u>13,660,259</u>
Deferred Inflows of Resources	
Property Taxes	4,063,525
Pension	1,007,101
OPEB	850,816
	<u>5,921,442</u>
Total Deferred Inflows of Resources	
	<u>5,921,442</u>
Net Position	
Net Investment in Capital Assets	2,819,057
Restricted for:	
Unclaimed Monies	575
Debt Service	674,307
Food Service Operations	17,286
Student Activities	123,278
State Grants Programs	20,813
Federal Grants Programs	15,722
Unrestricted	5,219,605
	<u>5,219,605</u>
Total Net Position	
	<u>\$8,890,643</u>

See accompanying notes to the basic financial statements

Wolf Creek Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	
Governmental Activities				
Instruction:				
Regular	\$3,434,901	\$797,801	\$88,928	(\$2,548,172)
Special	1,112,329	101,447	337,108	(673,774)
Vocational	152,518	0	10,500	(142,018)
Support Services:				
Pupils	396,469	0	0	(396,469)
Instructional Staff	252,247	0	66,701	(185,546)
Board of Education	22,351	0	0	(22,351)
Administration	576,305	0	0	(576,305)
Fiscal	405,027	0	0	(405,027)
Operation and Maintenance of Plant	678,869	0	10,125	(668,744)
Pupil Transportation	459,568	0	13,344	(446,224)
Central	5,731	0	0	(5,731)
Operation of Non-Instructional Services:				
Food Service Operations	288,527	131,891	157,019	383
Other	1,328	0	1,227	(101)
Extracurricular Activities	382,892	167,664	18,801	(196,427)
Intergovernmental	1,900	0	0	(1,900)
Interest and Fiscal Charges	87,079	0	0	(87,079)
<i>Totals</i>	<u>\$8,258,041</u>	<u>\$1,198,803</u>	<u>\$703,753</u>	<u>(6,355,485)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				7,516,716
Debt Service				691,486
Grants and Entitlements not Restricted to Specific Programs				1,947,385
Investment Earnings				302,907
Gifts and Donations not Restricted to Specific Programs				95,132
Gain on Sale of Capital Assets				1,550
Miscellaneous				55,044
<i>Total General Revenues</i>				<u>10,610,220</u>
<i>Change in Net Position</i>				4,254,735
<i>Net Position Beginning of Year</i>				<u>4,635,908</u>
<i>Net Position End of Year</i>				<u>\$8,890,643</u>

See accompanying notes to the basic financial statements

Wolf Creek Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,805,194	\$1,432,739	\$11,237,933
Receivables:			
Property Taxes	7,090,604	549,646	7,640,250
Accounts	6,577	1,099	7,676
Intergovernmental	83,427	57,550	140,977
Interfund	35,586	0	35,586
Prepaid Items	115,026	3,485	118,511
Inventory Held for Resale	0	2,629	2,629
Materials and Supplies Inventory	9,326	23	9,349
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	575	0	575
<i>Total Assets</i>	<u>\$17,146,315</u>	<u>\$2,047,171</u>	<u>\$19,193,486</u>
Liabilities			
Accounts Payable	\$10,300	\$1,654	\$11,954
Accrued Wages Payable	605,776	36,845	642,621
Interfund Payable	0	35,586	35,586
Intergovernmental Payable	219,675	8,023	227,698
<i>Total Liabilities</i>	<u>835,751</u>	<u>82,108</u>	<u>917,859</u>
Deferred Inflows of Resources			
Property Taxes	3,751,704	311,821	4,063,525
Unavailable Revenue	102,833	52,020	154,853
<i>Total Deferred Inflows of Resources</i>	<u>3,854,537</u>	<u>363,841</u>	<u>4,218,378</u>
Fund Balances			
Nonspendable	124,927	3,508	128,435
Restricted	0	854,973	854,973
Committed	51,061	0	51,061
Assigned	336,453	771,249	1,107,702
Unassigned (Deficit)	11,943,586	(28,508)	11,915,078
<i>Total Fund Balances</i>	<u>12,456,027</u>	<u>1,601,222</u>	<u>14,057,249</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$17,146,315</u>	<u>\$2,047,171</u>	<u>\$19,193,486</u>

See accompanying notes to the basic financial statements

Wolf Creek Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2019*

Total Governmental Fund Balances		\$14,057,249
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,729,970
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	41,520	
Intergovernmental Revenue	64,022	
Charges for Services	1,763	
Tuition and Fees	13,356	
Extracurricular Activities	162	
Miscellaneous Revenue	34,030	154,853
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.		(6,311)
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.		(38,768)
Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		54,087
The net pension liability, net OPEB asset, and net OPEB liability is not due and payable in the current period; therefore, the asset, liabilities and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	1,985,258	
Deferred Inflows - Pension	(1,007,101)	
Net Pension Liability	(7,437,162)	
Deferred Outflows - OPEB	130,478	
Deferred Inflows - OPEB	(850,816)	
Net OPEB Asset	414,651	
Net OPEB Liability	(869,215)	(7,633,907)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds Payable	(3,965,000)	
Sick Leave Benefits Payable	(461,530)	(4,426,530)
Net Position of Governmental Activities		\$8,890,643

See accompanying notes to the basic 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, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$7,516,176	\$692,283	\$8,208,459
Intergovernmental	2,135,233	513,734	2,648,967
Investment Earnings	273,608	29,516	303,124
Tuition and Fees	889,846	0	889,846
Extracurricular Activities	0	168,102	168,102
Charges for Services and Sales	0	131,031	131,031
Gifts and Donations	108,655	5,078	113,733
Miscellaneous	32,993	10,770	43,763
<i>Total Revenues</i>	<u>10,956,511</u>	<u>1,550,514</u>	<u>12,507,025</u>
Expenditures			
Current:			
Instruction:			
Regular	3,697,909	60,223	3,758,132
Special	1,010,533	225,298	1,235,831
Vocational	184,482	0	184,482
Support Services:			
Pupils	462,802	0	462,802
Instructional Staff	252,314	10,831	263,145
Board of Education	22,351	0	22,351
Administration	619,552	0	619,552
Fiscal	387,587	7,954	395,541
Operation and Maintenance of Plant	656,014	2,575	658,589
Pupil Transportation	607,085	0	607,085
Central	5,731	0	5,731
Operation of Non-Instructional Services	0	283,475	283,475
Extracurricular Activities	177,986	208,093	386,079
Intergovernmental	1,900	0	1,900
Debt Service:			
Principal Retirement	0	455,000	455,000
Interest and Fiscal Charges	0	80,077	80,077
<i>Total Expenditures</i>	<u>8,086,246</u>	<u>1,333,526</u>	<u>9,419,772</u>
<i>Excess of Revenues Over Expenditures</i>	2,870,265	216,988	3,087,253
Other Financing Sources			
Proceeds from Sale of Capital Assets	1,550	0	1,550
<i>Net Change in Fund Balances</i>	2,871,815	216,988	3,088,803
<i>Fund Balances Beginning of Year</i>	<u>9,584,212</u>	<u>1,384,234</u>	<u>10,968,446</u>
<i>Fund Balances End of Year</i>	<u>\$12,456,027</u>	<u>\$1,601,222</u>	<u>\$14,057,249</u>

See accompanying notes to the basic 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, 2019*

Net Change in Fund Balances - Total Governmental Funds \$3,088,803

*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 outlay in the current period:

Capital Asset Additions	200,929	
Depreciation Expense	<u>(381,524)</u>	(180,595)

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

Delinquent Property Taxes	(257)	
Intergovernmental Revenue	(16,647)	
Tuition and Fees	9,402	
Extracurricular Activities	(438)	
Charges for Services and Sales	860	
Miscellaneous Revenue	<u>11,281</u>	4,201

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 455,000

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

Accrued Interest Payable	724	
Amortization of Deferred Amount on Refunding	<u>(7,726)</u>	(7,002)

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

Pension	577,066	
OPEB	<u>24,044</u>	601,110

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

Pension	(560,029)	
OPEB	<u>878,591</u>	318,562

Compensated Absences 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	(8,544)	
Sick Leave Benefits Payable	<u>(16,800)</u>	(25,344)

Change in Net Position of Governmental Activities \$4,254,735

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$5,140,000	\$4,929,083	\$4,262,417	(\$666,666)
Intergovernmental	2,105,000	2,018,623	2,111,942	93,319
Investment Earnings	60,000	57,538	169,972	112,434
Tuition and Fees	800,400	767,556	887,796	120,240
Rent	0	0	2,755	2,755
Donations	750	719	102,056	101,337
Miscellaneous	2,000	1,918	876	(1,042)
<i>Total Revenues</i>	<u>8,108,150</u>	<u>7,775,437</u>	<u>7,537,814</u>	<u>(237,623)</u>
Expenditures				
Current:				
Instruction:				
Regular	3,973,806	3,990,931	3,822,142	168,789
Special	1,028,600	1,033,033	989,343	43,690
Vocational	188,264	189,076	181,079	7,997
Support Services:				
Pupils	468,967	470,988	451,069	19,919
Instructional Staff	263,880	265,017	253,809	11,208
Board of Education	32,303	32,442	31,070	1,372
Administration	638,435	641,186	614,069	27,117
Fiscal	416,164	417,958	400,281	17,677
Operation and Maintenance of Plant	763,943	767,235	734,787	32,448
Pupil Transportation	679,884	682,814	653,936	28,878
Central	23,425	23,526	22,531	995
Operation of Non-Instructional Services	16,698	16,770	16,061	709
Extracurricular Activities	160,462	161,154	154,338	6,816
Intergovernmental	1,975	1,984	1,900	84
<i>Total Expenditures</i>	<u>8,656,806</u>	<u>8,694,114</u>	<u>8,326,415</u>	<u>367,699</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(548,656)</u>	<u>(918,677)</u>	<u>(788,601)</u>	<u>130,076</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	1,550	1,550	0
Advances In	0	25,704	33,424	7,720
Refund of Prior Year Expenditures	0	52,791	52,791	0
Advances Out	0	(43,306)	(43,306)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>36,739</u>	<u>44,459</u>	<u>7,720</u>
<i>Net Change in Fund Balance</i>	<u>(548,656)</u>	<u>(881,938)</u>	<u>(744,142)</u>	<u>137,796</u>
<i>Fund Balance Beginning of Year</i>	<u>9,890,488</u>	<u>9,890,488</u>	<u>9,890,488</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>242,682</u>	<u>242,682</u>	<u>242,682</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$9,584,514</u></u>	<u><u>\$9,251,232</u></u>	<u><u>\$9,389,028</u></u>	<u><u>\$137,796</u></u>

See accompanying notes to the financial statements

Wolf Creek Local School District, Ohio

Statement of Assets and Liabilities

Agency Funds

June 30, 2019

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$53,895</u></u>
Liabilities	
Due to Students	<u><u>\$53,895</u></u>

See accompanying notes to the financial statements

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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 38 classified employees and 56 certificated full-time teaching personnel who provide services to 549 students and other community members.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Benefits Cooperative, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, pension, and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, extracurricular activities, charges for services, tuition and fees, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 15 and 16)

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

E. Cash and Cash Equivalents

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

During fiscal year 2019, the School District's investments were limited to certificates of deposit, which are reported at cost, and federal agency securities, which are reported at fair value based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$273,608, which includes \$5,038 assigned from other School District funds.

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, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

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

I. Compensated Absences

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

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

J. Deferred Charge on Refunding

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

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Internal Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance

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

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

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

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

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

N. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

O. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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. For the fiscal year 2019, the School District reported no extraordinary or special items.

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.

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.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

Note 3 - Change in Accounting Principles

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Note 4 - Fund Deficits

The Federal Grants Special Revenue Fund had a deficit fund balance as of June 30, 2019, of \$27,522 as a result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue fund; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Fund Balances

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$115,026	\$3,485	\$118,511
Unclaimed Monies	575	0	575
Materials and Supplies Inventory	9,326	23	9,349
<i>Total Nonspendable</i>	<u>124,927</u>	<u>3,508</u>	<u>128,435</u>
Restricted for:			
State Grant Programs	0	20,813	20,813
Federal Grant Programs	0	8	8
Food Service Operations	0	34,401	34,401
Student Activities	0	123,116	123,116
Debt Service	0	676,635	676,635
<i>Total Restricted</i>	<u>0</u>	<u>854,973</u>	<u>854,973</u>
Committed for:			
Radio Equipment	35,000	0	35,000
Cafeteria Tables	16,061	0	16,061
<i>Total Committed</i>	<u>51,061</u>	<u>0</u>	<u>51,061</u>
Assigned to:			
Capital Improvements	0	771,249	771,249
Purchases on Order	323,250	0	323,250
Public School Support	13,203	0	13,203
<i>Total Assigned</i>	<u>336,453</u>	<u>771,249</u>	<u>1,107,702</u>
Unassigned (Deficit):	11,943,586	(28,508)	11,915,078
<i>Total Fund Balances</i>	<u><u>\$12,456,027</u></u>	<u><u>\$1,601,222</u></u>	<u><u>\$14,057,249</u></u>

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Unrecorded and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Advances in and advances out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
6. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

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

Net Change in Fund Balance	
GAAP Basis	\$2,871,815
Revenue Accruals	(3,241,124)
Expenditure Accruals	139,019
Beginning:	
Unreported Interest	(81,017)
Prepaid Items	102,660
Ending:	
Unreported Interest	(22,619)
Prepaid Items	(115,026)
Advances In	33,424
Advances Out	(43,306)
To reclassify excess of expenditures over revenues into financial statement fund types	(4,117)
Encumbrances	<u>(383,851)</u>
Budget Basis	<u><u>(\$744,142)</u></u>

Note 7 - Deposits and Investments

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

Active deposits are public deposits 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.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by eligible securities pledged by the financial institution as security for repayment.

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a 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 June 30, 2019, \$3,447,280 of the School District's total bank balance of \$9,379,890 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments are reported at fair value. As of June 30, 2019, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Money Market Funds	\$77,352	7 Days	AAAm	3.95%
Federal Home Loan Mortgage Corp	275,116	Less than four years	AA+	14.06%
Federal Home Loan Bank Bonds	<u>1,604,074</u>	Less than three years	AA+	81.99
Total Investments	<u>\$1,956,542</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

above chart identifies the School District's recurring fair value measurements as of June 30, 2019. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

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

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

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

The amount available as an advance at June 30, 2019, was \$3,301,363 in the General Fund and \$233,842 in the Bond Retirement Fund. The amount available as an advance at June 30, 2018, was \$47,604 in the General Fund and \$5,904 in the Bond Retirement Fund.

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

The assessed values upon which fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$55,660,810	33.13%	\$56,460,570	25.94%
Commerical/Industrial and Public Utility Real	8,684,600	5.17%	8,913,070	4.10%
Public Utility Personal	103,662,330	61.70%	152,282,240	69.96%
	<u>\$168,007,740</u>	<u>100.00%</u>	<u>\$217,655,880</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$39.77	\$38.00	

Note 9 - Receivables

Receivables at June 30, 2019, consisted of property taxes, accounts (billings for user charged services and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. The delinquent property taxes amounted to \$41,520.

A summary of principal items of intergovernmental receivables follows:

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

	<u>Amounts</u>
Governmental Activities	
School Employees Retirement System	\$23,313
Ohio Department of Education	22,727
Part B Idea	22,212
Medicaid	21,255
Rural Education Achievement Program	11,149
Workers' Comp. Refund	10,399
Title IV-A	10,000
School Quality Improvement	9,221
Summer Youth Employment	7,503
Miscellaneous	2,617
Title I	581
Total	<u><u>\$140,977</u></u>

Note 10 - Interfund Activity

Interfund Balances

Unpaid interfund cash advances at June 30, 2019, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$35,586	\$0
Nonmajor Special Revenue Funds:		
Miscellaneous Federal Grants	0	35,586
Total All Funds	<u><u>\$35,586</u></u>	<u><u>\$35,586</u></u>

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	<u>Balance</u> <u>6/30/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2019</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$19,171	\$0	\$0	\$19,171
Depreciable Capital Assets:				
Buildings and Improvements	11,178,133	0	0	11,178,133
Furniture and Equipment	1,481,446	16,324	0	1,497,770
Vehicles	1,004,494	184,605	(49,193)	1,139,906
Total Capital Assets being Depreciated	<u>13,664,073</u>	<u>200,929</u>	<u>(49,193)</u>	<u>13,815,809</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,484,490)	(319,121)	0	(4,803,611)
Furniture and Equipment	(1,372,772)	(25,738)	0	(1,398,510)
Vehicles	(915,417)	(36,665)	49,193	(902,889)
Total Accumulated Depreciation	<u>(6,772,679)</u>	<u>(381,524) *</u>	<u>49,193</u>	<u>(7,105,010)</u>
Total Capital Assets being Depreciated, Net	<u>6,891,394</u>	<u>(180,595)</u>	<u>0</u>	<u>6,710,799</u>
Capital Assets, Net	<u>\$6,910,565</u>	<u>(\$180,595)</u>	<u>\$0</u>	<u>\$6,729,970</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$306,629
Special	3,167
Vocational	2,943
Support Services:	
Pupils	625
Administration	693
Fiscal	583
Operation and Maintenance of Plant	15,149
Pupil Transportation	38,413
Food Service Operations	2,693
Extracurricular Activities	10,629
Total Depreciation Expense	<u>\$381,524</u>

Note 12 - Significant Commitments

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

General Fund	\$383,851
Nonmajor Funds	36,525
Total	<u>\$420,376</u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the 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 19).

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

Building and Contents - replacement cost (\$1,000 deductible)	\$30,015,079
Crime (\$1,000 deductible):	
Employee Theft	100,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	4,000,000
Personal and Advertising Injury	4,000,000
General Aggregate Limit	6,000,000
Completed Operations Aggregate Limit	4,000,000
Employers' - Stop Gap - Bodily Injury	4,000,000
Educational Legal - Errors and Omissions:	
Injury Limit	4,000,000
Aggregate Limit	6,000,000
Automobile Liability:	
Liability	4,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

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 2018.

B. Worker's Compensation

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Employee Benefits

A. Compensated Absences

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

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

B. Insurance

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays ninety percent of the total monthly premiums of \$1,619.07 for family coverage, \$1,015.91 for employee with children coverage, \$1,111.13 for two adults' coverage, and \$634.94 for single coverage.

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

Dental coverage is provided through Delta Dental. The School District also pays ninety percent of the total monthly premiums of \$77.88 for family coverage and \$25.92 for single coverage.

Note 15 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

A. Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$137,998 for fiscal year 2019. Of this amount, \$14,627 is reported as an intergovernmental payable.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$439,068 for fiscal year 2019. Of this amount, \$147,347 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02883150%	0.02758135%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.03078890%</u>	<u>0.02580448%</u>	
Change in Proportionate Share	<u>0.00195740%</u>	<u>-0.00177687%</u>	
Proportionate Share of the Net			<u>Total</u>
Pension Liability	\$1,763,336	\$5,673,826	\$7,437,162
Pension Expense	\$156,086	\$403,943	\$560,029

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$96,708	\$130,969	\$227,677
Changes of assumptions	39,819	1,005,509	1,045,328
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	65,772	69,415	135,187
School District contributions subsequent to the measurement date	<u>137,998</u>	<u>439,068</u>	<u>577,066</u>
Total Deferred Outflows of Resources	<u>\$340,297</u>	<u>\$1,644,961</u>	<u>\$1,985,258</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$37,054	\$37,054
Net difference between projected and actual earnings on pension plan investments	48,857	344,054	392,911
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>32,925</u>	<u>544,211</u>	<u>577,136</u>
Total Deferred Inflows of Resources	<u>\$81,782</u>	<u>\$925,319</u>	<u>\$1,007,101</u>

\$577,066 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$151,252	\$345,528	\$496,780
2021	42,117	197,291	239,408
2022	(57,868)	(121,963)	(179,831)
2023	<u>(14,984)</u>	<u>(140,282)</u>	<u>(155,266)</u>
Total	<u>\$120,517</u>	<u>\$280,574</u>	<u>\$401,091</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,483,794	\$1,763,336	\$1,159,283

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Wolf Creek Local School District, Ohio

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Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$8,285,876	\$5,673,826	\$3,463,080

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2019, all Board Members except one have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 16 - Postemployment Benefits

See Note 15 for a description of the net OPEB liability

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$18,933.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$24,044 for fiscal year 2019. Of this amount, \$19,475 is reported as an intergovernmental payable.

B. State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.02926470%	0.02758135%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.03133130%</u>	<u>0.02580448%</u>	
 Change in Proportionate Share	 <u>0.00206660%</u>	 <u>-0.00177687%</u>	
 Proportionate Share of the:			<u>Total</u>
Net OPEB Liability	\$869,215	\$0	\$869,215
Net OPEB (Asset)	\$0	\$414,651	\$414,651
OPEB Expense	\$42,743	(\$921,334)	(\$878,591)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$14,189	\$48,432	\$62,621
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	43,813	0	43,813
School District contributions subsequent to the measurement date	<u>24,044</u>	<u>0</u>	<u>24,044</u>
Total Deferred Outflows of Resources	<u>\$82,046</u>	<u>\$48,432</u>	<u>\$130,478</u>
 Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$24,159	\$24,159
Changes of assumptions	78,092	564,996	643,088
Net difference between projected and actual earnings on OPEB plan investments	1,304	47,371	48,675
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>14,513</u>	<u>120,381</u>	<u>134,894</u>
Total Deferred Inflows of Resources	<u>\$93,909</u>	<u>\$756,907</u>	<u>\$850,816</u>

\$24,044 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	(\$31,930)	(\$127,257)	(\$159,187)
2021	(23,011)	(127,257)	(150,268)
2022	5,227	(127,257)	(122,030)
2023	5,782	(116,499)	(110,717)
2024	5,692	(112,725)	(107,033)
2025	<u>2,333</u>	<u>(97,480)</u>	<u>(95,147)</u>
Total	<u>(\$35,907)</u>	<u>(\$708,475)</u>	<u>(\$744,382)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$1,054,724	\$869,215	\$722,326

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$701,297	\$869,215	\$1,091,568

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	<u>1% Decrease</u> <u>(6.45%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.45%)</u>	<u>1% Increase</u> <u>(8.45%)</u>
School District's proportionate share of the net OPEB asset	(\$355,395)	(\$414,651)	(\$464,454)

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$461,642)	(\$414,651)	(\$366,929)

Note 17 - Long-Term Obligations

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

	<u>Principal</u> <u>Outstanding</u> <u>6/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal</u> <u>Outstanding</u> <u>6/30/19</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental Activities					
2016 Advance Refunding Bonds:					
Term Bonds - 1.910%	\$4,420,000	\$0	\$455,000	\$3,965,000	\$470,000
Net Pension Liability:					
SERS	1,722,619	40,717	0	1,763,336	0
STRS	6,552,007	0	878,181	5,673,826	0
Total Net Pension Liability	8,274,626	40,717	878,181	7,437,162	0
Net OPEB Liability:					
SERS	785,388	83,827	0	869,215	0
STRS	1,076,124	0	1,076,124	0	0
Total Net OPEB Liability	1,861,512	83,827	1,076,124	869,215	0
Sick Leave Benefits	444,730	28,754	11,954	461,530	30,006
Total Governmental Activities Long-Term Liabilities	\$15,000,868	\$153,298	\$2,421,259	\$12,732,907	\$500,006

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, Food Service, and Federal Grant Funds. There are no repayment schedules for the net pension and OPEB liabilities. However, employer pension contributions are made from the following funds: General Fund and the Food Service and Federal Grants Special Revenue Funds. For additional information related to the net pension and OPEB liabilities, see Notes 15 and 16.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

The reacquisition price exceeded the net carrying amount of the old debt by \$77,267. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt.

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

Principal and interest requirements to retire the refunding bonds outstanding at June 30, 2019, are as follows:

Fiscal Year Ending	2016 General Obligation Bonds	
	Principal	Interest
2020	\$470,000	\$71,243
2021	485,000	62,123
2022	495,000	52,764
2023	505,000	43,214
2024	525,000	33,378
2025-2027	1,485,000	39,966
Total	<u>\$3,965,000</u>	<u>\$302,688</u>

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

The overall debt margin of the School District as of June 30, 2019, was \$16,293,011, with an unvoted debt margin of \$217,571.

Note 18 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2019, the School District paid \$33,911 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

B. Washington County Career Center

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

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2019. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 19 - Insurance Purchasing Pools

A. Ohio School Benefits Cooperative

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

B. Ohio School Plan

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

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

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

Note 20 - Set asides

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	111,525
Offsetting Credits	<u>(464,345)</u>
Total	<u><u>(\$352,820)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

B. Litigation

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

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Note 22 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Six Fiscal Years (1)**

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0307889%	0.0288315%	0.0297823%	0.0303334%	0.0302300%	0.0302300%
School District's Proportionate Share of the Net Pension Liability	\$1,763,336	\$1,722,619	\$2,179,791	\$1,730,852	\$1,797,681	\$1,529,923
School District's Covered Payroll	\$1,003,896	\$931,221	\$945,664	\$915,281	\$885,859	\$889,473
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.65%	184.98%	230.50%	189.11%	202.93%	172.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Six Fiscal Years (1)**

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02580448%	0.02758135%	0.02907511%	0.02844888%	0.02862886%	0.02862886%
School District's Proportionate Share of the Net Pension Liability	\$5,673,826	\$6,552,007	\$9,732,316	\$7,862,437	\$8,294,911	\$6,963,650
School District's Covered Payroll	\$2,993,493	\$3,016,521	\$3,088,257	\$2,971,779	\$2,932,869	\$2,943,154
School District's Proportionate Share of the Net Share of the Net Pension Liability as a Percentage of its Covered - Payroll	189.54%	217.20%	315.14%	264.57%	282.83%	236.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.03133130%	0.02926470%	0.03024580%
School District's Proportionate Share of the Net OPEB Liability	\$869,215	\$785,388	\$862,117
School District's Covered Payroll	\$1,003,896	\$931,221	\$945,664
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	86.58%	84.34%	91.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.02580448%	0.02758135%	0.02907511%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$414,651)	\$1,076,124	\$1,554,944
School District's Covered Payroll	\$2,993,493	\$3,016,521	\$3,088,257
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-13.85%	35.67%	50.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$137,998	\$135,526	\$130,371	\$132,393
Contributions in Relation to the Contractually Required Contribution	<u>(137,998)</u>	<u>(135,526)</u>	<u>(130,371)</u>	<u>(132,393)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,022,207	\$1,003,896	\$931,221	\$945,664
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$24,044	\$22,372	\$15,984	\$15,582
Contributions in Relation to the Contractually Required Contribution	<u>(24,044)</u>	<u>(22,372)</u>	<u>(15,984)</u>	<u>(15,582)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.35%</u>	<u>2.23%</u>	<u>1.72%</u>	<u>1.65%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.85%</u>	<u>15.73%</u>	<u>15.72%</u>	<u>15.65%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$120,634	\$122,780	\$123,103	\$96,227	\$97,184	\$99,658
(120,634)	(122,780)	(123,103)	(96,227)	(97,184)	(99,658)
\$0	\$0	\$0	\$0	\$0	\$0
\$915,281	\$885,859	\$889,473	\$715,441	\$773,141	\$736,025
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$23,824	\$16,847	\$17,347	\$16,384	\$24,509	\$16,193
(23,824)	(16,847)	(17,347)	(16,384)	(24,509)	(16,193)
\$0	\$0	\$0	\$0	\$0	\$0
2.60%	1.90%	1.95%	2.29%	3.17%	2.20%
15.78%	15.76%	15.79%	15.74%	15.74%	15.74%

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$439,068	\$419,089	\$422,313	\$432,356
Contributions in Relation to the Contractually Required Contribution	<u>(439,068)</u>	<u>(419,089)</u>	<u>(422,313)</u>	<u>(432,356)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,136,200	\$2,993,493	\$3,016,521	\$3,088,257
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$416,049	\$381,273	\$382,610	\$329,636	\$396,003	\$339,081
(416,049)	(381,273)	(382,610)	(329,636)	(396,003)	(339,081)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,971,779	\$2,932,869	\$2,943,154	\$2,535,662	\$3,046,177	\$2,608,315
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$29,329	\$29,432	\$25,357	\$30,462	\$26,083
0	(29,329)	(29,432)	(25,357)	(30,462)	(26,083)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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Wolf Creek Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

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

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

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

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are

Wolf Creek Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Wolf Creek Local School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018 Unaudited

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, 2018. 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 2018 are as follows:

- Net position of governmental activities increased \$4,371,076.
- General revenues accounted for \$7,592,460 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,790,506 or 19% of total revenues of \$9,382,966.
- Total assets of governmental activities increased \$381,451, while total liabilities decreased \$4,678,380.
- The School District had \$5,011,890 in expenses related to governmental activities; \$1,790,506 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$7,592,460 provided the remaining resources for these programs.
- The School District's only major fund, the General Fund, had \$8,475,793 in revenues and \$7,416,954 in expenditures. The General Fund's balance increased \$858,839.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018 Unaudited

and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 80. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Wolf Creek Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$17,825,110	\$17,088,598	\$736,512
Capital Assets, Net	6,910,565	7,265,626	(355,061)
<i>Total Assets</i>	<u>24,735,675</u>	<u>24,354,224</u>	<u>381,451</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	61,813	69,540	(7,727)
Pension	2,509,608	2,250,621	258,987
OPEB	84,492	15,984	68,508
<i>Total Deferred Outflows of Resources</i>	<u>2,655,913</u>	<u>2,336,145</u>	<u>319,768</u>
Liabilities			
Current and Other Liabilities	776,546	781,679	(5,133)
Long-term Liabilities:			
Due within One Year	487,262	475,076	12,186
Due in More Than One Year:			
Net Pension Liability	8,274,626	11,912,107	(3,637,481)
Net OPEB Liability	1,861,512	2,417,061	(555,549)
Other Amounts	4,377,468	4,869,871	(492,403)
<i>Total Liabilities</i>	<u>15,777,414</u>	<u>20,455,794</u>	<u>(4,678,380)</u>
Deferred Inflows of Resources			
Property Taxes	5,966,725	5,914,498	52,227
Pension	711,024	55,245	655,779
OPEB	300,517	0	300,517
<i>Total Deferred Inflows of Resources</i>	<u>6,978,266</u>	<u>5,969,743</u>	<u>1,008,523</u>
Net Position			
Net Investment in Capital Assets	2,552,378	2,470,166	82,212
Restricted	684,641	657,595	27,046
Unrestricted (Deficit)	1,398,889	(2,862,929)	4,261,818
<i>Total Net Position</i>	<u>\$4,635,908</u>	<u>\$264,832</u>	<u>\$4,371,076</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$2,665,909 to \$264,832.

Total assets of governmental activities increased \$381,451. Current assets increased by \$736,512, primarily due to an increase in pooled cash and cash equivalents of \$1,264,596. This increase was offset by a decrease in capital assets of \$355,061, due to current year depreciation exceeding capital asset additions, and a decrease in property taxes receivable of \$442,749.

Total liabilities decreased \$4,678,380. The \$3,637,481 decrease in net pension liability accounts for the majority of the decrease. Intergovernmental payables and accounts payable also decreased by \$67,143 and \$8,638. The largest increase was in the accrued wages and benefits payable of \$74,975.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, and comparisons to fiscal year 2017.

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,159,655	\$1,026,035	\$133,620
Operating Grants, Contributions and Interest	630,851	546,309	84,542
Total Program Revenues	<u>1,790,506</u>	<u>1,572,344</u>	<u>218,162</u>
General Revenues:			
Property Taxes	5,532,549	5,700,167	(167,618)
Grants and Entitlements	1,977,283	1,970,264	7,019
Investment Earnings	42,361	46,470	(4,109)
Donations	2,762	9,050	(6,288)
Miscellaneous	37,355	91,386	(54,031)
Gain on Sale of Capital Assets	150	0	150
Total General Revenues	<u>7,592,460</u>	<u>7,817,337</u>	<u>(224,877)</u>
Total Revenues	<u>9,382,966</u>	<u>9,389,681</u>	<u>(6,715)</u>
Program Expenses			
Instruction:			
Regular	1,563,107	3,958,541	(2,395,434)
Special	763,348	1,269,036	(505,688)
Vocational	54,065	149,903	(95,838)
Support Services:			
Pupils	131,990	440,909	(308,919)
Instructional Staff	164,851	211,346	(46,495)
Board of Education	23,779	71,227	(47,448)
Administration	272,271	639,869	(367,598)
Fiscal	407,004	504,892	(97,888)
Operation and Maintenance of Plant	609,843	733,229	(123,386)
Pupil Transportation	409,033	452,259	(43,226)
Central	6,517	4,440	2,077
Operation of Non-Instructional Services:			
Food Service Operations	237,085	314,873	(77,788)
Other	9,198	7,089	2,109
Extracurricular Activities	264,108	384,149	(120,041)
Interest and Fiscal Charges	95,691	115,353	(19,662)
Total Expenses	<u>5,011,890</u>	<u>9,257,115</u>	<u>(4,245,225)</u>
Change in Net Position	4,371,076	132,566	4,238,510
Net Position Beginning of Year	264,832	N/A	
Net Position End of Year	<u>\$4,635,908</u>	<u>\$264,832</u>	<u>\$4,371,076</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$15,984 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense

Wolf Creek Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$301,168. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$5,011,890
Negative OPEB expense under GASB 75	301,168
2018 contractually required contribution	<u>22,372</u>
Adjusted 2018 program expenses	5,335,430
Total 2017 program expenses under GASB 45	<u>9,257,115</u>
Decrease in program expenses not related to OPEB	<u><u>(\$3,921,685)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 15) As a result of these changes, pension expense decreased from \$964,107 in fiscal year 2017 to a negative pension expense of \$2,686,074 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$1,688,763)
Special	(343,358)
Vocational	(97,185)
Support Services :	
Pupils	(156,986)
Instructional Staff	(35,978)
Administration	(218,374)
Fiscal	(14,595)
Operation and Maintenance of Plant	(14,697)
Pupil Transportation	(18,283)
Operation of	
Non-Instructional	
Food Service Operations	(9,660)
Extracurricular Activities	<u>(88,195)</u>
Total Expenses	<u><u>(\$2,686,074)</u></u>

From fiscal year 2017 to fiscal year 2018, total revenues decreased \$6,715. Total expenses also decreased \$4,245,225. This resulted in an increase in net position of \$4,371,076.

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.

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

Table 3
Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program Expenses				
Instruction:				
Regular	\$1,563,107	\$807,002	\$3,958,541	\$3,361,410
Special	763,348	328,766	1,269,036	840,493
Vocational	54,065	45,231	149,903	141,947
Support Services:				
Pupils	131,990	117,053	440,909	423,421
Instructional Staff	164,851	128,659	211,346	207,438
Board of Education	23,779	23,779	71,227	71,227
Administration	272,271	271,487	639,869	639,444
Fiscal	407,004	407,004	504,892	504,892
Operation and Maintenance of Plant	609,843	591,293	733,229	732,552
Pupil Transportation	409,033	394,545	452,259	450,524
Central	6,517	6,517	4,440	4,440
Operation of Non-Instructional Services:				
Food Service Operations	237,085	(27,853)	314,873	36,769
Other	9,198	8,576	7,089	3,316
Extracurricular Activities	264,108	23,634	384,149	151,545
Interest and Fiscal Charges	95,691	95,691	115,353	115,353
Total	<u>\$5,011,890</u>	<u>\$3,221,384</u>	<u>\$9,257,115</u>	<u>\$7,684,771</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. Over 64% of program expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT'S FUNDS

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,770,454 and expenditures of \$8,697,875. The General Fund's fund balance increased \$858,839 from 2017 due to several large increases in revenues and less increases in expenditures compared to the prior year. General Fund property taxes alone increased \$584,991, along with tuition and fees 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.

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

During the course of fiscal year 2018, 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 \$8,574,655, above final estimates of \$7,374,579. The difference was the result of underestimating all of the revenues. Final estimated revenues were lower than the original estimates of \$7,629,250. Final appropriations were decreased \$315,775 from original appropriations. Actual expenditures were below final appropriations of \$7,839,860 by \$189,351. The School District's ending General Fund balance was \$9,890,488.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had \$2,552,378 invested (net of related debt) in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	\$19,171	\$19,171
Buildings and Improvements	6,693,643	7,009,324
Furniture and Equipment	108,674	117,199
Vehicles	89,077	119,932
Totals	<u>\$6,910,565</u>	<u>\$7,265,626</u>

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

Debt

At June 30, 2018, the School District had \$4,420,000 in bonds outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2018	2017
2016 School Facilities Refunding Term Bonds - 1.910%	\$4,420,000	\$4,865,000

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

Wolf Creek Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

ECONOMIC FACTORS

As the preceding information shows, the School District relies on its taxpayers. The School District only receives 21% support from the State. During 2018, the School District has 35.03% of its student population in economic disadvantage. Therefore, the School District received an additional \$26,215 from the State. The Wolf Creek Local School District has seen some changes in revenue and expenses. The power companies have upgraded the sub stations in the area as well as the lines that transmit. The School District has seen an increase in taxable property value, which has offset the closing of the AEP plant in 2015. The School District will also have a real property revaluation in tax year 2019 and a reappraisal in tax year 2022, which generates additional revenue. During 2017, the voters of the School District renewed an emergency tax levy which generates \$780,000 for each calendar year that the millage is in effect. The emergency levy will expire in 2021.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Wolf Creek Local School District, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,509,435
Cash and Cash Equivalents in Segregated Accounts	1,247
Intergovernmental Receivable	127,091
Accounts Receivable	8,379
Prepaid Items	106,447
Inventory Held for Resale	1,933
Materials and Supplies Inventory	8,568
Property Taxes Receivable	6,062,010
Nondepreciable Capital Assets	19,171
Depreciable Capital Assets, Net	6,891,394
<i>Total Assets</i>	<i>24,735,675</i>
Deferred Outflows of Resources	
Deferred Charge on Refunding	61,813
Pension	2,509,608
OPEB	84,492
Total Deferred Outflows of Resources	2,655,913
Liabilities	
Accounts Payable	20,111
Accrued Wages Payable	573,283
Accrued Interest Payable	7,035
Intergovernmental Payable	145,893
Vacation Benefits Payable	30,224
Long-Term Liabilities:	
Due Within One Year	487,262
Due In More Than One Year:	
Net Pension Liability (See Note 15)	8,274,626
Net OPEB Liability (See Note 16)	1,861,512
Other Amounts Due in More than One Year	4,377,468
<i>Total Liabilities</i>	<i>15,777,414</i>
Deferred Inflows of Resources	
Property Taxes	5,966,725
Pension	711,024
OPEB	300,517
Total Deferred Inflows of Resources	6,978,266
Net Position	
Net Investment in Capital Assets	2,552,378
Restricted for:	
Debt Service	488,989
Food Service Operations	5,326
Local Initiatives	800
Student Activities	150,917
State Grants Programs	410
Federal Grants Programs	38,199
Unrestricted	1,398,889
<i>Total Net Position</i>	<i>\$4,635,908</i>

See accompanying notes to the basic financial statements

Wolf Creek Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	
Governmental Activities				
Instruction:				
Regular	\$1,563,107	\$737,844	\$18,261	(\$807,002)
Special	763,348	83,479	351,103	(328,766)
Vocational	54,065	0	8,834	(45,231)
Support Services:				
Pupils	131,990	0	14,937	(117,053)
Instructional Staff	164,851	0	36,192	(128,659)
Board of Education	23,779	0	0	(23,779)
Administration	272,271	0	784	(271,487)
Fiscal	407,004	0	0	(407,004)
Operation and Maintenance of Plant	609,843	0	18,550	(591,293)
Pupil Transportation	409,033	0	14,488	(394,545)
Central	6,517	0	0	(6,517)
Operation of Non-Instructional Services:				
Food Service Operations	237,085	118,780	146,158	27,853
Other	9,198	0	622	(8,576)
Extracurricular Activities	264,108	219,552	20,922	(23,634)
Interest and Fiscal Charges	95,691	0	0	(95,691)
<i>Totals</i>	<u>\$5,011,890</u>	<u>\$1,159,655</u>	<u>\$630,851</u>	<u>(3,221,384)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	5,038,609
Debt Service	493,940
Grants and Entitlements not Restricted to Specific Programs	1,977,283
Investment Earnings	42,361
Gifts and Donations not Restricted to Specific Programs	2,762
Gain on Sale of Capital Assets	150
Miscellaneous	37,355
<i>Total General Revenues</i>	<u>7,592,460</u>
<i>Change in Net Position</i>	4,371,076
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>264,832</u>
<i>Net Position End of Year</i>	<u>\$4,635,908</u>

See accompanying notes to the basic financial statements

Wolf Creek Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,059,385	\$1,450,050	\$11,509,435
Cash and Cash Equivalents in Segregated Accounts	0	1,247	1,247
Receivables:			
Property Taxes	5,517,757	544,253	6,062,010
Accounts	6,418	1,961	8,379
Intergovernmental	47,247	79,844	127,091
Interfund	25,704	0	25,704
Prepaid Items	102,660	3,787	106,447
Inventory Held for Resale	0	1,933	1,933
Materials and Supplies Inventory	8,551	17	8,568
<i>Total Assets</i>	<u>\$15,767,722</u>	<u>\$2,083,092</u>	<u>\$17,850,814</u>
Liabilities			
Accounts Payable	\$15,942	\$4,169	\$20,111
Accrued Wages Payable	527,361	45,922	573,283
Interfund Payable	0	25,704	25,704
Intergovernmental Payable	142,262	3,631	145,893
<i>Total Liabilities</i>	<u>685,565</u>	<u>79,426</u>	<u>764,991</u>
Deferred Inflows of Resources			
Property Taxes	5,433,156	533,569	5,966,725
Unavailable Revenue	64,789	85,863	150,652
<i>Total Deferred Inflows of Resources</i>	<u>5,497,945</u>	<u>619,432</u>	<u>6,117,377</u>
Fund Balances			
Nonspendable	111,211	3,804	115,015
Restricted	0	666,596	666,596
Committed	90,494	0	90,494
Assigned	490,791	753,694	1,244,485
Unassigned (Deficit)	8,891,716	(39,860)	8,851,856
<i>Total Fund Balances</i>	<u>9,584,212</u>	<u>1,384,234</u>	<u>10,968,446</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$15,767,722</u>	<u>\$2,083,092</u>	<u>\$17,850,814</u>

See accompanying notes to the basic financial statements

Wolf Creek Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Fund Balances		\$10,968,446
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,910,565
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	41,777	
Intergovernmental Revenue	80,669	
Charges for Services	903	
Tuition and Fees	3,954	
Extracurricular Activities	600	
Miscellaneous Revenue	22,749	150,652
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(7,035)
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.		(30,224)
Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		61,813
The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	2,509,608	
Deferred Inflows - Pension	(711,024)	
Net Pension Liability	(8,274,626)	
Deferred Outflows - OPEB	84,492	
Deferred Inflows - OPEB	(300,517)	
Net OPEB Liability	(1,861,512)	(8,553,579)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds Payable	(4,420,000)	
Sick Leave Benefits Payable	(444,730)	(4,864,730)
Net Position of Governmental Activities		\$4,635,908

See accompanying notes to the basic 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, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$5,421,627	\$527,503	\$5,949,130
Intergovernmental	2,143,541	414,530	2,558,071
Investment Earnings	40,886	1,704	42,590
Tuition and Fees	817,369	0	817,369
Extracurricular Activities	0	220,421	220,421
Charges for Services and Sales	0	117,877	117,877
Gifts and Donations	17,856	4,228	22,084
Miscellaneous	34,514	8,398	42,912
<i>Total Revenues</i>	<u>8,475,793</u>	<u>1,294,661</u>	<u>9,770,454</u>
Expenditures			
Current:			
Instruction:			
Regular	3,429,514	14,119	3,443,633
Special	1,013,304	207,332	1,220,636
Vocational	176,726	0	176,726
Support Services:			
Pupils	295,856	13,675	309,531
Instructional Staff	206,817	15,983	222,800
Board of Education	23,779	0	23,779
Administration	583,282	718	584,000
Fiscal	430,913	10,242	441,155
Operation and Maintenance of Plant	639,372	0	639,372
Pupil Transportation	425,227	0	425,227
Central	6,517	0	6,517
Operation of Non-Instructional Services	8,629	264,524	273,153
Extracurricular Activities	173,646	206,112	379,758
Capital Outlay	3,372	14,544	17,916
Debt Service:			
Principal Retirement	0	445,000	445,000
Interest and Fiscal Charges	0	88,672	88,672
<i>Total Expenditures</i>	<u>7,416,954</u>	<u>1,280,921</u>	<u>8,697,875</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,058,839</u>	<u>13,740</u>	<u>1,072,579</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	0	150	150
Transfers In	0	200,000	200,000
Transfers Out	(200,000)	0	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>200,150</u>	<u>150</u>
<i>Net Change in Fund Balances</i>	858,839	213,890	1,072,729
<i>Fund Balances Beginning of Year</i>	<u>8,725,373</u>	<u>1,170,344</u>	<u>9,895,717</u>
<i>Fund Balances End of Year</i>	<u>\$9,584,212</u>	<u>\$1,384,234</u>	<u>\$10,968,446</u>

See accompanying notes to the basic 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, 2018*

Net Change in Fund Balances - Total Governmental Funds \$1,072,729

*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 outlay in the current period:

Capital Asset Additions	25,236	
Depreciation Expense	<u>(380,297)</u>	(355,061)

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

Delinquent Property Taxes	(416,581)	
Intergovernmental Revenue	30,512	
Tuition and Fees	3,954	
Extracurricular Activities	(869)	
Charges for Services and Sales	903	
Miscellaneous Revenue	<u>(5,557)</u>	(387,638)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 445,000

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

Accrued Interest Payable	708	
Amortization of Deferred Amount on Refunding	<u>(7,727)</u>	(7,019)

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

Pension	554,615	
OPEB	<u>22,372</u>	576,987

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	2,686,074	
OPEB	<u>301,168</u>	2,987,242

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

Vacation Benefits Payable	3,619	
Sick Leave Benefits Payable	35,217	<u>38,836</u>

Change in Net Position of Governmental Activities \$4,371,076

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$4,787,000	\$4,627,206	\$5,491,275	\$864,069
Intergovernmental	2,117,000	2,046,333	2,117,790	71,457
Investment Earnings	60,000	57,997	123,543	65,546
Tuition and Fees	662,500	640,385	830,669	190,284
Donations	750	725	2,762	2,037
Miscellaneous	2,000	1,933	8,616	6,683
<i>Total Revenues</i>	<u>7,629,250</u>	<u>7,374,579</u>	<u>8,574,655</u>	<u>1,200,076</u>
Expenditures				
Current:				
Instruction:				
Regular	3,672,918	3,530,709	3,445,433	85,276
Special	1,070,614	1,029,162	1,004,305	24,857
Vocational	190,035	182,677	178,265	4,412
Support Services:				
Pupils	315,297	303,089	295,769	7,320
Instructional Staff	223,847	215,180	209,983	5,197
Board of Education	41,189	39,594	38,638	956
Administration	627,728	603,423	588,849	14,574
Fiscal	487,503	468,627	457,309	11,318
Operation and Maintenance of Plant	775,793	745,756	727,744	18,012
Pupil Transportation	545,735	524,604	511,934	12,670
Central	30,826	29,633	28,917	716
Operation of Non-Instructional Services	8,399	8,074	7,879	195
Extracurricular Activities	161,356	155,108	151,362	3,746
Capital Outlay	3,595	3,455	3,372	83
Intergovernmental	800	769	750	19
<i>Total Expenditures</i>	<u>8,155,635</u>	<u>7,839,860</u>	<u>7,650,509</u>	<u>189,351</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(526,385)</u>	<u>(465,281)</u>	<u>924,146</u>	<u>1,389,427</u>
Other Financing Sources (Uses)				
Advances In	0	209,745	209,795	50
Refund of Prior Year Expenditures	0	44,584	44,584	0
Refund of Prior Year Receipts	0	(6,976)	(6,976)	0
Advances Out	0	(210,000)	(235,499)	(25,499)
Transfers Out	(100,000)	(200,012)	(200,012)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(162,659)</u>	<u>(188,108)</u>	<u>(25,449)</u>
<i>Net Change in Fund Balance</i>	<u>(626,385)</u>	<u>(627,940)</u>	<u>736,038</u>	<u>1,363,978</u>
<i>Fund Balance Beginning of Year</i>	<u>9,054,469</u>	<u>9,054,469</u>	<u>9,054,469</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>99,981</u>	<u>99,981</u>	<u>99,981</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,528,065</u></u>	<u><u>\$8,526,510</u></u>	<u><u>\$9,890,488</u></u>	<u><u>\$1,363,978</u></u>

See accompanying notes to the financial statements

Wolf Creek Local School District, Ohio

Statement of Assets and Liabilities

Agency Funds

June 30, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$44,258</u></u>
Liabilities	
Due to Students	<u><u>\$44,258</u></u>

See accompanying notes to the financial statements

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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 34 classified employees and 46 certificated full-time teaching personnel who provide services to 534 students and other community members.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Benefits Cooperative, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, pension, and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, extracurricular activities, charges for services and sales, tuition and fees, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 86. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 15 and 16)

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

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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

E. Cash and Cash Equivalents

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

During fiscal year 2018, the School District's investments were limited to certificates of deposit, which are reported at cost, and federal agency securities, which are reported at fair value based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$40,886, which includes \$705 assigned from other School District funds.

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

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Compensated Absences

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

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

J. Deferred Charge on Refunding

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

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

L. Internal Activity

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

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

M. Fund Balance

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

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned the fund balance to cover a gap between estimated revenues and appropriations in fiscal year 2018's appropriated budget.

Wolf Creek Local School District, Ohio

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For the Fiscal Year Ended June 30, 2018*

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

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

N. Net Position

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

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

O. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds except the General Fund where the legal level of control is at the fund, function, and object level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations to the function and object level for all funds other than the General Fund.

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

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

Note 3 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$2,665,909
Adjustments:	
Net OPEB Liability	(2,417,061)
Deferred Outflow - Payments Subsequent to Measurement Date	15,984
Restated Net Position June 30, 2017	<u>\$264,832</u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 - Fund Deficits

The Federal Grants Special Revenue Fund had a deficit fund balance as of June 30, 2018, of \$38,920 as a result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue fund; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Fund Balances

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Prepays	\$102,660	\$3,787	\$106,447
Materials and Supplies Inventory	8,551	17	8,568
<i>Total Nonspendable</i>	<u>111,211</u>	<u>3,804</u>	<u>115,015</u>
Restricted for:			
Local Initiatives	0	800	800
State Grant Programs	0	129	129
Federal Grant Programs	0	8	8
Food Service Operations	0	24,098	24,098
Student Activities	0	150,317	150,317
Debt Service	0	491,244	491,244
<i>Total Restricted</i>	<u>0</u>	<u>666,596</u>	<u>666,596</u>
Committed for School Buses	<u>90,494</u>	<u>0</u>	<u>90,494</u>
Assigned to:			
Capital Improvements	0	753,694	753,694
Purchases on Order	138,128	0	138,128
Public School Support	9,086	0	9,086
Fiscal Year 2019 Appropriations	343,577	0	343,577
<i>Total Assigned</i>	<u>490,791</u>	<u>753,694</u>	<u>1,244,485</u>
Unassigned (Deficit):	<u>8,891,716</u>	<u>(39,860)</u>	<u>8,851,856</u>
<i>Total Fund Balances</i>	<u>\$9,584,212</u>	<u>\$1,384,234</u>	<u>\$10,968,446</u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Unrecorded and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Advances in and advances out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
6. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

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

Net Change in Fund Balance	
GAAP Basis	\$858,839
Revenue Accruals	83,263
Expenditure Accruals	(3,373)
Beginning:	
Unreported Interest	1,640
Prepaid Items	86,525
Ending:	
Unreported Interest	81,017
Prepaid Items	(102,660)
Advances In	209,795
Advances Out	(235,499)
To reclassify excess of expenditures over revenues into financial statement fund types	(827)
Encumbrances	(242,682)
Budget Basis	<u><u>\$736,038</u></u>

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 7 - Deposits and Investments

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

Active deposits are public deposits 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Wolf Creek Local School District, Ohio

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6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met

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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a 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 June 30, 2018, \$4,254,182 of the School District's total bank balance of \$9,754,968 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
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Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Money Market Funds	\$27,129	7 Days	AAAm	1.44%
Federal Home Loan Mortgage Corp	271,629	Less than five years	AA+	14.46%
Federal Home Loan Bank Bonds	<u>1,580,104</u>	Less than four years	AA+	84.10
Total Investments	<u>\$1,878,862</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

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

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

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Wolf Creek Local School District, Ohio

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Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018, was \$47,604 in the General Fund and \$5,904 in the Bond Retirement Fund. The amount available as an advance at June 30, 2017, was \$117,252 in the General Fund and \$14,651 in the Bond Retirement Fund.

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

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$55,378,560	32.82%	\$55,660,810	33.13%
Commerical/Industrial and Public Utility Real	9,123,830	5.41%	8,684,600	5.17%
Public Utility Personal	104,229,090	61.77%	103,662,330	61.70%
	<u>\$168,731,480</u>	<u>100.00%</u>	<u>\$168,007,740</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$39.73	\$39.77	

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 9 – Receivables

Receivables at June 30, 2018, consisted of property taxes, accounts (billings for user charged services and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. The delinquent property taxes amounted to \$41,777.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Part B Idea	\$39,736
Title II-A	22,992
School Employees Retirement System	22,749
Workers' Comp. Refund	10,765
Title IV-A	10,000
Ohio Valley ESC	8,000
Summer Youth Employment	7,895
Title I	4,383
Medicaid	290
Stategies Secondary Transition Students	281
Total	<u>\$127,091</u>

Note 10 - Interfund Activity

A. Transfers

The General Fund made a transfer to the Permanent Improvement Fund in the amount of \$200,000.

B. Interfund Balances

Unpaid interfund cash advances at June 30, 2018, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$25,704	\$0
Nonmajor Special Revenue Funds:		
Miscellaneous State Grants	0	281
Miscellaneous Federal Grants	0	25,423
Total All Funds	<u>\$25,704</u>	<u>\$25,704</u>

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2018</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$19,171	\$0	\$0	\$19,171
Depreciable Capital Assets:				
Buildings and Improvements	11,174,761	3,372	0	11,178,133
Furniture and Equipment	1,462,907	21,864	(3,325)	1,481,446
Vehicles	1,004,494	0	0	1,004,494
Total Capital Assets being Depreciated	<u>13,642,162</u>	<u>25,236</u>	<u>(3,325)</u>	<u>13,664,073</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,165,437)	(319,053)	0	(4,484,490)
Furniture and Equipment	(1,345,708)	(30,389)	3,325	(1,372,772)
Vehicles	(884,562)	(30,855)	0	(915,417)
Total Accumulated Depreciation	<u>(6,395,707)</u>	<u>(380,297) *</u>	<u>3,325</u>	<u>(6,772,679)</u>
Total Capital Assets being Depreciated, Net	<u>7,246,455</u>	<u>(355,061)</u>	<u>0</u>	<u>6,891,394</u>
Capital Assets, Net	<u>\$7,265,626</u>	<u>(\$355,061)</u>	<u>\$0</u>	<u>\$6,910,565</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$312,218
Special	3,167
Vocational	2,943
Support Services:	
Pupils	625
Administration	346
Fiscal	438
Operation and Maintenance of Plant	14,799
Pupil Transportation	32,257
Food Service Operations	2,875
Extracurricular Activities	10,629
Total Depreciation Expense	<u>\$380,297</u>

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 12 - Significant Commitments

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

General Fund	\$242,682
Nonmajor Funds	51,565
Total	<u>\$294,247</u>

Note 13 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the 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 19).

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

Building and Contents - replacement cost (\$1,000 deductible)	\$29,250,750
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	4,000,000
Personal and Advertising Injury	4,000,000
General Aggregate Limit	6,000,000
Completed Operations Aggregate Limit	4,000,000
Employers' - Stop Gap - Bodily Injury	4,000,000
Educational Legal - Errors and Omissions:	
Injury Limit	4,000,000
Aggregate Limit	6,000,000
Automobile Liability:	
Liability	4,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 2017.

B. Worker's Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Employee Benefits

A. Compensated Absences

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

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

B. Insurance

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays ninety percent of the total monthly premiums of \$1,383.43 for family coverage, \$868.05 for employee with children coverage, \$949.41 for two adults' coverage, and \$542.53 for single coverage.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

Dental coverage is provided through Delta Dental. The School District also pays ninety percent of the total monthly premiums of \$76.35 for family coverage and \$25.41 for single coverage.

Note 15 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

A. Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$135,526 for fiscal year 2018. Of this amount \$14,066 is reported as an intergovernmental payable.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$419,089 for fiscal year 2018. Of this amount \$65,426 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability Prior Measurement Date	0.02978230%	0.02907511%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.02883150%</u>	<u>0.02758135%</u>	
Change in Proportionate Share	<u>-0.00095080%</u>	<u>-0.00149376%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,722,619	\$6,552,007	\$8,274,626
Pension Expense	(\$90,948)	(\$2,595,126)	(\$2,686,074)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$74,136	\$253,008	\$327,144
Changes of assumptions	89,078	1,432,996	1,522,074
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	1,652	104,123	105,775
School District contributions subsequent to the measurement date	<u>135,526</u>	<u>419,089</u>	<u>554,615</u>
Total Deferred Outflows of Resources	<u>\$300,392</u>	<u>\$2,209,216</u>	<u>\$2,509,608</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$52,807	\$52,807
Net difference between projected and actual earnings on pension plan investments	8,177	216,224	224,401
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>56,329</u>	<u>377,487</u>	<u>433,816</u>
Total Deferred Inflows of Resources	<u>\$64,506</u>	<u>\$646,518</u>	<u>\$711,024</u>

\$554,615 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$44,793	\$229,619	\$274,412
2020	81,566	523,757	605,323
2021	14,158	364,541	378,699
2022	<u>(40,157)</u>	<u>25,692</u>	<u>(14,465)</u>
Total	<u>\$100,360</u>	<u>\$1,143,609</u>	<u>\$1,243,969</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,390,547	\$1,722,619	\$1,163,092

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,392,082	\$6,552,007	\$4,159,673

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, all Board Members except one have elected Social Security. The contribution rate is 6.2 percent of wages.

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 16 - Postemployment Benefits

See Note 15 for a description of the net OPEB liability.

A. School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$17,353.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$22,372 for fiscal year 2018. Of this amount \$17,874 is reported as an intergovernmental payable.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

B. State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.03024580%	0.02907511%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.02926470%</u>	<u>0.02758135%</u>	
Change in Proportionate Share	<u>-0.00098110%</u>	<u>-0.00149376%</u>	
			<u>Total</u>
Proportionate Share of the Net			
OPEB Liability	\$785,388	\$1,076,124	\$1,861,512
OPEB Expense	\$38,618	(\$339,786)	(\$301,168)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Wolf Creek Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$62,120	\$62,120
School District contributions subsequent to the measurement date	<u>22,372</u>	<u>0</u>	<u>22,372</u>
Total Deferred Outflows of Resources	<u><u>\$22,372</u></u>	<u><u>\$62,120</u></u>	<u><u>\$84,492</u></u>
Deferred Inflows of Resources			
Changes of assumptions	\$74,529	\$86,684	\$161,213
Net difference between projected and actual earnings on OPEB plan investments	2,074	45,996	48,070
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>22,760</u>	<u>68,474</u>	<u>91,234</u>
Total Deferred Inflows of Resources	<u><u>\$99,363</u></u>	<u><u>\$201,154</u></u>	<u><u>\$300,517</u></u>

\$22,372 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$35,769)	(\$27,006)	(\$62,775)
2020	(35,769)	(27,006)	(62,775)
2021	(27,307)	(27,006)	(54,313)
2022	(518)	(27,006)	(27,524)
2023	0	(15,507)	(15,507)
2024	<u>0</u>	<u>(15,503)</u>	<u>(15,503)</u>
Total	<u><u>(\$99,363)</u></u>	<u><u>(\$139,034)</u></u>	<u><u>(\$238,397)</u></u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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For the Fiscal Year Ended June 30, 2018*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$948,456	\$785,388	\$656,196

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$637,283	\$785,388	\$981,406

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
School District's proportionate share of the net OPEB liability	\$1,444,677	\$1,076,124	\$784,844
		<u>Current Trend Rate</u>	
	<u>1% Decrease</u>		<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$747,644	\$1,076,124	\$1,508,439

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 17 - Long-Term Obligations

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

	Principal Outstanding 6/30/17	Additions	Reductions	Principal Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities					
2016 Advance Refunding Bonds:					
Term Bonds - 1.910%	\$4,865,000	\$0	\$445,000	\$4,420,000	\$455,000
Net Pension Liability:					
SERS	2,179,791	0	457,172	1,722,619	0
STRS	9,732,316	0	3,180,309	6,552,007	0
Total Net Pension Liability	11,912,107	0	3,637,481	8,274,626	0
Net OPEB Liability:					
SERS	862,117	0	76,729	785,388	0
STRS	1,554,944	0	478,820	1,076,124	0
Total Net OPEB Liability	2,417,061	0	555,549	1,861,512	0
Sick Leave Benefits	479,947	14,582	49,799	444,730	32,262
Total Governmental Activities Long-Term Liabilities	<u>\$19,674,115</u>	<u>\$14,582</u>	<u>\$4,687,829</u>	<u>\$15,000,868</u>	<u>\$487,262</u>

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, Food Service, and Federal Grant Funds. There is no repayment schedule for the net pension and OPEB liability. However, employer pension contributions are made from the following funds: General Fund and the Food Service and Federal Grants Special Revenue Funds. For additional information related to the net pension and OPEB liabilities, see Notes 15 and 16.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$77,267. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt.

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

Wolf Creek Local School District, Ohio

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Principal and interest requirements to retire the refunding bonds outstanding at June 30, 2018, are as follows:

Fiscal Year	2016 General Obligation Bonds		
	Ending	Principal	Interest
2019		\$455,000	\$80,077
2020		470,000	71,243
2021		485,000	62,123
2022		495,000	52,764
2023		505,000	43,214
2024-2027		2,010,000	73,344
Total		<u>\$4,420,000</u>	<u>\$382,765</u>

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

The overall debt margin of the School District as of June 30, 2018, was \$11,188,494, with an unvoted debt margin of \$167,926.

Note 18 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2018, the School District paid \$30,961 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

B. Washington County Career Center

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

Wolf Creek Local School District, Ohio

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C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2018. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 19 - Insurance Purchasing Pools

A. Ohio School Benefits Cooperative

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

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

B. 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

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Note 20 - Set asides

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	114,964
Offsetting Credits	<u>(736,251)</u>
Total	<u><u>(\$621,287)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and

Wolf Creek Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

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

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Note 22 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1)**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0288315%	0.0297823%	0.0303334%	0.0302300%	0.0302300%
School District's Proportionate Share of the Net Pension Liability	\$1,722,619	\$2,179,791	\$1,730,852	\$1,797,681	\$1,529,923
School District's Covered Payroll	\$931,221	\$945,664	\$915,281	\$885,859	\$889,473
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	184.98%	230.50%	189.11%	202.93%	172.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Five Fiscal Years (1)**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02758135%	0.02907511%	0.02844888%	0.02862886%	0.02862886%
School District's Proportionate Share of the Net Pension Liability	\$6,552,007	\$9,732,316	\$7,862,437	\$8,294,911	\$6,963,650
School District's Covered Payroll	\$3,016,521	\$3,088,257	\$2,971,779	\$2,932,869	\$2,943,154
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	217.20%	315.14%	264.57%	282.83%	236.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.02926470%	0.03024580%
School District's Proportionate Share of the Net OPEB Liability	\$785,388	\$862,117
School District's Covered Payroll	\$931,221	\$945,664
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	84.34%	91.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.02758135%	0.02907511%
School District's Proportionate Share of the Net OPEB Liability	\$1,076,124	\$1,554,944
School District's Covered Payroll	\$3,016,521	\$3,088,257
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.67%	50.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$135,526	\$130,371	\$132,393	\$120,634
Contributions in Relation to the Contractually Required Contribution	<u>(135,526)</u>	<u>(130,371)</u>	<u>(132,393)</u>	<u>(120,634)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,003,896	\$931,221	\$945,664	\$915,281
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$22,372	\$15,984	\$15,582	\$23,824
Contributions in Relation to the Contractually Required Contribution	<u>(22,372)</u>	<u>(15,984)</u>	<u>(15,582)</u>	<u>(23,824)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.23%</u>	<u>1.72%</u>	<u>1.65%</u>	<u>2.60%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.73%</u>	<u>15.72%</u>	<u>15.65%</u>	<u>15.78%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$122,780	\$123,103	\$96,227	\$97,184	\$99,658	\$81,300
(122,780)	(123,103)	(96,227)	(97,184)	(99,658)	(81,300)
\$0	\$0	\$0	\$0	\$0	\$0
\$885,859	\$889,473	\$715,441	\$773,141	\$736,025	\$826,216
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$16,847	\$17,347	\$16,384	\$24,509	\$16,193	\$48,747
(16,847)	(17,347)	(16,384)	(24,509)	(16,193)	(48,747)
\$0	\$0	\$0	\$0	\$0	\$0
1.90%	1.95%	2.29%	3.17%	2.20%	5.90%
15.76%	15.79%	15.74%	15.74%	15.74%	15.74%

Wolf Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	\$419,089	\$422,313	\$432,356	\$416,049
Contributions in Relation to the Contractually Required Contribution	<u>(419,089)</u>	<u>(422,313)</u>	<u>(432,356)</u>	<u>(416,049)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,993,493	\$3,016,521	\$3,088,257	\$2,971,779
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$381,273	\$382,610	\$329,636	\$396,003	\$339,081	\$345,097
(381,273)	(382,610)	(329,636)	(396,003)	(339,081)	(345,097)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,932,869	\$2,943,154	\$2,535,662	\$3,046,177	\$2,608,315	\$2,654,592
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$29,329	\$29,432	\$25,357	\$30,462	\$26,083	\$26,546
(29,329)	(29,432)	(25,357)	(30,462)	(26,083)	(26,546)
\$0	\$0	\$0	\$0	\$0	\$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Wolf Creek Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

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

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

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

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using

Wolf Creek Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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OHIO AUDITOR OF STATE KEITH FABER



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

Wolf Creek Local School District
Washington County
PO Box 67
Waterford, Ohio 45786

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Wolf Creek Local School District, Washington County, Ohio (the School District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 30, 2020 wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension and mentioned the financial impact of COVID-19 and the ensuing emergency measures which will impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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
MAY 21, 2020**