

# **Wickliffe City School District**

## **Basic Financial Statements**

**June 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Education  
Wickliffe City School District  
2221 Rockefeller Road  
Wickliffe, Ohio 44092

We have reviewed the Independent Auditor's Report of the Wickliffe City School District, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

January 12, 2004

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# **WICKLIFFE CITY SCHOOL DISTRICT**

FOR THE YEAR ENDED DECEMBER 31, 2003

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CIUNI & PANICHI  
INC.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

## Independent Auditor's Report

Board of Education  
Wickliffe City School District  
Wickliffe, Ohio

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio, (the "District") as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Interpretation No. 6 and changed its accounting for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2003 on our consideration of the Wickliffe City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Board of Education

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

*Cini & Panichi, Inc.*

Cleveland, Ohio  
December 10, 2003

**Wickliffe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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This discussion and analysis of Wickliffe City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. 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 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 2003 are as follows:

- In total, net assets decreased by \$2,104,084.
- Revenues for governmental activities totaled \$17,221,102 on 2003. Of this total, 85 percent consisted of General revenues while Program revenues accounted for the balance of 15 percent.
- Program expenses totaled \$19,325,186. Instructional expenses made up 51 percent of this total while support services accounted for 41 percent. Other expenses rounded out the remaining 8 percent.
- Outstanding general obligation bonded debt decreased to \$1,193,829 from \$1,467,287 in 2002.
- The general fund balance was \$3,634,355 at fiscal year end, down from \$6,230,206 at June 30, 2002.

**Using this Annual Financial Report**

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in 2003?" The *Statement of Net Assets* and the *Statement of*



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*Unaudited*

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*Activities* answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capability and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

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

*Fund Financial Statements*

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

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

**Wickliffe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

**Table 1**  
 Net Assets  
 Governmental Activities

	2003	2002
<b>Assets</b>		
Current and Other Assets	\$17,530,470	\$20,060,231
Capital Assets, Net of Depreciation	4,340,074	4,509,703
<i>Total Assets</i>	21,870,544	24,569,934
<b>Liabilities</b>		
Current and Other Liabilities	12,226,018	12,917,754
Long-Term Liabilities:		
Due Within One Year	670,648	542,974
Due in More Than One Year	1,767,175	1,798,419
<i>Total Liabilities</i>	14,663,841	15,259,147
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	3,959,551	4,067,416
Restricted for:		
Capital Projects	900,015	752,938
Debt Service	149,514	133,468
Scholarships:		
Expendable	1,147	1,147
Non-Expendable	3,500	3,500
Other Purposes	334,859	417,296
Unrestricted	1,858,117	3,935,022
<i>Total Net Assets</i>	\$7,206,703	\$9,310,787

Total assets decreased by \$2,699,390. The majority of the decrease can be directly attributed to the area of cash and property taxes receivable. The School District's general tangible personal property tax valuation dropped 17 percent at the time of the final settlement.

Total liabilities decreased by \$595,306. The most notable area that decreased was deferred revenue for property taxes. The decrease is related to the loss of tangible personal property tax valuation.

By comparing assets and liabilities, one can see the overall position of the School District has declined as evidenced by the decrease in net assets of \$2,104,084. The decrease is due to a loss of property taxes and economic recession.

The vast majority of revenue supporting all Governmental Activities is general revenue. General revenue totaled \$14,572,197 or 85 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$2,648,905 or 15 percent of total revenue.

**Wickliffe City School District**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2**  
 Governmental Activities

	2003
<b>Revenues</b>	
Program revenues:	
Charges for Services	\$1,428,907
Operating Grants, Contributions and Interest	1,094,393
Capital Grants and Contributions	125,605
<i>Total Program Revenues</i>	<i>2,648,905</i>
General revenues:	
Property Taxes	11,264,699
Grants and Entitlements not Restricted to Specific Programs	3,209,202
Investment Earnings	92,420
Miscellaneous	5,876
<i>Total General Revenues</i>	<i>14,572,197</i>
<i>Total Revenues</i>	<i>17,221,102</i>
<b>Program Expenses</b>	
Instruction:	
Regular	7,495,255
Special	2,239,583
Vocational	34,693
Support services:	
Pupil	1,463,828
Instructional Staff	667,291
Board of Education	152,794
Administration	1,288,162
Fiscal	451,055
Business	66,067
Operation and Maintenance of Plant	2,176,655
Pupil Transportation	1,351,019
Central	354,266
Operation Non-Instructional Services	555,967
Operation of Food Service	495,426
Extracurricular Activities	456,446
Interest and Fiscal Charges	76,679
<i>Total Program Expenses</i>	<i>19,325,186</i>
<i>Decrease in net assets</i>	<i>(2,104,084)</i>
Net Assets Beginning of Year	9,310,787
<i>Net Assets End of Year</i>	<i>\$7,206,703</i>

**Wickliffe City School District**  
*Management's Discussion and Analysis*  
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***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. In November of 2001, the School District successfully passed a 7.95 mill continuing operating levy that is estimated to generate \$2,540,188 in additional revenue per year. This additional income will be dedicated to the operational and capital needs of the School District.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Approximately 51 percent of the School Districts budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 41 percent. The remaining amount of program expenses, 8 percent, is budgeted to pay for other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>		
Instruction:		
Regular	\$7,495,255	\$7,404,748
Special	2,239,583	1,170,691
Vocational	34,693	34,693
Support Services:		
Pupil	1,463,828	1,216,968
Instructional Staff	667,291	627,253
Board of Education	152,794	152,794
Administration	1,288,162	1,246,409
Fiscal	451,055	451,055
Business	66,067	66,067
Operation and Maintenance of Plant	2,176,655	2,126,491
Pupil Transportation	1,351,019	1,245,828
Central	354,266	317,899
Operation of Non-Instructional Services	555,967	36,555
Operation of Food Services	495,426	181,996
Extracurricular Activities	456,446	320,155
Interest and Fiscal Charges	76,679	76,679
<i>Total</i>	\$19,325,186	\$16,676,281

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 58 percent of expenses are directly supported by local property taxes. Grant and entitlements not

**Wickliffe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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restricted to specific programs support 17 percent, while investments and other miscellaneous type revenues support the remaining activity costs. Program revenues account for 14 percent of all government expenses.

**The School District's Funds**

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,754,567 and expenditures of \$19,263,012. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$2,595,851 due to use of the cash reserve for operating expenditures in anticipation of a new levy. The School District also received an increase in grant monies to better provide services to our students. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, property taxes are the largest revenue source, accounting for 67.6 percent of total governmental revenue. Clearly, the communities that comprise the School District are by far the greatest source of financial support for the students of the Wickliffe City School District.

***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 fund to be budgeted is the main operating fund of the School District, the General fund.

During the course of fiscal year 2003, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, final budget estimate revenue totaled \$13,682,641 compared to the original budget estimate of \$15,489,916. The primary difference between the final budget estimate and the original budget estimate was due to loss of personal property valuation and unusually high delinquent personal property tax. Intergovernmental revenues were also significantly short of the final estimate due to non-payment of the fiscal year 2002 programs offered through the East Shore Special Education Consortium. Final budget estimated expenditures totaled \$17,840,510 compared to the original estimate of \$17,291,595. This difference was primarily due to increases in the cost of providing special education services.

The School District's unencumbered ending cash balance totaled \$1,913,595, which was 28.9 percent below the original budgeted amount of \$2,690,465.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2003, the School District had \$4,340,074 invested in land, buildings and improvements, furniture, fixtures and equipment and textbooks and library books. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002:

**Wickliffe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

**Table 4**

Capital Assets at June 30  
(Net of Depreciation)  
Governmental Activities

	2003	2002
Land	\$192,092	\$192,092
Buildings and Improvements	2,146,045	2,206,576
Furniture, Fixtures and Equipment	1,999,462	2,107,995
Textbooks and Library Books	2,475	3,040
<i>Total Capital Assets</i>	<u>\$4,340,074</u>	<u>\$4,509,703</u>

All capital assets, except land, are reported net of depreciation. As one can see, a decrease in capital assets during the fiscal year occurred in most categories due to the annual depreciation. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

***Debt***

At June 30, 2003 the School District had \$1,193,829 in bonds outstanding which matures in fiscal year 2007. Table 5 summarizes the School District's long-term obligations outstanding.

**Table 5**

Outstanding Long-Term Obligations at Fiscal Year End  
Governmental Activities

	2003	2002
1995 Library Improvement Bonds	\$415,000	\$505,000
1996 Library Improvement Bonds	425,000	520,000
1997 Energy Conservation Bonds	353,829	442,287
Capital Leases	26,694	0
Compensated Absences	1,217,300	874,106
<i>Total</i>	<u>\$2,437,823</u>	<u>\$2,341,393</u>

The 1995 and 1996 library improvement bonds were issued to expand the Wickliffe Public Library's collection area, provide meeting space and update the administrative service area. These bonds will be fully repaid in calendar year 2006. The energy conservation notes were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings.

The School District's overall legal debt margin was \$27,411,034 with an unvoted debt margin of \$316,141. The School District maintains an A bond rating. For more information about the School District's debt, see Note 14 to the basic financial statements.

**Wickliffe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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**School District Outlook**

Wickliffe City School District has continued to maintain a high level of service to our students, parents and community. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast. Wickliffe Elementary School was recently recognized as a Hall of Fame school and students and staff from the high school and middle school were selected to present at the student achievement fair of the Ohio School Board Association's annual conference.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the Federal, State and local economies struggle to recover from a recession.

Although the School District relies heavily on its taxpayers to support its operations, the community support for the schools is quite strong. The School District last passed a continuing operating levy in 2001. The School District has communicated to the community they rely upon their support for the majority of its operations. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters to ask for additional support.

Wickliffe City School District has not anticipated any meaningful growth in State revenue due to the concern the State may require the redistribution or elimination of commercial and industrial property taxes. With 31 percent of the taxes for the School District coming from local business and industry, one can see the significant impact this change would have on the School District and ultimately, the residential taxpayers.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, 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 Susan M. Haffey, Treasurer, at Wickliffe City School District, 2221 Rockefeller Road, Wickliffe, Ohio 44092 or email at [wc\\_treas@lgca.org](mailto:wc_treas@lgca.org).

**Wickliffe City School District**

*Statement of Net Assets*

*June 30, 2003*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,277,326
Accounts Receivable	12,257
Accrued Interest Receivable	1,062
Intergovernmental Receivable	1,050,316
Prepaid Items	28,076
Inventory Held for Resale	3,711
Materials and Supplies Inventory	93,374
Property Taxes Receivable	12,064,348
Nondepreciable Capital Assets	192,092
Depreciable Capital Assets, Net	<u>4,147,982</u>
<i>Total Assets</i>	<u>21,870,544</u>
<b>Liabilities</b>	
Accounts Payable	256,158
Contracts Payable	17,225
Accrued Wages	1,302,578
Intergovernmental Payable	449,610
Matured Compensated Absences Payable	165,573
Vacation Benefits Payable	73,474
Deferred Revenue	9,756,587
Accrued Interest Payable	5,383
Claims Payable	199,430
Long-Term Liabilities:	
Due Within One Year	670,648
Due In More Than One Year	<u>1,767,175</u>
<i>Total Liabilities</i>	<u>14,663,841</u>
<b>Net Assets</b>	
Invested in Capital Assets	3,959,551
Restricted for:	
Capital Projects	900,015
Debt Service	149,514
Scholarships:	
Expendable	1,147
Non-Expendable	3,500
Other Purposes	334,859
Unrestricted	<u>1,858,117</u>
<i>Total Net Assets</i>	<u><u>\$7,206,703</u></u>

See accompanying notes to the basic financial statements



**Wickliffe City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$7,495,255	\$7,810	\$82,697	\$0	(\$7,404,748)
Special	2,239,583	995,925	72,967	0	(1,170,691)
Vocational	34,693	0	0	0	(34,693)
Support Services:					
Pupil	1,463,828	32,123	214,737	0	(1,216,968)
Instructional Staff	667,291	0	40,038	0	(627,253)
Board of Education	152,794	0	0	0	(152,794)
Administration	1,288,162	0	41,753	0	(1,246,409)
Fiscal	451,055	0	0	0	(451,055)
Business	66,067	0	0	0	(66,067)
Operation and Maintenance of Plant	2,176,655	47,546	2,618	0	(2,126,491)
Pupil Transportation	1,351,019	0	0	105,191	(1,245,828)
Central	354,266	0	15,953	20,414	(317,899)
Operation of Non-Instructional Services	555,967	0	519,412	0	(36,555)
Operation of Food Services	495,426	209,212	104,218	0	(181,996)
Extracurricular Activities	456,446	136,291	0	0	(320,155)
Interest and Fiscal Charges	76,679	0	0	0	(76,679)
<b>Totals</b>	<b>\$19,325,186</b>	<b>\$1,428,907</b>	<b>\$1,094,393</b>	<b>\$125,605</b>	<b>(16,676,281)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	11,033,885
Debt Service	230,814
Grants and Entitlements not Restricted to Specific Programs	3,209,202
Investment Earnings	92,420
Miscellaneous	5,876
<b>Total General Revenues</b>	<b>14,572,197</b>
Change in Net Assets	(2,104,084)
<i>Net Assets Beginning of Year - See Note 3</i>	9,310,787
<i>Net Assets End of Year</i>	\$7,206,703

See accompanying notes to the basic financial statements

**Wickliffe City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2003*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and			
Cash Equivalents	\$2,740,731	\$1,536,595	\$4,277,326
Property Taxes Receivable	11,786,441	277,907	12,064,348
Accounts Receivable	10,058	2,199	12,257
Accrued Interest Receivable	1,062	0	1,062
Intergovernmental Receivable	810,465	239,851	1,050,316
Interfund Receivable	217,664	0	217,664
Prepaid Items	27,795	281	28,076
Inventory Held for Resale	0	3,711	3,711
Materials and Supplies Inventory	92,681	693	93,374
	<u>\$15,686,897</u>	<u>\$2,061,237</u>	<u>\$17,748,134</u>
<i>Total Assets</i>			
	<u>\$15,686,897</u>	<u>\$2,061,237</u>	<u>\$17,748,134</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$206,381	\$49,777	\$256,158
Contracts Payable	17,225	0	17,225
Accrued Wages	1,238,427	64,151	1,302,578
Interfund Payable	0	217,664	217,664
Intergovernmental Payable	261,029	18,100	279,129
Matured Compensated Absences Payable	165,573	0	165,573
Deferred Revenue	10,163,907	227,147	10,391,054
	<u>12,052,542</u>	<u>576,839</u>	<u>12,629,381</u>
<i>Total Liabilities</i>			
	<u>12,052,542</u>	<u>576,839</u>	<u>12,629,381</u>
 <b>Fund Balances</b>			
Reserved for Encumbrances	1,297,037	249,476	1,546,513
Reserved for Property Taxes	2,151,022	50,760	2,201,782
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	186,296	0	186,296
Special Revenue Funds	0	257,388	257,388
Debt Service Fund	0	101,398	101,398
Capital Projects Funds	0	821,009	821,009
Permanent Fund	0	4,367	4,367
	<u>3,634,355</u>	<u>1,484,398</u>	<u>5,118,753</u>
<i>Total Fund Balances</i>			
	<u>3,634,355</u>	<u>1,484,398</u>	<u>5,118,753</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$15,686,897</u>	<u>\$2,061,237</u>	<u>\$17,748,134</u>

See accompanying notes to the basic financial statements

**Wickliffe City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2003*

<b>Total Governmental Fund Balances</b>	<b>\$5,118,753</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	4,340,074
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	105,979
Intergovernmental	<u>528,488</u>
Total	634,467
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(199,430)
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(5,383)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(170,481)
Vacation Benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds	(73,474)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(1,217,300)
Capital Leases Payable	(26,694)
General Obligation Bonds	<u>(1,193,829)</u>
Total	<u>(2,437,823)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$7,206,703</u></u>

See accompanying notes to the basic financial statements

**Wickliffe City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$11,092,929	\$233,723	\$11,326,652
Intergovernmental	3,287,383	1,137,570	4,424,953
Interest	90,311	3,149	93,460
Tuition and Fees	467,437	10,079	477,516
Extracurricular Activities	0	140,790	140,790
Contributions and Donations	850	3,207	4,057
Charges for Services	23,855	209,212	233,067
Rentals	47,546	0	47,546
Fines and Forfeitures	650	0	650
Miscellaneous	5,467	409	5,876
<i>Total Revenues</i>	<u>15,016,428</u>	<u>1,738,139</u>	<u>16,754,567</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	7,459,363	100,730	7,560,093
Special	2,074,701	81,809	2,156,510
Vocational	34,693	0	34,693
Support Services:			
Pupil	1,106,803	244,306	1,351,109
Instructional Staff	572,547	56,399	628,946
Board of Education	152,794	0	152,794
Administration	1,178,351	47,111	1,225,462
Fiscal	422,306	0	422,306
Business	37,049	0	37,049
Operation and Maintenance of Plant	2,122,503	11,887	2,134,390
Pupil Transportation	1,332,288	0	1,332,288
Central	355,563	10,280	365,843
Operation of Non-Instructional Services	0	568,187	568,187
Operation of Food Services	0	442,392	442,392
Extracurricular Activities	318,878	147,876	466,754
Capital Outlay	0	23,537	23,537
Debt Service:			
Principal Retirement	9,306	273,458	282,764
Interest and Fiscal Charges	1,732	76,163	77,895
<i>Total Expenditures</i>	<u>17,178,877</u>	<u>2,084,135</u>	<u>19,263,012</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,162,449)</u>	<u>(345,996)</u>	<u>(2,508,445)</u>
<b>Other Financing Sources (Uses)</b>			
Inception of Capital Lease	36,000	0	36,000
Transfers In	3,813	510,278	514,091
Transfers Out	(473,215)	(40,876)	(514,091)
<i>Total Other Financing Sources (Uses)</i>	<u>(433,402)</u>	<u>469,402</u>	<u>36,000</u>
<i>Net Change in Fund Balances</i>	<u>(2,595,851)</u>	<u>123,406</u>	<u>(2,472,445)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>6,230,206</u>	<u>1,360,992</u>	<u>7,591,198</u>
<i>Fund Balances End of Year</i>	<u>\$3,634,355</u>	<u>\$1,484,398</u>	<u>\$5,118,753</u>

See accompanying notes to the basic financial statements

**Wickliffe City School District**  
*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, 2003*

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**Net Change in Fund Balances - Total Governmental Funds** (\$2,472,445)

*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 Outlay	405,598
Depreciation	<u>(505,862)</u>

Total (100,264)

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (69,365)

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

Property Taxes	(61,953)
Tuition and Fees	<u>528,488</u>

Total 466,535

The inception of capital lease other financing source in the governmental funds that is an increase to long-term liabilities in the statement of net assets. (36,000)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 282,764

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,216

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(343,194)
Pension Obligation	(28,175)
Vacation Benefits Payable	<u>(7,676)</u>

Total (379,045)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 202,520

*Change in Net Assets of Governmental Activities* (\$2,104,084)

See accompanying notes to the basic financial statements

**Wickliffe City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$11,232,020	\$10,322,868	\$11,028,398	\$705,530
Intergovernmental	3,849,987	3,037,905	3,279,739	241,834
Interest	92,927	73,326	79,163	5,837
Tuition and Fees	221,120	174,479	188,368	13,889
Contributions and Donations	998	787	850	63
Charges for Services	28,003	22,096	23,855	1,759
Rentals	49,240	38,854	41,947	3,093
Fines and Forfeitures	763	602	650	48
Miscellaneous	14,858	11,724	12,657	933
<i>Total Revenues</i>	<u>15,489,916</u>	<u>13,682,641</u>	<u>14,655,627</u>	<u>972,986</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,100,439	8,322,173	8,322,173	0
Special	1,159,803	1,994,473	1,989,696	4,777
Vocational	0	34,693	34,693	0
Support Services:				
Pupil	770,522	1,000,723	1,000,723	0
Instructional Staff	422,575	537,674	537,674	0
Board of Education	113,961	147,926	147,926	0
Administration	825,473	1,166,924	1,166,924	0
Fiscal	404,556	429,621	429,621	0
Business	13,975	16,065	16,065	0
Operation and Maintenance of Plant	1,840,526	2,118,258	2,118,258	0
Pupil Transportation	991,871	1,350,765	1,350,765	0
Central	389,666	404,883	404,883	0
Extracurricular Activities	258,228	316,332	316,332	0
<i>Total Expenditures</i>	<u>17,291,595</u>	<u>17,840,510</u>	<u>17,835,733</u>	<u>4,777</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,801,679)</u>	<u>(4,157,869)</u>	<u>(3,180,106)</u>	<u>977,763</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	211,473	211,473
Advances Out	(563,776)	0	(217,664)	(217,664)
Transfers In	0	3,813	3,813	0
Transfers Out	(513,374)	(473,215)	(473,215)	0
<i>Total Other Financing Uses</i>	<u>(1,077,150)</u>	<u>(469,402)</u>	<u>(475,593)</u>	<u>(6,191)</u>
<i>Net Change in Fund Balance</i>	<u>(2,878,829)</u>	<u>(4,627,271)</u>	<u>(3,655,699)</u>	<u>971,572</u>
<i>Fund Balance Beginning of Year</i>	4,191,523	4,191,523	4,191,523	0
Prior Year Encumbrances Appropriated	<u>1,377,771</u>	<u>1,377,771</u>	<u>1,377,771</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,690,465</u>	<u>\$942,023</u>	<u>\$1,913,595</u>	<u>\$971,572</u>

See accompanying notes to the basic financial statements

**Wickliffe City School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2003*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$0
<b>Liabilities</b>	
Claims Payable	<u>199,430</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(\$199,430)</u></u>

See accompanying notes to the basic financial statements

**Wickliffe City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2003*

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	<u>Insurance</u>
<b>Operating Revenues</b>	
Charges for Services	\$1,495,018
<b>Operating Expenses</b>	
Claims	<u>1,292,498</u>
<i>Change in Net Assets</i>	202,520
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(401,950)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$199,430)</u></u>

See accompanying notes to the basic financial statements



**Wickliffe City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2003

	Insurance
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$1,495,018
Cash Payments for Claims	(1,495,018)
<i>Net Increase in Cash and Cash Equivalents</i>	0
<i>Cash and Cash Equivalents Beginning of Year</i>	0
<i>Cash and Cash Equivalents End of Year</i>	\$0
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$202,520
Adjustments:	
Decrease in Claims Payable	(202,520)
<i>Net Cash Provided by Operating Activities</i>	\$0

See accompanying notes to the basic financial statements

**Wickliffe City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2003*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$20,375</u></u>
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**Liabilities**

Due to Students	<u><u>\$20,375</u></u>
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See accompanying notes to the basic financial statements

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 1 - Description of the School District**

Wickliffe City School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District is located in Lake County and encompasses all of the City of Wickliffe. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and Federal agencies. The Board controls the School District's eight instructional/support facilities staffed by 115 classified employees and 133 certified full-time personnel who provide services to 1,491 students and other community members. The School District currently operates two elementary buildings, one middle school, one high school, an administrative building, two auxiliary units and a bus garage.

***Reporting Entity***

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

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reflected as a governmental activity of the School District.

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

The School District participates in three jointly governed organizations, a claims servicing pool and two insurance purchasing pools. These organizations are the East Shore Regional Transportation System, the East Shore Center, the Ohio Schools Council, the Lake County Council of Governments Health Care Benefits Program, the Ohio School Plan and the Ohio School Boards' Association Workers' Compensation Group Rating Program which are presented in Note 16, 17 and 18 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. 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 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income/loss, changes in net asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for medical, prescription drug, dental and vision claims of the School District's employees.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

**C. Measurement Focus**

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

**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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Budgetary Data**

All funds, other than agency funds, 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

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets 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 object level within each fund and function. The treasurer has been given the authority to allocate Board appropriations to the object level within all funds except the general fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

The appropriation resolution is subject to amendment by the Board throughout the 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2003, investments were limited to a repurchase agreement, which is reported at cost, and STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2003.

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 2003 amounted to \$90,311, which includes \$31,373 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 year in which services are consumed.

***H. Inventory***

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

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***I. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside to create a reserve for budget stabilization. See Note 21 for additional information regarding set asides.

***J. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	125 years
Furniture, Fixtures and Equipment	20 years
Textbooks and Library Books	5 - 50 years

***K. Interfund Balances***

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

***L. 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.

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

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



**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has unpaid leave is paid.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations and extracurricular activities.

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

***O. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principals but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***Q. Interfund Activity***

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

***R. 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.

***S. 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.

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance**

***Changes in Accounting Principles*** For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

The government-wide financial statements split the School District's programs between business-type and governmental activities. The School District has no business type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund, reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

**Restatement of Fund Balance** For the School District, it was determined that enterprise funds should be reclassified to special revenue funds. The new standards for reporting fund obligations for compensated absences in Interpretation 6 also caused changes in previously reported fund balances. The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Total
Fund Balances, June 30, 2002	\$5,226,951	\$1,329,150	\$6,556,101
Fund Reclassification	839,193	24,581	863,774
Interpretation No. 6			
Compensated Absences	164,062	7,261	171,323
Adjusted Fund Balances, June 30, 2002	\$6,230,206	\$1,360,992	7,591,198
GASB 34 Adjustments:			
Capital Assets			4,509,703
Internal Service Fund			(401,950)
Pension Obligations			(142,306)
Vacation Benefits Payable			(65,798)
Accrued Interest			(6,599)
Long-Term Liabilities:			
Compensated Absences			(874,106)
General Obligation Bonds Payable			(1,467,287)
Long-Term (Deferred) Assets			167,932
Governmental Activities Net Assets, June 30, 2002			\$9,310,787

**Note 4 – Accountability**

Fund balances at June 30, 2003, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Food Service	\$9,428
Ohio Reads	9
Preschool Grant	645
<i>Internal Service Fund:</i>	
Self-Insurance	199,430

The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
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Management is examining ways to eliminate the deficit retained earnings in the self-insurance internal service fund.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual are 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 basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash, which consists of unrecorded revenues and expenditures, is not reported by the School District on the operating statements (budget), but is reported on the GAAP basis operating statements.

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	(\$2,595,851)
Revenue Accruals	(391,568)
Advances In	211,473
Beginning Unrecorded Revenues and Expenditures	(493,927)
Ending Unrecorded Revenues and Expenditures	558,022
Expenditure Accruals	658,974
Advances Out	(217,664)
Encumbrances	(1,385,158)
Budget Basis	<u><u>(\$3,655,699)</u></u>

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 6 - Deposits and Investments**

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

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

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

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

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, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
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8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 until 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$741,154 and the bank balance was \$1,437,575. Of the bank balance:

1. \$399,690 was covered by federal depository insurance; and
2. \$1,037,885 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Investments at June 30, 2003 consist of the following:

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$365,256	\$365,256	\$365,256
STAROhio		3,191,291	3,191,291
	\$365,256	\$3,556,547	\$3,556,547

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
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The classification of cash and cash equivalents and investments on the fund financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$4,297,701	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(365,256)	365,256
STAROhio	(3,191,291)	3,191,291
GASB Statement No. 3	\$741,154	\$3,556,547

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lake 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
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Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 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 reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$2,151,022 in the general fund and \$50,760 in the bond retirement debt service fund. The amount available as an advance at June 30, 2002, was \$2,086,491 in the general fund and \$49,237 in the bond retirement debt service fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$252,450,880	77.72 %	\$254,984,580	80.66 %
Public Utility Personal	9,814,540	3.02	8,959,020	2.83
Tangible Personal Property	62,546,156	19.26	52,197,566	16.51
Total	<u>\$324,811,576</u>	<u>100.00 %</u>	<u>\$316,141,166</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$61.31		\$61.38	

**Note 8 - Receivables**

Receivables at June 30, 2003, consisted of taxes, accounts (rent, student fees and tuition), 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. All receivables are expected to be collected within one year.



**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Tuition	\$803,732
Title I	81,124
Title VI-B	73,777
Reducing Class Size	46,678
Food Service	14,097
Auxiliary Services	9,794
Drug Free Schools	6,340
Title V	5,604
Wickliffe Public Library	5,500
Miscellaneous Federal Grants	2,437
Ohio Department of Education	1,233
<i>Total</i>	\$1,050,316

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance 06/30/02	Additions	Deductions	Balance 06/30/03
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$192,092	\$0	\$0	\$192,092
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	6,884,637	0	0	6,884,637
Furniture, Fixtures and Equipment	3,279,157	379,229	(458,994)	3,199,392
Textbooks and Library Books	182,474	26,369	0	208,843
<i>Total Capital Assets being Depreciated</i>	10,346,268	405,598	(458,994)	10,292,872
Less Accumulated Depreciation:				
Buildings and Improvements	(4,678,061)	(60,531)	0	(4,738,592)
Furniture, Fixtures and Equipment	(1,171,162)	(418,397)	389,629	(1,199,930)
Textbooks and Library Books	(179,434)	(26,934)	0	(206,368)
<i>Total Accumulated Depreciation</i>	(6,028,657)	(505,862) *	389,629	(6,144,890)
<i>Total Assets being Depreciated, Net</i>	4,317,611	(100,264)	(69,365)	4,147,982
<i>Governmental Activities Capital Assets, Net</i>	\$4,509,703	(\$100,264)	(\$69,365)	\$4,340,074

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
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\* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$190,586
Special	42,577
Support Services:	
Pupil	71,976
Instructional Staff	16,220
Administration	30,413
Fiscal	8,110
Business	2,027
Operation and Maintenance of Plant	42,578
Pupil Transportation	62,853
Operations of Food Services	38,522
Total Depreciation Expense	\$505,862

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with 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 (Note 18). Coverages provided with Indiana Insurance and through the Ohio School Plan are as follows:

	Coverage
<b>Coverage provided by Indiana Insurance:</b>	
Buildings and Contents - replacement costs	\$43,587,386
Inland Marine included	75,000
Crime Insurance	25,000
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
<b>Coverage provided by Hartford Re-Insurance:</b>	
General Liability	
Per occurrence	2,000,000
Total per year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
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***C. Self-Insurance***

The School District uses an internal service fund to record and report their self-funded health care insurance program. Prior to fiscal year 2003, the School District utilized the general fund to account for the self insurance program. Premium rates are set based on an annual review process with the School District insurance consultant. The full-time employees of the School District pay \$30 per month in monthly premiums. Monthly contributions are placed in an internal service fund for recordkeeping.

The claims liability of \$199,430 reported in the internal service fund at June 30, 2003 was estimated by the third party administrator and is based on the requirements of GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2003 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$300,690	\$1,551,427	\$1,450,167	\$401,950
2003	401,950	1,292,498	1,495,018	199,430

***D. Workers' Compensation***

The School District pays the State Self Insurance and Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 11 - Pension Plans**

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

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$219,532, \$96,099 and \$117,431 respectively; 54.19 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
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***B. State Teachers Retirement System***

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$947,687, \$660,376, and \$397,653 respectively; 84.23 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$231 made by the School District and \$547 made by the plan members.

**Note 12 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization,

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$72,899 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$14,500. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$201,424.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

## **Note 13 – Other Employee Benefits**

### ***A. Compensated Absences***

Employees earn vacation at rates specified under a collective bargain agreement or individual contracts and based on credited service. Clerical, technical and maintenance and operation employees with one or more years of service are entitled to annual vacation ranging from 5 to 20 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed ten days. Unused vacation is not cumulative to the next year. District employees are paid for earned, unused vacation leave at the time of termination of employment.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 55 days for classified employees and 60 days for certified employees.

**Note 14 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Amounts Due in One Year
<b>General Long-term Obligations:</b>					
General Obligation Bonds:					
1995 5.46%					
Library Improvements Bonds	\$505,000	\$0	\$90,000	\$415,000	\$95,000
1996 5.50%					
Library Improvements Bonds	520,000	0	95,000	425,000	100,000
2000 5.50%					
Energy Conservation Bonds	442,287	0	88,458	353,829	88,458
<i>Total General Obligation Bonds:</i>	<u>1,467,287</u>	<u>0</u>	<u>273,458</u>	<u>1,193,829</u>	<u>283,458</u>
<b>Other Long-Term Obligations:</b>					
Capital Leases Payable	0	36,000	9,306	26,694	11,854
Compensated Absences	874,106	508,767	165,573	1,217,300	375,336
<i>Total General Long-Term Obligations</i>	<u>\$2,341,393</u>	<u>\$544,767</u>	<u>\$448,337</u>	<u>\$2,437,823</u>	<u>\$670,648</u>

On June 1, 1995, the School District issued \$975,000 in voted general obligation bonds for renovations at the Wickliffe Public Library. The bonds were issued for a twelve year period with a final maturity at December 1, 2006.

On April 1, 1996, the School District issued \$990,000 in voted general obligation bonds for renovations at the Wickliffe Public Library. The bonds were issued for an eleven year period with a final maturity at December 1, 2006.

On May 1, 1997, the School District issued \$884,577 in voted general obligation bonds for the purpose of lighting and window replacement throughout the School District. The bonds were issued for a ten year period with a final maturity at June 1, 2007.

The library improvements and the energy conservation bonds will be paid from the debt service fund. Compensated absences will be paid from the general and the food service, latchkey, auxiliary services, title VI-B, title I, and class size reduction special revenue funds. The capital leases will be paid from the general fund.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

The School District's overall legal debt margin at June 30, 2003 was \$27,411,034 with an unvoted debt margin of \$316,141 at June 30, 2003. Principal and interest requirements to retire the library improvements and the bus acquisition bonds outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$283,458	\$59,470	\$342,928
2005	293,457	43,953	337,410
2006	303,457	27,807	331,264
2007	313,457	11,027	324,484
Total	<u>\$1,193,829</u>	<u>\$142,257</u>	<u>\$1,336,086</u>

**Note 15 - Interfund Transactions**

*A. Interfund Transfers*

Transfers To	Transfers From					Total
	General	Permanent Improvement	Summer School	Title VI-B	Title I	
General	\$0	\$0	\$0	\$1,440	\$2,373	\$3,813
<i>Other Governmental Funds:</i>						
Bond Retirement	79,768	33,458	0	0	0	113,226
Permanent Improvement	185,230	0	0	0	0	185,230
Food Service	105,847	0	0	0	0	105,847
Athletics and Music	37,903	0	0	0	0	37,903
Auxiliary Services	11,936	0	0	0	0	11,936
Teacher Development	5,995	0	0	0	0	5,995
Disadvantaged Pupil Impact Aid	0	0	3,605	0	0	3,605
Miscellaneous State Grants	8,979	0	0	0	0	8,979
Eisenhower Grant	586	0	0	0	0	586
Title VI-B	31,804	0	0	0	0	31,804
Title I	124	0	0	0	0	124
Drug Free Schools	1,192	0	0	0	0	1,192
Preschool Grant	3,851	0	0	0	0	3,851
Total	<u>\$473,215</u>	<u>\$33,458</u>	<u>\$3,605</u>	<u>\$1,440</u>	<u>\$2,373</u>	<u>\$514,091</u>

The general fund and permanent improvement capital projects fund transfers to the bond retirement debt service fund were to provide payment for the house bill 264 bond issue for fiscal year 2003. The general fund transfer to the permanent improvement capital projects fund was by Board allocation for possible future construction projects. The general fund transfer to the athletics and music special revenue fund was by Board allocation for possible future equipment replacement. The Title VI-B and Title I special revenue funds transfers to the general fund were for repayment of transferred grant money for closed grants with a remaining balance. The summer school special revenue fund transfer to the disadvantaged pupil impact aid special revenue fund was for correction of an error made during fiscal year 2003. The remaining transfers from the general fund to the food service, auxiliary services, teacher development, miscellaneous state

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

grants, Eisenhower grant, Title VI-B, Title I, drug free schools and preschool grant special revenue funds are to prevent negative cash balances.

***B. Interfund Balance***

Interfund Payable	Interfund Receivable General
Nonmajor Special Revenue Funds:	
Title VI-B	\$73,342
Title I	87,240
Title V	5,819
Drug Free Schools	1,300
Reducing Class Size	49,035
Miscellaneous Federal Grants	928
<i>Total All Funds</i>	<i>\$217,664</i>

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds.

**Note 16 - Jointly Governed Organizations**

***East Shore Regional Transportation System*** – The East Shore Regional Transportation System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2003, the School District paid \$324,810 to the transportation system. Financial information can be obtained by writing the fiscal agent, Wickliffe Board of Education, 2221 Rockefeller Road, Wickliffe, Ohio 44092.

***East Shore Center*** – The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendent of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

***Ohio Schools Council*** – The Ohio Schools’ Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council’s Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2003, the School District paid \$1,673 to the Council. Financial information can be obtained by contacting Kathleen T Neal, the executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10 Independence, Ohio 44101.



**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these twelve estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

**Note 17 – Claims Servicing Pool**

The School District participates in the Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool comprised of eleven Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. All participating members retain their risk and are completely responsible for paying their own claims. The HCBP act solely as the claims servicing agent.

**Note 18 – Insurance Purchasing Pools**

**Ohio School Plan** – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The 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 of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen 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 Hyland Group, Inc. Hyland 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.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

**Note 19 – Capital Leases**

The School District has entered into capitalized leases for copiers. The leases meet the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$36,000. Accumulated depreciation as of June 30, 2003 was \$1,800, leaving a current book value of \$34,200.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003:

<u>Year</u>	
2004	\$13,245
2005	13,245
2006	<u>2,208</u>
Total Minimum Lease Payments	28,698
Less: Amount Representing Interest	<u>(2,004)</u>
Present Value of Minimum Lease Payments	<u><u>\$26,694</u></u>

**Note 20 - Contingencies**

**A. Grants**

The School District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

As of June 30, 2003, the School District was not party to any legal proceedings.

**Wickliffe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

**Note 21 - Set-Aside Calculations**

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

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by the State statute.

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2002	(\$58,081)	\$57,942
Current Year Set-aside Requirement	206,723	206,723
Qualifying Disbursements	(\$520,147)	(486,600)
Totals	(\$371,505)	(\$221,935)
Set-aside Balance Carried Forward to Future		
Fiscal Years	(\$371,505)	\$0
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0

The School District has qualifying disbursements and offsets during the fiscal year that reduced the textbooks and the capital improvements set-aside amounts below zero. The negative set-aside balance for the textbooks may be used to reduce the set-aside requirement of future years. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 22 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.



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## **Independent Auditors' Report on Compliance and Internal Control Required by *Government Auditing Standards***

Board of Education  
Wickliffe City School District  
Wickliffe, Ohio

We have audited the basic financial statements of the Wickliffe City School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003, wherein we noted the Wickliffe City School District adopted the Government Accounting Standards Board Statement No. 34, Interpretation 6 and changed its accounting for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Wickliffe City School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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



Wickliffe City School District

This report is intended solely for the information and use of the Wickliffe City School District's Board of Education, Finance Committee, management, Auditor of State's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cuni & Paricki, Inc.*

Cleveland, Ohio  
December 10, 2003



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**Independent Auditors' Report On Compliance With Requirements Applicable To  
Each Major Program And Internal Control Over  
Compliance In Accordance With OMB Circular A-133**

Board of Education  
Wickliffe City School District  
Wickliffe, Ohio

**Compliance**

We have audited the compliance of the Wickliffe City School District, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The Wickliffe City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Wickliffe City School District's management. Our responsibility is to express an opinion on the Wickliffe City School District's compliance based on our audit.

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

In our opinion, the Wickliffe City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



**Internal Control Over Compliance**

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

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

**Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Wickliffe City School District as of and for the year ended June 30, 2003, and have issued our report there dated December 10, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Wickliffe City School District's Board of Education, Finance Committee, management, Auditor of State's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
December 10, 2003

# Wickliffe City School District

## Schedule of Expenditures of Federal Awards

### **For The Year Ended June 30, 2003**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture:</b>						
Pass-Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$ -	\$ 13,735	\$ -	\$ 13,735
National School Lunch Program	10.555	LL-P4	102,373	-	102,373	-
Total U.S. Department of Agriculture - Nutrition Cluster			102,373	13,735	102,373	13,735
<b>U.S. Department of Education:</b>						
Pass-Through Ohio Department of Education:						
Special Education Cluster:						
Title VI-B - Education of Handicapped Children	84.027	6B-SF-02P	116,241	-	36,977	-
		6B-SF-03P	140,098	-	191,207	-
			256,339	-	228,184	-
Education of Handicapped Children - Preschool Grant	84.173	PG-S1-2003P	8,097	-	8,054	-
Total Special Education Cluster			264,436	-	236,238	-
Chapter I - Education Consolidation and Improvement Act	84.010	C1-S1-2001	-	-	12,965	-
		C1-S1-2002	78,344	-	16,960	-
		C1-S1-2003	62,724	-	100,119	-
			141,068	-	130,044	-
Drug Free Schools Grant	84.186	DR-S1-2001	4,493	-	-	-
		DR-S1-2002	4,739	-	3,632	-
		DR-S1-2003	4,046	-	5,934	-
			13,278	-	9,566	-
Eisenhower Professional Development State Grant	84.281	MS-S1-2001	516	-	2,058	-
		MS-S1-2002	-	-	442	-
			516	-	2,500	-
Title VI - Innovative Education Program Strategies	84.298	C2-S1-2001	9,437	-	-	-
		C2-S1-2002	8,422	-	3,046	-
		C2-S1-2003	7,451	-	12,451	-
			25,310	-	15,497	-
Technology Title II	84.318	TJ-SF-2003	1,366	-	2,294	-
Class Size Reduction	84.340	CR-S1-2002	23,124	-	5,532	-
Assistive Tech	84.352	TJ-S1-2003	1,610	-	295	-
Improving Teacher Quality	84.367	TR-S1-2003	26,804	-	72,163	-
Total U.S. Department of Education			497,512	-	474,129	-
Total Expenditures of Federal Awards			\$ 599,885	\$ 13,735	\$ 576,502	\$ 13,735

The accompanying notes are an integral part of this schedule



## **Wickliffe City School District**

Notes to Schedule of Expenditures of Federal Awards

**June 30, 2003**

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### NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Wickliffe City School District (the "District").

### NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting. The District's expenditures for the year ended June 30, 2003 as reported on the Schedule reflect federal expenditures only and do not include matching expenditures.

The accompanying notes are an integral part of this schedule

# **Wickliffe City School District**

Schedule of Findings  
OMB Circular A-133 Section .505

**JUNE 30, 2003**

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

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Title VI-B – Education of Handicapped Children, CFDA No. 84.027; Education of Handicapped Children – Preschool Grant, CFDA No. 84.173
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

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

None.

## **3. FINDINGS FOR FEDERAL AWARDS**

None.

**Wickliffe City School District**

Schedule of Prior Audit Findings  
OMB Circular A-133 Section .315(B)

**JUNE 30, 2003**

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There were no prior audit findings.

The accompanying notes are an integral part of this schedule

**Wickliffe City School District**  
**2221 Rockefeller Road**  
**Wickliffe, Ohio 44092-2020**  
**(440) 943-6900**

**Response to Findings Associated With**  
**Audit Conducted in Accordance with *Government Auditing Standards***  
**for the Year Ended June 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
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Not applicable



**Auditor of State  
Betty Montgomery**

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Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**WICKLIFFE CITY SCHOOL DISTRICT**

**LAKE 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  
JANUARY 27, 2004**