

**CITY OF WICKLIFFE**

**LAKE COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2006**

*Charles E. Harris & Associates, Inc.*  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Mayor and Members of Council  
City of Wickliffe  
28730 Ridge Road  
Wickliffe, Ohio 44092

We have reviewed the *Report of Independent Accountants* of the City of Wickliffe, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. 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 City of Wickliffe is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 13, 2007

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**CITY OF WICKLIFFE**  
**AUDIT REPORT**  
**For the Year Ended December 31, 2006**

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**Charles E. Harris & Associates, Inc.**  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

City of Wickliffe  
Lake County  
28730 Ridge Road  
Wickliffe, Ohio 44092

To the City Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, Lake County, Ohio, (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Wickliffe, Lake County, Ohio, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 on 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
June 11, 2007



## **CITY OF WICKLIFFE, OHIO**

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2006***

***Unaudited***

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The discussion and analysis of the City of Wickliffe's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets decreased \$113,693. Net assets of governmental activities decreased \$1.6 million which represents a 1.7% decrease from 2005. Net assets of business-type activities increased \$1.5 million or 42.2% from 2005.
- ❑ General revenues accounted for \$14.1 million in revenue or 74.6% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 25.4% of total revenues of \$18.9 million.
- ❑ The City had \$17.1 million in expenses related to governmental activities; only about \$3.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12.1 million and reserves were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$11.5 million in revenues and \$11.2 million in expenditures. The general fund's fund balance declined \$2,200,254 to \$6.9 million.
- ❑ Net assets for enterprise funds increased by \$1,500,613. This increase is due to a large transfer from the general fund to help subsidize costs.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## ***CITY OF WICKLIFFE, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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### **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's sewer services are reported as business-type activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**CITY OF WICKLIFFE, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a comparison of net assets between 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$17,294,259	\$17,755,686	\$511,893	(\$1,159,249)	\$17,806,152	\$16,596,437
Capital assets, Net	80,565,918	82,137,807	4,541,878	4,712,407	85,107,796	167,245,603
Total assets	97,860,177	99,893,493	5,053,771	3,553,158	102,913,948	183,842,040
Long-term debt outstanding	4,013,108	1,449,772	0	0	4,013,108	1,449,772
Other liabilities	3,234,008	6,216,354	0	0	3,234,008	9,450,362
Total liabilities	7,247,116	7,666,126	0	0	7,247,116	10,900,134
Net assets						
Invested in capital assets, net of related debt	78,058,328	79,637,807	4,541,878	4,712,407	82,600,206	84,350,214
Restricted	5,999,680	1,039,062	0	0	5,999,680	1,039,062
Unrestricted	6,555,053	11,550,498	511,893	(1,159,249)	7,066,946	10,391,249
Total net assets	\$90,613,061	\$92,227,367	\$5,053,771	\$3,553,158	\$95,666,832	\$172,941,906

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## CITY OF WICKLIFFE, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2006

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program revenues:						
Charges for Services and Sales	\$1,657,814	\$1,310,297	\$1,395,890	\$1,285,271	\$3,053,704	\$2,595,568
Operating Grants and Contributions	1,002,564	935,148	0	0	1,002,564	935,148
Capital Grants and Contributions	732,123	948,091	0	0	732,123	948,091
General revenues:			0	0	0	
Income Taxes	7,978,744	8,101,373	0	0	7,978,744	8,101,373
Property Taxes	2,667,604	2,449,991	0	0	2,667,604	2,449,991
Other Local Taxes	231,060	245,358	0	0	231,060	245,358
Grants and Entitlements	2,563,334	2,476,794	0	0	2,563,334	2,476,794
Investment Earnings	574,145	353,768	0	0	574,145	353,768
Miscellaneous	100,657	263,423	0	0	100,657	263,423
Total revenues	<u>17,508,045</u>	<u>17,084,243</u>	<u>1,395,890</u>	<u>1,285,271</u>	<u>18,903,935</u>	<u>18,369,514</u>
Program Expenses						
Security of Persons and Property	6,092,581	6,380,621	0	0	6,092,581	6,380,621
Public Health and Welfare Services	257,284	716,553	0	0	257,284	716,553
Leisure Time Activities	723,532	676,562	0	0	723,532	676,562
Community Environment	180,737	149,164	0	0	180,737	149,164
Basic Utility Services	899,638	896,404	0	0	899,638	896,404
Transportation	2,250,044	3,668,827	0	0	2,250,044	3,668,827
General Government	6,647,312	7,410,798	0	0	6,647,312	7,410,798
Interest and Fiscal Charges	101,223	56,610	0	0	101,223	56,610
Sewer	0	0	1,865,277	1,827,169	1,865,277	1,827,169
Total expenses	<u>17,152,351</u>	<u>19,955,539</u>	<u>1,865,277</u>	<u>1,827,169</u>	<u>19,017,628</u>	<u>21,782,708</u>
Excess (deficiency) before Transfers	355,694	(2,871,296)	(469,387)	(541,898)	(113,693)	(3,413,194)
Transfers	<u>(1,970,000)</u>	<u>0</u>	<u>1,970,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Change in Net Assets	<u>(1,614,306)</u>	<u>(2,871,296)</u>	<u>1,500,613</u>	<u>(541,898)</u>	<u>(113,693)</u>	<u>(3,413,194)</u>
Beginning Net Assets	<u>92,227,367</u>	<u>95,098,663</u>	<u>3,553,158</u>	<u>4,095,056</u>	<u>95,780,525</u>	<u>99,193,719</u>
Ending Net Assets	<u><u>\$90,613,061</u></u>	<u><u>\$92,227,367</u></u>	<u><u>\$5,053,771</u></u>	<u><u>\$3,553,158</u></u>	<u><u>\$95,666,832</u></u>	<u><u>\$95,780,525</u></u>

### *Governmental Activities*

Net assets of the City's governmental activities decreased by \$1,614,306. On the accrual basis of accounting the City experienced a decrease in income tax earnings. In addition, the transferring of funds to the business type activities further contributed to the decrease in net assets.

## CITY OF WICKLIFFE, OHIO

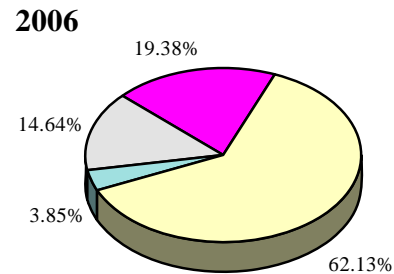
**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

The City also receives an income tax, which is based on 2% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 15.2% and 45.6% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 62.13% of total revenues from general tax revenues:

Revenue Sources	2006	Percent of Total
General Shared Revenues	\$2,563,334	14.64%
Program Revenues	3,392,501	19.38%
General Tax Revenues	10,877,408	62.13%
General Other	674,802	3.85%
Total Revenue	<u>\$17,508,045</u>	<u>100.00%</u>



**Business-Type Activities**

Net assets of the business-type activities increased by \$1,500,613. The Sewer Fund received a substantial transfer in from the General Fund, which attributed to the increased net assets.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$12,334,569, which is an increase from last year's balance of \$9,930,841. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$6,876,552	\$9,076,806	(\$2,200,254)
Debt Service	77,082	87,989	(10,907)
Capital Projects	3,106,380	(799,796)	3,906,176
Other Governmental	2,274,555	1,565,842	708,713
Total	<u>\$12,334,569</u>	<u>\$9,930,841</u>	<u>\$2,403,728</u>

## **CITY OF WICKLIFFE, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$7,675,973	\$8,010,575	(\$334,602)
Intergovernmental Revenue	2,211,113	2,355,873	(144,760)
Charges for Services	311,714	137,304	174,410
Licenses and Permits	403,222	399,543	3,679
Fines and Forfeitures	169,751	181,650	(11,899)
Investment Earnings	583,059	345,498	237,561
All Other Revenue	145,023	125,629	19,394
Total	<u>\$11,499,855</u>	<u>\$11,556,072</u>	<u>(\$56,217)</u>

General Fund revenues in 2006 remained stable decreasing by less than 1/2% compared to revenues in fiscal year 2005. The most significant factor contributing to this decrease was the decreased tax and intergovernmental revenues offsetting increased licenses and permits and investment earnings.

	2006 Expenditures	2005 Expenditures	Increase (Decrease)
Security of Persons and Property	\$5,376,091	\$5,228,636	\$147,455
Public Health and Welfare Services	17,204	11,233	5,971
Leisure Time Activities	194,656	191,771	2,885
Community Environment	155,256	119,304	35,952
Basic Utility Services	608,801	563,467	45,334
Transportation	1,146,226	1,499,896	(353,670)
General Government	3,705,431	3,941,563	(236,132)
Total	<u>\$11,203,665</u>	<u>\$11,555,870</u>	<u>(\$352,205)</u>

General Fund expenditures decreased approximately 2% compared to the prior year mostly due to decreases in contingencies, retirement and sick pay, and special counsel expenditures in general government and transportation.

The reason for the increase in fund balance for the Capital Projects Fund was because in 2006, short-term notes payable reported as liabilities in the fund were bonded through the issuance of \$2,500,000 worth of general obligation bonds for the golf course.

### **GENERAL FUND BUDGET INFORMATION**

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

During the course of fiscal year 2006 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$11.4 million did not change over the original budget estimates of \$11.4 million. The General Fund had an adequate fund balance to cover expenditures.

**CITY OF WICKLIFFE, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2005 the City had \$85,107,796 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$80,565,918 was related to governmental activities and \$4,541,878 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$19,097,788	\$19,097,788	\$0
Construction in Progress	996,286	793,408	202,878
Buildings	7,056,444	6,964,264	92,180
Improvements Other Than Buildings	828,369	828,369	0
Machinery and Equipment	9,371,976	9,423,575	(51,599)
Infrastructure	78,797,342	77,346,400	1,450,942
Less: Accumulated Depreciation	(35,582,287)	(32,315,997)	(3,266,290)
Totals	\$80,565,918	\$82,137,807	(\$1,571,889)

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Utility Structures in Service	\$11,570,120	\$11,570,120	\$0
Less: Accumulated Depreciation	(7,028,242)	(6,857,713)	(170,529)
Totals	\$4,541,878	\$4,712,407	(\$170,529)

The primary increase occurred in machinery and equipment. Additional information on the City's capital assets can be found in Note 8.

**Debt**

The City had \$2.4 million dollars in general obligation bonds outstanding at December 31, 2006, \$100,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	2006	2005
Governmental Activities:		
General Obligation Bonds	\$2,425,000	\$0
OPWC Loans Payable	82,590	0
Compensated Absences	1,505,518	1,449,772
Total Governmental Activities	\$4,013,108	\$1,449,772

## ***CITY OF WICKLIFFE, OHIO***

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2006***

***Unaudited***

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State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Wickliffe lies, is limited to ten mills. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

### **ECONOMIC FACTORS**

The original 2006 budget reflected conservative revenue estimates and moderate increases in operating costs. After experiencing significant revenue losses in the last several years, primarily in the form of declining City income tax receipts, the 2006 budget once again reflected an operating deficit which would necessitate utilization of General Fund reserves. Fortunately, actual budget performance proved to be somewhat better than anticipated and the use of reserves was minimized.

Though the accrual basis figures contained in this report indicate another year of decline in City income tax receipts, cash basis income tax receipts showed a modest increase. The difference in the two scenarios is due to a large extraordinary receivable booked in 2005 which was properly not recorded in our cash basis statements until 2006. The significance of this discussion is that 2006 is the first in several years that we experienced a modest increase rather than a decrease in income tax receipts.

In both 2005 and 2006 the Mayor and Administration made suggestions to Council regarding adjustments that should appropriately be made to the fees charged for building permits and fees, pool passes etc. As a matter of fiscal responsibility, Council acted on those suggestions. In 2006 Council also took action on the first sewer fee adjustment since the early nineties. The adjustment is intended to balance the Sewer Fund in the near future, alleviating the need for General Fund support. Street lighting assessments were also adjusted in an effort to balance the Street Lighting Fund which will also improve the General Fund picture. All of these actions helped to improve the bottom line and to move toward a balanced budget.

The expense side of the equation also experienced some positive outcomes. Manpower was kept a minimum due to budget constraints. Weather played a significant role keeping the cost of road salt and overtime premium below anticipated amounts. As a result, both the Fire and Service Departments were able to stay significantly below the original budget. Through some recent changes in our employee healthcare plan we experienced an almost unheard of reduction in total healthcare costs.

In summary 2006 proved to be a somewhat encouraging year. It appears that the downturn in City finances may be ending. City income tax receipts from our major employers are increasing. This is in sharp contrast to recent years when we experienced significant declines due to workforce reductions. Higher interest rates have substantially improved our investment returns. Rate and fee adjustments have also contributed to a better financial picture. Though we are encouraged by the past years budget performance, the Mayor and Administration continue to work closely with City Council in an attempt to control costs wherever possible and to look for new ways to generate the revenue needed to provide Wickliffe residents with a safe and financially sound community.



**CITY OF WICKLIFFE, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-943-7117 or writing to City of Wickliffe Finance Department, 28730 Ridge Road, Wickliffe, Ohio 44092.

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**CITY OF WICKLIFFE, OHIO**

**Statement of Net Assets**  
**December 31, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 7,401,220	\$ 78,869	\$ 7,480,089
Cash and Cash Equivalents with Fiscal Agent	966	0	966
Investments	3,700,000	0	3,700,000
Receivables:			
Taxes	3,929,650	0	3,929,650
Accounts	133,823	533,024	666,847
Intergovernmental	1,920,381	0	1,920,381
Interest	29,157	0	29,157
Internal Balances	100,000	(100,000)	0
Inventory of Supplies at Cost	68,318	0	68,318
Prepaid Items	10,744	0	10,744
Capital Assets, Net	80,565,918	4,541,878	85,107,796
<b>Total Assets</b>	<u>97,860,177</u>	<u>5,053,771</u>	<u>102,913,948</u>
<b>Liabilities:</b>			
Accounts Payable	76,802	0	76,802
Accrued Wages and Benefits	544,090	0	544,090
Intergovernmental Payable	29,574	0	29,574
Matured Bonds & Interest Payable	966	0	966
Deferred Revenue	2,573,954	0	2,573,954
Accrued Interest Payable	8,622	0	8,622
Long-Term Liabilities:			
Due Within One Year	226,813	0	226,813
Due in More Than One Year	3,786,295	0	3,786,295
<b>Total Liabilities</b>	<u>7,247,116</u>	<u>0</u>	<u>7,247,116</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	78,058,328	4,541,878	82,600,206
Restricted For:			
Capital Projects	4,545,246	0	4,545,246
Debt Service	171,289	0	171,289
Other Purposes	1,283,145	0	1,283,145
Unrestricted	6,555,053	511,893	7,066,946
<b>Total Net Assets</b>	<u>\$ 90,613,061</u>	<u>\$ 5,053,771</u>	<u>\$ 95,666,832</u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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**Statement of Activities**  
**For the Year Ended December 31, 2006**

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	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 6,092,581	\$ 777,669	\$ 19,064	\$ 0
Public Health and Welfare Services	257,284	400	1,716	0
Leisure Time Activities	723,532	365,608	97,327	0
Community Environment	180,737	260,384	0	0
Basic Utility Services	899,638	4,687	193,764	0
Transportation	2,250,044	0	690,693	732,123
General Government	6,647,312	249,066	0	0
Interest and Fiscal Charges	101,223	0	0	0
<b>Total Governmental Activities</b>	<u>17,152,351</u>	<u>1,657,814</u>	<u>1,002,564</u>	<u>732,123</u>
<b>Business-Type Activities:</b>				
Sewer	1,865,277	1,395,890	0	0
<b>Total Business-Type Activities</b>	<u>1,865,277</u>	<u>1,395,890</u>	<u>0</u>	<u>0</u>
<b>Totals</b>	<u>\$ 19,017,628</u>	<u>\$ 3,053,704</u>	<u>\$ 1,002,564</u>	<u>\$ 732,123</u>

**General Revenues**

Property Taxes  
Municipal Income Taxes  
Other Local Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Transfers  
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year  
Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,295,848)	\$ 0	\$ (5,295,848)
(255,168)	0	(255,168)
(260,597)	0	(260,597)
79,647	0	79,647
(701,187)	0	(701,187)
(827,228)	0	(827,228)
(6,398,246)	0	(6,398,246)
<u>(101,223)</u>	<u>0</u>	<u>(101,223)</u>
<u>(13,759,850)</u>	<u>0</u>	<u>(13,759,850)</u>
<u>0</u>	<u>(469,387)</u>	<u>(469,387)</u>
<u>0</u>	<u>(469,387)</u>	<u>(469,387)</u>
<u>(13,759,850)</u>	<u>(469,387)</u>	<u>(14,229,237)</u>
2,667,604	0	2,667,604
7,978,744	0	7,978,744
231,060	0	231,060
2,563,334	0	2,563,334
574,145	0	574,145
100,657	0	100,657
<u>(1,970,000)</u>	<u>1,970,000</u>	<u>0</u>
<u>12,145,544</u>	<u>1,970,000</u>	<u>14,115,544</u>
(1,614,306)	1,500,613	(113,693)
<u>92,227,367</u>	<u>3,553,158</u>	<u>95,780,525</u>
<u>\$ 90,613,061</u>	<u>\$ 5,053,771</u>	<u>\$ 95,666,832</u>

## CITY OF WICKLIFFE, OHIO

### **Balance Sheet Governmental Funds December 31, 2006**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 3,772,498	\$ 74,233	\$ 2,003,285	\$ 1,551,204	\$ 7,401,220
Cash and Cash Equivalents with Fiscal Agent	0	966	0	0	966
Investments	2,087,136	0	1,125,527	487,337	3,700,000
Taxes	2,753,937	958,659	0	217,054	3,929,650
Accounts	127,323	0	0	6,500	133,823
Intergovernmental	1,385,107	40,553	0	494,721	1,920,381
Interest	15,332	0	8,898	4,927	29,157
Interfund Loans Receivables	100,000	0	0	0	100,000
Inventory of Supplies, at Cost	68,318	0	0	0	68,318
Prepaid Items	10,557	0	0	187	10,744
<b>Total Assets</b>	<b>\$ 10,320,208</b>	<b>\$ 1,074,411</b>	<b>\$ 3,137,710</b>	<b>\$ 2,761,930</b>	<b>\$ 17,294,259</b>
<b>Liabilities:</b>					
Accounts Payable	30,279	0	25,560	20,963	76,802
Accrued Wages and Benefits Payable	539,986	0	0	4,104	544,090
Intergovernmental Payable	29,574	0	0	0	29,574
Matured Bonds and Interest Payable	0	966	0	0	966
Deferred Revenue	2,843,817	996,363	5,770	462,308	4,308,258
<b>Total Liabilities</b>	<b>3,443,656</b>	<b>997,329</b>	<b>31,330</b>	<b>487,375</b>	<b>4,959,690</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	2,248	0	29,048	261	31,557
Reserved for Prepaid Items	10,557	0	0	187	10,744
Reserved for Supplies Inventory	68,318	0	0	0	68,318
Reserved for Debt Service	0	77,082	0	0	77,082
Undesignated/Unreserved in:					
General Fund	6,795,429	0	0	0	6,795,429
Special Revenue Funds	0	0	0	843,509	843,509
Capital Projects Funds	0	0	3,077,332	1,430,598	4,507,930
<b>Total Fund Balances</b>	<b>6,876,552</b>	<b>77,082</b>	<b>3,106,380</b>	<b>2,274,555</b>	<b>12,334,569</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 10,320,208</b>	<b>\$ 1,074,411</b>	<b>\$ 3,137,710</b>	<b>\$ 2,761,930</b>	<b>\$ 17,294,259</b>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2006***

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<b>Total Governmental Fund Balances</b>	\$ 12,334,569
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	80,565,918
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,734,304
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,021,730)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<u><u>\$ 90,613,061</u></u>

See accompanying notes to the basic financial statements

## CITY OF WICKLIFFE, OHIO

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2006

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 1,935,579	\$ 142,054	\$ 361,678	\$ 217,676	\$ 2,656,987
Municipal Income Tax	5,509,334	0	2,496,356	0	8,005,690
Other Local Taxes	231,060	0	0	0	231,060
State Levied Shared Taxes	2,014,336	0	0	690,072	2,704,408
Intergovernmental Revenues	196,777	0	269,804	1,028,976	1,495,557
Charges for Services	311,714	0	0	278,361	590,075
Licenses and Permits	403,222	0	0	0	403,222
Investment Earnings	583,059	0	0	0	583,059
Special Assessments	0	0	1,195	193,880	195,075
Fines and Forfeitures	169,751	0	0	0	169,751
All Other Revenue	145,023	0	0	170,582	315,605
<b>Total Revenue</b>	<b>11,499,855</b>	<b>142,054</b>	<b>3,129,033</b>	<b>2,579,547</b>	<b>17,350,489</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	5,376,091	0	0	211,332	5,587,423
Public Health and Welfare Services	17,204	0	0	25,286	42,490
Leisure Time Activities	194,656	0	0	528,876	723,532
Community Environment	155,256	0	0	21,046	176,302
Basic Utility Services	608,801	0	0	290,837	899,638
Transportation	1,146,226	0	0	681,222	1,827,448
General Government	3,705,431	0	0	47,144	3,752,575
Capital Outlay	0	0	1,923,968	490,959	2,414,927
Debt Service:					
Principal Retirement	0	75,000	0	0	75,000
Interest & Fiscal Charges	0	77,961	14,640	0	92,601
<b>Total Expenditures</b>	<b>11,203,665</b>	<b>152,961</b>	<b>1,938,608</b>	<b>2,296,702</b>	<b>15,591,936</b>
Excess (Deficiency) of Revenues Over Expenditures	296,190	(10,907)	1,190,425	282,845	1,758,553
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	0	0	31,743	0	31,743
OPWC Loans Issued	0	0	82,590	0	82,590
General Obligation Bonds Issued	0	0	2,500,000	0	2,500,000
Transfers In	0	0	101,418	425,868	527,286
Transfers Out	(2,497,286)	0	0	0	(2,497,286)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,497,286)</b>	<b>0</b>	<b>2,715,751</b>	<b>425,868</b>	<b>644,333</b>
Net Change in Fund Balances	(2,201,096)	(10,907)	3,906,176	708,713	2,402,886
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>9,076,806</b>	<b>87,989</b>	<b>(799,796)</b>	<b>1,565,842</b>	<b>9,930,841</b>
Increase in Inventory Reserve	842	0	0	0	842
<b>Fund Balances End of Year</b>	<b>\$ 6,876,552</b>	<b>\$ 77,082</b>	<b>\$ 3,106,380</b>	<b>\$ 2,274,555</b>	<b>\$ 12,334,569</b>

See accompanying notes to the basic financial statements



## **CITY OF WICKLIFFE, OHIO**

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***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 December 31, 2006***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 2,402,886

***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. (1,502,091)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (69,798)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 125,813

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (2,507,590)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (8,622)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (54,904)

***Change in Net Assets of Governmental Activities*** \$ (1,614,306)

See accompanying notes to the basic financial statements

## CITY OF WICKLIFFE, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 1,858,200	\$ 1,858,200	\$ 1,941,265	\$ 83,065
Municipal Income Tax	5,691,200	5,691,200	5,730,103	38,903
Other Local Taxes	245,850	245,850	261,482	15,632
State Levied Shared Taxes	1,962,000	1,962,000	2,033,017	71,017
Intergovernmental Revenue	212,200	212,200	213,609	1,409
Charges for Services	5,000	5,000	4,687	(313)
Licenses and Permits	682,550	682,550	718,059	35,509
Investment Earnings	442,500	442,500	556,590	114,090
Fines and Forfeitures	184,500	184,500	167,456	(17,044)
All Other Revenues	97,000	97,000	129,618	32,618
Total Revenues	11,381,000	11,381,000	11,755,886	374,886
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	5,528,335	5,528,335	5,352,236	176,099
Public Health and Welfare Services	20,300	20,300	17,155	3,145
Leisure Time Activities	194,639	194,639	194,584	55
Community Environment	155,797	155,797	154,818	979
Basic Utility Services	615,920	615,920	592,841	23,079
Transportation	1,307,476	1,307,476	1,142,966	164,510
General Government	4,103,741	4,103,741	3,795,318	308,423
Total Expenditures	11,926,208	11,926,208	11,249,918	676,290
Excess (Deficiency) of Revenues Over (Under) Expenditures	(545,208)	(545,208)	505,968	1,051,176
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(2,497,286)	(2,497,286)	(2,497,286)	0
Advances In	1,600,000	1,600,000	1,600,000	0
Advances Out	(100,000)	(100,000)	(100,000)	0
Total Other Financing Sources (Uses):	(997,286)	(997,286)	(997,286)	0
Net Change In Fund Balance	(1,542,494)	(1,542,494)	(491,318)	1,051,176
Fund Balance at Beginning of Year	5,979,389	5,979,389	5,979,389	0
Prior Year Encumbrances	2,183	2,183	2,183	0
Fund Balance at End of Year	\$ 4,439,078	\$ 4,439,078	\$ 5,490,254	\$ 1,051,176

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**

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	Business-Type Activities Enterprise Funds <u>Sewer</u>
<b>Assets:</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 78,869
Receivables:	
Accounts	<u>533,024</u>
<i>Total Current Assets</i>	<u>611,893</u>
<i>Non Current Assets:</i>	
Capital Assets, Net	<u>4,541,878</u>
<b>Total Assets</b>	<u><u>5,153,771</u></u>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Interfund Loans Payable	<u>100,000</u>
<b>Total Liabilities</b>	<u><u>100,000</u></u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	4,541,878
Unrestricted	<u>511,893</u>
<b>Total Net Assets</b>	<u><u>\$ 5,053,771</u></u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

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	Business-Type Activities Enterprise Funds <u>Sewer</u>
<b>Operating Revenues:</b>	
Charges for Services	\$ 1,395,890
<b>Total Operating Revenues</b>	<u>1,395,890</u>
<b>Operating Expenses:</b>	
Contractual Services	1,694,748
Depreciation	170,529
<b>Total Operating Expenses</b>	<u>1,865,277</u>
Loss Before Transfers	(469,387)
Transfers In	<u>1,970,000</u>
Change in Net Assets	1,500,613
Net Assets Beginning of Year	3,553,158
Net Assets End of Year	<u>\$ 5,053,771</u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

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	Business-Type Activities Enterprise Funds <u>Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,294,911
Cash Payments for Goods and Services	<u>(1,694,748)</u>
Net Cash Used by Operating Activities	<u>(399,837)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	1,970,000
Advances In from Other Funds	100,000
Advances Out to Other Funds	<u>(1,600,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>470,000</u>
 Net Increase in Cash and Cash Equivalents	70,163
Cash and Cash Equivalents at Beginning of Year	<u>8,706</u>
Cash and Cash Equivalents at End of Year	<u><u>\$78,869</u></u>
 <u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$469,387)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	170,529
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	<u>(100,979)</u>
Total Adjustments	<u>69,550</u>
Net Cash Used by Operating Activities	<u><u>(\$399,837)</u></u>

See accompanying notes to the basic financial statements

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Wickliffe, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The current Charter, which provides for a Council-Mayor form of government was adopted on July 17, 1951, and has subsequently been amended.

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types, and the cash flows of the proprietary fund. The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

#### **A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and maintains the wastewater collection system which is reported as an enterprise fund. Wastewater treatment services are provided to the City of Wickliffe by the City of Euclid, Ohio, which owns and operates the wastewater treatment facilities.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **A. Reporting Entity** (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Wickliffe did not contribute to NOPEC during 2006. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

##### ***Governmental Funds***

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources and use and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Debt Service Fund - This fund is used to account for financial resources to be used for the principal and interest payments on the City's debt.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting (Continued)**

###### ***Proprietary Funds***

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is:

Sewer Fund - This fund is used to account for the operation of the City's sanitary sewer service.

##### **C. Basis of Presentation - Financial Statements**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City'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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.



## **CITY OF WICKLIFFE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds 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 City finances and meets the cash flow needs of its proprietary activities.

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

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which the City considers to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 City must provide local

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2006 but which are not intended to finance 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, *“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,”* the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its governmental activities, business-type activities and enterprise fund.

##### **E. Budgetary Process**

The annual budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is within each fund, except for the General Fund which is within department and function. Budgetary modifications may only be made by ordinance of the City Council.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process** (Continued)

###### **1. Tax Budget**

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

###### **2. Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

###### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund level except for the General Fund which is at the department and function level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among funds and within department and function for the General Fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund is provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

###### **4. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**5. Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues are recorded when received in cash and expenditures are recorded when paid or encumbered. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$2,201,096)
Increase (Decrease):	
Accrued Revenues at December 31, 2006 received during 2007	(1,900,768)
Accrued Revenues at December 31, 2005 received during 2006	3,656,799
Accrued Expenditures at December 31, 2006 paid during 2007	599,839
Accrued Expenditures at December 31, 2005 paid during 2006	(643,106)
2005 Prepays for 2006	14,065
2006 Prepays for 2007	(10,557)
Encumbrances Outstanding	<u>(6,494)</u>
Budget Basis	<u><u>(\$491,318)</u></u>

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Cash and cash equivalents include amounts in demand deposits, The State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit with an original maturity of three months or less. Certificates of deposit meeting the previously noted maturity limit and STAR Ohio are considered cash equivalents because they are highly liquid investments.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled certificates of deposit with original maturities of three months or less and STAR Ohio to be cash equivalents. See Note 3, "Pooled Cash, Cash Equivalents and Investments."

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. Certificates of deposit with original maturities of more than three months are reported as investments in the basic financial statements. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 3 "Cash, Cash Equivalents and Investments." The City allocates all interest on pooled investments to the General Fund.

The City has invested funds in the STAR Ohio during 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006.

During the year, the City invested in repurchase agreements, but at year end the City was not invested in any repurchase agreements.

##### **H. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and expenses in the proprietary fund when used.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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.

##### **J. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$300. The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, "*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*", has been reported.

###### **2. Property, Plant and Equipment – Business Type Activities**

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation** (Continued)

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	15 - 40
Improvements other than Buildings	65
Infrastructure	10-50
Machinery, Equipment, Furniture and Fixtures	5 - 10

**K. Long-Term Obligations**

Long-Term obligations are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund
General Obligation Bonds	Debt Service Fund

**L. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation, sick time and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **M. 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 of 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 City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal grants for security of persons and property and mandatory fines for various court programs.

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

##### **N. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

##### **O. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

##### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of supplies and materials, prepaid items and debt service.

##### **Q. Estimates**

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



**CITY OF WICKLIFFE, OHIO**

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*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**S. 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 City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

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**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Other long-term assets not available to pay for current-period expenditures:*

Delinquent Income Tax Revenue	\$103,946
Delinquent Property Tax Revenue	193,640
Shared Revenues	1,411,252
Interest Revenues	18,966
Special Assessments	6,500
	<hr/>
	\$1,734,304

*Long-Term liabilities not reported in the funds:*

Compensated Absences Payable	(\$1,505,518)
General Obligation Bonds Payable	(2,425,000)
OPWC Loans Payable	(82,590)
Accrued Interest on Long-Term Debt	(8,622)
	<hr/>
	(\$4,021,730)

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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#### **NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

##### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Amount by which depreciation exceeded capital outlay in the current period:*

Capital Outlay	\$2,079,355
Depreciation Expense	<u>(3,581,446)</u>
	(\$1,502,091)

*Governmental revenues not reported in the funds:*

Decrease in Delinquent Income Tax Revenue	(\$26,946)
Increase in Delinquent Property Tax	10,617
Increase in Shared Revenue	144,556
Increase in Interest Revenue	(8,914)
Increase in Special Assesments	<u>6,500</u>
	\$125,813

*Expenses not requiring the use of current financial resources:*

Increase in Compensated Absences Payable	(\$55,746)
Increase in supplies inventory	<u>842</u>
	(\$54,904)

#### **NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of a majority of individual funds are combined to form a pool of cash and cash equivalents. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents."

Ohio law requires the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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;
- Bonds, notes, debentures, or any 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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; and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Investment earnings of \$296,395 earned by other funds was credited to the General Fund as required by state statute.

**A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any country, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Such collateral, as permitted by Chapter 135 of the ORC is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the City.

At year end the carrying amount of the City's deposits was \$7,951,968 and the bank balance was \$8,786,555. Federal depository insurance covered \$400,000 of the bank balance and \$8,386,555 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$8,386,555</u>
Total Balance	<u><u>\$8,386,555</u></u>

## **CITY OF WICKLIFFE, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

#### **NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **B. Investments**

The City's investments at December 31, 2006 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$3,229,087	AAAm <sup>1</sup>	\$3,229,087	0

<sup>1</sup> Standard & Poor's

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Credit Risk* – The City's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

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

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer.

##### **C. Reconciliation of Cash, Cash Equivalents and Investments**

A reconciliation between classifications of cash and investments on the combined financial statements is as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$7,481,055	\$3,700,000
Certificates of Deposit (with maturities of more than 3 months)	3,700,000	(3,700,000)
Investments:		
STAR Ohio	<u>(3,229,087)</u>	<u>3,299,087</u>
Per Footnote	<u>\$7,951,968</u>	<u>\$3,299,087</u>

\* Includes Cash with Fiscal Agent.

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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#### **NOTE 4 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 25 percent of its true value and public utility real property is assessed at 35 percent of appraised market value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wickliffe. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2006, was \$8.01 per \$1,000 of assessed value. The assessed value upon which the 2006 property tax receipts were based was \$346,221,462. This amount constitutes \$306,393,030 in real property assessed value, \$8,010,760 in public utility assessed value and \$31,817,672 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .74% (7.4 mills) of assessed value.

**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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**NOTE 4 – TAXES (Continued)**

**B. Income Tax**

The City levies a tax of 2% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2006, consisted of taxes, interest, accounts receivable, interfund and intergovernmental receivables arising from shared revenues.

**NOTE 6 - TRANSFERS**

The following is a summary of transfers for all funds for 2006:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$2,497,286
Capital Projects Fund	101,418	0
Special Projects Fund	61,476	0
Sewer Fund	1,970,000	0
Nonmajor Governmental Funds:		
Police, Fire and Disaster Trust	0	0
State Highway Fund	253	0
City Highway Fund	2,139	0
Lake Transportation Fund	5,000	0
Weed Control Fund	3,500	0
Litter Control Fund	27,000	0
Senior Center Fund	66,000	0
Street Lighting Fund	85,500	0
Swimming Pool Fund	175,000	0
Law Enforcement Trust Fund	0	0
Totals	<u>\$2,497,286</u>	<u>\$2,497,286</u>



**CITY OF WICKLIFFE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at December 31, 2006 consist of the following individual fund receivables and payables:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$100,000	\$0
Enterprise Fund:		
Sewer Fund	0	100,000
Totals	\$100,000	\$100,000

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2006:

*Historical Cost:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$19,097,788	\$0	\$0	\$19,097,788
Construction in Progress	793,408	202,878	0	996,286
<i>Capital assets being depreciated:</i>				
Buildings	6,964,264	92,180	0	7,056,444
Improvements Other Than Buildings	828,369	0	0	828,369
Machinery and Equipment	9,423,575	333,355	(384,954)	9,371,976
Infrastructure	77,346,400	1,450,942	0	78,797,342
Total Cost	\$114,453,804	\$2,079,355	(\$384,954)	\$116,148,205

*Accumulated Depreciation:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$2,215,623)	(\$141,817)	\$0	(\$2,357,440)
Improvements Other Than Buildings	(262,724)	(41,369)	0	(304,093)
Machinery and Equipment	(5,961,949)	(590,217)	315,156	(6,237,010)
Infrastructure	(23,875,701)	(2,808,043)	0	(26,683,744)
Total Depreciation	(\$32,315,997)	(\$3,581,446) *	\$315,156	(\$35,582,287)
<b>Net Value:</b>	\$82,137,807			\$80,565,918

**CITY OF WICKLIFFE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 8 - CAPITAL ASSETS (continued)**

**A. Governmental Activities Capital Assets (Continued)**

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$332,161
Leisure Time Activities	183,773
Transportation	220,738
General Government	<u>2,844,774</u>
Total Depreciation Expense	<u><u>\$3,581,446</u></u>

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2006:

***Historical Cost:***

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<b><i>Capital assets being depreciated:</i></b>				
Utility Structures in Service	\$11,570,120	\$0	\$0	\$11,570,120
Total Cost	<u>\$11,570,120</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,570,120</u>

***Accumulated Depreciation:***

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Utility Structures in Service	(\$6,857,713)	(\$170,529)	\$0	(\$7,028,242)
Total Depreciation	<u>(\$6,857,713)</u>	<u>(\$170,529)</u>	<u>\$0</u>	<u>(\$7,028,242)</u>
<b><i>Net Value:</i></b>	<u>\$4,712,407</u>	<u>(\$170,529)</u>	<u>\$0</u>	<u>\$4,541,878</u>

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 9 – DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

##### **A. Ohio Public Employees Retirement System (the "Ohio PERS")**

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$440,158, \$452,920 and \$447,081, respectively, which were equal to the required contributions for each year.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)**

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$144,577.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005 (the latest information available). The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$427,066, \$405,263 and \$375,216 for police and \$334,698, \$329,766 and \$306,154 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$169,731 representing 7.75% of covered payroll for police and \$108,080 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 10 – COMPENSATED ABSENCES**

In accordance with GASB Statement No. 16, “Accounting for Compensated Absences,” vacation and compensatory time are accrued as liabilities when an employee’s right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2006, the City's accumulated, unpaid compensated absences amounted to \$1,505,518, which is recorded as a liability of the Governmental Activities.

**NOTE 11 - NOTE PAYABLE**

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

	Maturity Date	Balance December 31, 2005	Issued	(Retired)	Balance December 31, 2006
General Obligation Note:					
2.85% Golf Course	2006	\$2,500,000	\$0	(\$2,500,000)	\$0

**CITY OF WICKLIFFE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 12 - LONG-TERM DEBT**

Long-Term debt of the City at December 31, 2006 was as follows:

Year Issued	Final Maturity	Balance December 31, 2005	Additions	(Reductions)	Balance December 31, 2006	Amounts Due Within One Year
<b>Governmental Activities:</b>						
<b>General Obligation Bonds:</b>						
2006 Rockefeller Road	2025	\$0	\$2,500,000	(\$75,000)	\$2,425,000	\$100,000
<b>OPWC Loan:</b>						
2006 Rock Road	2011	\$0	\$82,590	\$0	\$82,590	\$16,518
Compensated Absences		<u>1,449,772</u>	<u>1,505,518</u>	<u>(1,449,772)</u>	<u>1,505,518</u>	<u>110,295</u>
Total Governmental Long-Term Debt		<u>\$1,449,772</u>	<u>\$4,088,108</u>	<u>(\$1,524,772)</u>	<u>\$4,013,108</u>	<u>\$226,813</u>

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2006, follows:

Years	General Obligation Bond Payable		OPWC Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$100,000	\$103,462	\$16,518	\$0	\$116,518	\$103,462
2008	100,000	99,962	16,518	0	116,518	99,962
2009	100,000	96,462	16,518	0	116,518	96,462
2010	100,000	92,962	16,518	0	116,518	92,962
2011	100,000	89,462	16,518	0	116,518	89,462
2012-2016	565,000	386,538	0	0	565,000	386,538
2017-2021	690,000	259,900	0	0	690,000	259,900
2022-2025	670,000	85,750	0	0	670,000	85,750
Totals	<u>\$2,425,000</u>	<u>\$1,214,498</u>	<u>\$82,590</u>	<u>\$0</u>	<u>\$2,507,590</u>	<u>\$1,214,498</u>

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 13 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under the provisions of Section 2744.081 of the Ohio Revised Code. OGRMP is a "fixed cost, fully reinsured, non-assessable program" for over 550 member political subdivisions. The organization is controlled by a Board of Directors comprised of public officials from participating members. Coverage is 100% reinsured over the insured's deductibles. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

The following is a summary of insurance coverages at year end:

<u>Coverage</u>		
Comprehensive General Liability	\$3,000,000	per occurrence
Law Enforcement Professional Liability	3,000,000	per occurrence
Public Officials Errors and Omissions	3,000,000	per occurrence
Property	30,189,968	per occurrence
Bond/Crime	25,000/50,000	per occurrence
Boiler and Machinery	30,189,968	per occurrence
Automobile Liability	2,000,000	per occurrence

The City provides major medical health insurance coverage for its employees through the Health Maintenance Organization (HMO) operated by Blue Cross & Blue Shield Mutual of Ohio as HMO Health Ohio.

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$27,500 per individual per year up to a maximum of \$1,000,000 per individual per lifetime.

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years. Coverage has not been materially decreased during the year.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. Unemployment claims are paid to the Ohio Department of Job and Family Services as incurred.

#### **NOTE 14 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Wickliffe  
Lake County  
28730 Ridge Road  
Wickliffe, Ohio 44092

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, Lake County, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's financial statements and have issued our report thereon dated June 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

We noted certain matters that we reported to management in a separate letter dated June 11, 2007.

This report is intended solely for the information and use of the management, the City Council and the audit committee is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

June 11, 2007

## **STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the year ending December 31, 2005, reported no material citations or recommendations.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF WICKLIFFE**

**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  
AUGUST 23, 2007**