



OHIO AUDITOR OF STATE
KEITH FABER



**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

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**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Wickliffe City School District
Lake County
2221 Rockefeller Road
Wickliffe, Ohio 44092

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio, as of June 30, 2020, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 23, 2021

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Wickliffe City School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

Our discussion and analysis of the Wickliffe City School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position increased \$63,401,579. Net position of governmental activities increased \$63,465,674 and net position of business-type activities decreased \$64,095 from 2019.
- During 2020, the District put forth to voters a bond issue and levy that was passed as part of the November 2019 elections. As a result, a \$60 million, 37-year bond issue would fund the construction of new schools while a supplemental 0.05-mill levy will pay for ongoing maintenance.
- In December 2019, the District issued \$4,000,000 of School Facilities Improvement Notes for the purpose of construction, adding to, renovating, remodeling, furnishing, equipping and otherwise improving buildings and facilities and was recorded in the Building Fund. The notes subsequently matured on May 27, 2020 and were retired with bond proceeds.
- In April and May 2020, the District had two separate bond issuances. The April 2020, bond issue had a \$55,995,000 par amount and included a net premium of \$3,111,596 of which \$56,459,358 was deposited in the Building Fund to fund the project and pay the issuance costs. The remaining amount of \$2,647,238 is restricted for capitalized interest and was deposited in the Bond Retirement Fund. The May 2020 bond issue had a \$3,900,000 par amount and included a net premium of \$99,492 and was recorded in the Bond Retirement Fund. This bond along with contributions from the bond retirement fund were used to retire the December bond anticipation note.
- As a result of the new levy and bond issuances, the fund balance of the Bond Retirement Fund increased \$3,866,068 and the fund balance of the Building Fund increased \$59,718,939.

Using These Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

Wickliffe City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2020

Report Components

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements.

Reporting the District as a Whole

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the District did financially during fiscal year 2020, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the cash balances and investments of the governmental and business-type activities of the District at the fiscal year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the District's general receipts.

Wickliffe City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2020

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases, or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, the District is divided into two distinct kinds of activities:

Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-type Activities – These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service, rotary fund, adult education fund, and special enterprise operations are reported as business-type activities.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental fund include the General Fund, Bond Retirement Fund and Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. The relationship (or differences) between governmental activities (reported in the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis) and governmental funds is reconciled in the financial statements.

Wickliffe City School District

Management’s Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2020

Proprietary Funds

When the District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The District has several enterprise funds: the food service, rotary, adult education, and special enterprise funds. When the services are provided to other departments of the District, the service is reported in an internal service fund. The District has one internal service fund to account for employee health care claims.

Fiduciary Funds

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are reported in an agency fund. The District’s fiduciary activities are reported in separate Statement of Fiduciary Net Position – Cash Basis on page 25 and Statement of Changes in Fiduciary Net Position – Cash Basis on page 26. These activities are excluded from the District’s other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The Statement of Net Position – Cash Basis provides the perspective of the District as a whole. The table below provides a summary of the District’s net position for fiscal years 2020 and 2019.

**Table 1
Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ <u>71,543,704</u>	\$ <u>8,078,030</u>	\$ <u>49,056</u>	\$ <u>113,151</u>	\$ <u>71,592,760</u>	\$ <u>8,191,181</u>
Total assets	<u>71,543,704</u>	<u>8,078,030</u>	<u>49,056</u>	<u>113,151</u>	<u>71,592,760</u>	<u>8,191,181</u>
Net position:						
Restricted for:						
Capital projects	61,347,358	8,129	-	-	61,347,358	8,129
Debt service	3,866,068	-	-	-	3,866,068	-
Other purposes	501,858	425,052	-	-	501,858	425,052
Unrestricted	<u>5,828,420</u>	<u>7,644,849</u>	<u>49,056</u>	<u>113,151</u>	<u>5,877,476</u>	<u>7,758,000</u>
Total net position	\$ <u>71,543,704</u>	\$ <u>8,078,030</u>	\$ <u>49,056</u>	\$ <u>113,151</u>	\$ <u>71,592,760</u>	\$ <u>8,191,181</u>

As noted earlier, net position may serve over time as a useful indicator of a District’s financial position. Total assets increased by \$63,401,579 from 2019 to 2020. The increase was due to the issuance of bonds.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year and the prior year.

Wickliffe City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2020

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Cash receipts:						
Program cash receipts:						
Charges for services	\$ 372,981	\$ 267,786	\$ 147,682	\$ 188,980	\$ 520,663	\$ 456,766
Operating grants and contributions	<u>1,830,954</u>	<u>1,780,617</u>	<u>185,106</u>	<u>254,043</u>	<u>2,016,060</u>	<u>2,034,660</u>
Total program cash receipts	<u>2,203,935</u>	<u>2,048,403</u>	<u>332,788</u>	<u>443,023</u>	<u>2,536,723</u>	<u>2,491,426</u>
General cash receipts:						
Property taxes	16,194,305	14,359,843	-	-	16,194,305	14,359,843
Grants and entitlements	4,941,417	5,308,769	-	-	4,941,417	5,308,769
Issuance of notes	4,000,000	-	-	-	4,000,000	-
Issuance of bonds	59,895,000	-	-	-	59,895,000	-
Premium from issuance of bonds	3,211,088	-	-	-	3,211,088	-
Investment earnings	254,538	180,059	-	-	254,538	180,059
Miscellaneous	<u>894,359</u>	<u>537,681</u>	<u>-</u>	<u>-</u>	<u>894,359</u>	<u>537,681</u>
Total general cash receipts	89,390,707	20,386,352	-	-	89,390,707	20,386,352
Transfers	<u>(68,784)</u>	<u>(1,400)</u>	<u>68,784</u>	<u>1,400</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>91,525,858</u>	<u>22,433,355</u>	<u>401,572</u>	<u>444,423</u>	<u>91,927,430</u>	<u>22,877,778</u>
Cash disbursements:						
Program cash disbursements:						
Instruction:						
Regular education	7,546,143	7,829,531	-	-	7,546,143	7,829,531
Special education	4,131,028	3,868,054	-	-	4,131,028	3,868,054
Vocational education	86,418	-	-	-	86,418	-
Other	898,146	819,852	-	-	898,146	819,852
Support services:						
Pupil	1,441,605	1,464,476	-	-	1,441,605	1,464,476
Instructional staff	1,203,196	1,292,488	-	-	1,203,196	1,292,488
Board of Education	163,418	132,752	-	-	163,418	132,752
Administration	1,660,297	1,672,394	-	-	1,660,297	1,672,394
Fiscal	590,522	605,034	-	-	590,522	605,034
Business	189,958	95,604	-	-	189,958	95,604
Operation and maintenance – plant	1,697,242	1,841,680	-	-	1,697,242	1,841,680
Pupil transportation	1,399,849	1,072,691	-	-	1,399,849	1,072,691
Central services	437,216	281,020	-	-	437,216	281,020
Operations of non-instructional services	890,251	813,202	-	-	890,251	813,202
Extracurricular activities	464,538	499,827	-	-	464,538	499,827
Facilities acquisition and construction	440,174	335,580	-	-	440,174	335,580
Debt service	4,820,183	-	-	-	4,820,183	-
Food service	-	-	387,939	410,779	387,939	410,779
Rotary	-	-	3,368	1,400	3,368	1,400
Special enterprise fund	<u>-</u>	<u>-</u>	<u>74,360</u>	<u>63,242</u>	<u>74,360</u>	<u>63,242</u>
Total cash disbursements	<u>28,060,184</u>	<u>22,624,185</u>	<u>465,667</u>	<u>475,421</u>	<u>28,525,851</u>	<u>23,099,606</u>
Change in net position	63,465,674	(190,830)	(64,095)	(30,998)	63,401,579	(221,828)
Net positions beginning of year	<u>8,078,030</u>	<u>8,268,860</u>	<u>113,151</u>	<u>144,149</u>	<u>8,191,181</u>	<u>8,413,009</u>
Net position end of year	\$ <u>71,543,704</u>	\$ <u>8,078,030</u>	\$ <u>49,056</u>	\$ <u>113,151</u>	\$ <u>71,592,760</u>	\$ <u>8,191,181</u>

Wickliffe City School District

Management’s Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2020

Governmental Activities

Net position of the District’s governmental activities increased \$63,465,674. Total governmental disbursements of \$28,060,184, were offset by program receipts of \$2,203,935 and general receipts of \$89,390,707. Program receipts supported 8 percent of the total governmental disbursements.

The primary sources of receipts for governmental activities were derived from the issuance of bonds.

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and grants off-setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2020. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Table 3
Total Cost of Program Services from Governmental Activities

	Total Cost of Services		Net (Cost) of Services	
	2020	2019	2020	2019
Program cash disbursements:				
Instruction:				
Regular education	\$ 7,546,143	\$ 7,829,531	\$ (7,188,513)	\$ (7,549,546)
Special education	4,131,028	3,868,054	(3,249,411)	(2,963,650)
Vocational education	86,418	-	(86,418)	-
Other	898,146	819,852	(898,146)	(819,852)
Support services:				
Pupil	1,441,605	1,464,476	(1,243,339)	(1,399,856)
Instructional staff	1,203,196	1,292,488	(1,203,196)	(1,292,488)
Board of Education	163,418	132,752	(163,418)	(132,752)
Administration	1,660,297	1,672,394	(1,660,297)	(1,672,394)
Fiscal	590,522	605,034	(590,522)	(605,034)
Business	189,958	95,604	(189,958)	(95,604)
Operation and maintenance - plant	1,697,242	1,841,680	(1,697,211)	(1,841,593)
Pupil transportation	1,399,849	1,072,691	(1,399,849)	(1,072,691)
Central services	437,216	281,020	(437,216)	(281,020)
Operations of non-instructional services	890,251	813,202	(201,990)	(113,574)
Extracurricular activities	464,538	499,827	(386,408)	(400,148)
Facilities acquisition and construction	440,174	335,580	(440,174)	(335,580)
Debt service:				
Principal retirement	4,000,000	-	(4,000,000)	-
Interest and fiscal charges	820,183	-	(820,183)	-
Total cash disbursements	\$ <u>28,060,184</u>	\$ <u>22,624,185</u>	\$ <u>(25,856,249)</u>	\$ <u>(20,575,782)</u>

The dependence upon tax receipts during fiscal year 2020 for governmental activities is apparent, as 90 percent of 2020 instruction activities are supported through taxes and other general receipts. The District’s taxpayers, as a whole, are by far the primary support for District’s students.

Wickliffe City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2020

Business-Type Activities

Business-type activities include food service operation, rotary fund, adult education fund, and special enterprise fund. These programs had revenues and transfers of \$401,572 and disbursements of \$465,667 for fiscal year 2020. This resulted in a decrease to net position for the fiscal year of \$64,095.

The District's Funds

Total governmental funds had receipts, including other financing sources, of \$93,865,708 and disbursements, including other financing uses, of \$30,400,034. The fund balance of the General Fund decreased \$1,821,857 due to a transfer to the Permanent Improvement Fund. The fund balance of the Bond Retirement Fund increased \$3,866,068 and fund balance of the Building Fund increased \$59,718,939 primarily due to the issuance of bonds.

The table that follows assists in illustrating the disbursements of the General Fund:

	<u>2020</u>	<u>2019</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Disbursement by Function:			
Instruction	\$ 12,323,856	\$ 12,099,741	1.85%
Support services	8,255,793	8,004,275	3.14
Operations of non-instructional services	27,379	42,137	(35.02)
Extracurricular activities	329,783	339,414	(2.84)
Facilities acquisition and construction	<u>147,507</u>	<u>335,580</u>	(56.04)
Total	\$ <u>21,084,318</u>	\$ <u>20,821,147</u>	

The most significant dollar change was in support services, which is the result of an increase in pupil transportation costs.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. Final disbursements, not including other financing uses, were budgeted at \$20,666,375 while actual disbursements, not including other financing uses, were \$21,026,471.

The most significant variance from final budget to actual receipts was in intergovernmental in the amount of \$1,310,827 over expected receipts, as the District was extremely conservative with its final estimate of the actual revenues for intergovernmental.

The original and final budgeted disbursements were mostly consistent with the most significant fluctuations in regular and special instruction.

In summary, receipts were above final expectations. The District's actual receipts ended above budgeted expectations by \$841,597; although the actual fund balance decreased for fiscal year 2020.

Wickliffe City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2020

Capital Assets

The District does not report capital assets, but rather the acquisitions are recorded as disbursements when paid. Capital assets are tracked separately by the District throughout the fiscal year.

Debt

The District does not report liabilities for net pension liability, net OPEB liability, and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Current Financial Related Activities

Wickliffe City School District has continued to maintain services to its students, parents, and community. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast.

The financial future of the District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the Federal, State, and local funding policies dictate.

The District relies heavily on its taxpayers to support its operations. The community support for the schools is strong. The District passed a levy and bond in November 2019. The levy and bond were presented as a package vote which sought to facilitate the construction of a pre-K through grade 12 building to replace the aging school buildings currently in use by the District.

Wickliffe City School District has not anticipated any growth in State revenue, due to expected cuts due to COVID. With the majority of the taxes for the District coming from local taxpayers, one can see the significant impact this growth would have on the District and ultimately, the residential taxpayers.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lew Galante, Treasurer/CFO, at Wickliffe City School District, 2221 Rockefeller Road, Wickliffe, Ohio 44092 or by email at Lew.Galante@wickliffeschools.org.

Wickliffe City School District

Statement of Net Position – Cash Basis

June 30, 2020

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
		Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ 71,543,704	\$ 49,056	\$ 71,592,760
Net position:			
Restricted for:			
Capital projects	61,347,358	-	61,347,358
Debt service	3,866,068	-	3,866,068
Other purposes	501,858	-	501,858
Unrestricted	5,828,420	49,056	5,877,476
Total net position	\$ 71,543,704	\$ 49,056	\$ 71,592,760

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Activities – Cash Basis

For the Fiscal Year Ended June 30, 2020

	Cash Disbursements	Program Cash Receipts	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular education	\$ 7,546,143	\$ 51,305	\$ 306,325
Special education	4,131,028	167,209	714,408
Vocational	86,418	-	-
Other	898,146	-	-
Support services:			
Pupil	1,441,605	76,306	121,960
Instructional staff	1,203,196	-	-
Board of Education	163,418	-	-
Administration	1,660,297	-	-
Fiscal	590,522	-	-
Business	189,958	-	-
Operations and maintenance – plant	1,697,242	31	-
Pupil transportation	1,399,849	-	-
Central services	437,216	-	-
Operation of non-instructional services	890,251	-	688,261
Extracurricular activities	464,538	78,130	-
Facilities acquisition and construction	440,174	-	-
Debt service:			
Principal retirement	4,000,000	-	-
Interest and fiscal charges	820,183	-	-
Total governmental activities	<u>28,060,184</u>	<u>372,981</u>	<u>1,830,954</u>
Business-type activities:			
Food service	387,939	102,363	185,106
Rotary	3,368	-	-
Special enterprise fund	74,360	45,319	-
Total business-type activities	<u>465,667</u>	<u>147,682</u>	<u>185,106</u>
Totals	<u>\$ 28,525,851</u>	<u>\$ 520,663</u>	<u>\$ 2,016,060</u>
General cash receipts:			
Property tax levies for:			
General purpose			
Grant and entitlements not restricted to specific programs			
Issuance of notes			
Issuance of bonds			
Premium from issuance of bonds			
Investment earnings			
Miscellaneous			
Total general cash receipts			
Transfers			
Total general cash receipts and transfers			
Change in net position			
Net position at beginning of year			
Net position at end of year			

The accompanying notes are an integral part of these financial statements.

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (7,188,513)	\$ -	\$ (7,188,513)
(3,249,411)	-	(3,249,411)
(86,418)	-	(86,418)
(898,146)	-	(898,146)
(1,243,339)	-	(1,243,339)
(1,203,196)	-	(1,203,196)
(163,418)	-	(163,418)
(1,660,297)	-	(1,660,297)
(590,522)	-	(590,522)
(189,958)	-	(189,958)
(1,697,211)	-	(1,697,211)
(1,399,849)	-	(1,399,849)
(437,216)	-	(437,216)
(201,990)	-	(201,990)
(386,408)	-	(386,408)
(440,174)	-	(440,174)
(4,000,000)	-	(4,000,000)
<u>(820,183)</u>	<u>-</u>	<u>(820,183)</u>
<u>(25,856,249)</u>	<u>-</u>	<u>(25,856,249)</u>
-	(100,470)	(100,470)
-	(3,368)	(3,368)
<u>-</u>	<u>(29,041)</u>	<u>(29,041)</u>
<u>-</u>	<u>(132,879)</u>	<u>(132,879)</u>
<u>(25,856,249)</u>	<u>(132,879)</u>	<u>(25,989,128)</u>
16,194,305	-	16,194,305
4,941,417	-	4,941,417
4,000,000	-	4,000,000
59,895,000	-	59,895,000
3,211,088	-	3,211,088
254,538	-	254,538
894,359	-	894,359
<u>89,390,707</u>	<u>-</u>	<u>89,390,707</u>
(68,784)	68,784	-
<u>89,321,923</u>	<u>68,784</u>	<u>89,390,707</u>
63,465,674	(64,095)	63,401,579
<u>8,078,030</u>	<u>113,151</u>	<u>8,191,181</u>
<u>\$ 71,543,704</u>	<u>\$ 49,056</u>	<u>\$ 71,592,760</u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Balance Sheet – Cash Basis Governmental Funds

June 30, 2020

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ <u>5,839,654</u>	\$ <u>3,866,068</u>	\$ <u>59,718,939</u>	\$ <u>2,114,707</u>	\$ <u>71,539,368</u>
Fund balances:					
Restricted	\$ 11,000	\$ 3,866,068	\$ 59,718,939	\$ 2,119,277	\$ 65,715,284
Assigned	2,755,438	-	-	-	2,755,438
Unassigned	3,073,216	-	-	(4,570)	3,068,646
Total fund balances	\$ <u>5,839,654</u>	\$ <u>3,866,068</u>	\$ <u>59,718,939</u>	\$ <u>2,114,707</u>	\$ <u>71,539,368</u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Cash Basis

June 30, 2020

Total Governmental Fund Balances \$ 71,539,368

Amounts Reported for Governmental Activities in the Statement of Net Position – Cash Basis are different because:

Internal services funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position – Cash Basis

4,336

Net Position of Governmental Activities

\$ 71,543,704

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds

For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
Property taxes	\$ 14,519,539	\$ 1,601,761	\$ -	\$ 73,005	\$ 16,194,305
Investment earnings	196,368	-	50,637	7,533	254,538
Extracurricular activities	104,653	-	-	44,981	149,634
Charge for service	-	-	-	31	31
Classroom materials and fees	51,305	-	-	-	51,305
Tuition and fees	167,209	-	-	-	167,209
Miscellaneous	891,463	810	-	6,888	899,161
Intergovernmental	5,032,328	-	-	1,740,043	6,772,371
Total cash receipts	<u>20,962,865</u>	<u>1,602,571</u>	<u>50,637</u>	<u>1,872,481</u>	<u>24,488,554</u>
Cash disbursements:					
Instruction:					
Regular education	7,427,973	-	-	118,170	7,546,143
Special education	3,911,414	-	-	219,614	4,131,028
Vocational	86,418	-	-	-	86,418
Other	898,051	-	-	95	898,146
Support services:					
Pupils	1,168,556	-	-	273,049	1,441,605
Instructional staff	1,189,427	-	-	13,769	1,203,196
Board of Education	163,418	-	-	-	163,418
Administration	1,524,302	-	-	135,995	1,660,297
Fiscal	563,114	27,408	-	-	590,522
Business	189,958	-	-	-	189,958
Operations and maintenance – plant	1,655,669	-	-	41,573	1,697,242
Pupil transportation	1,399,413	-	-	436	1,399,849
Central services	401,936	-	35,280	-	437,216
Operations of non-instructional services	27,379	-	-	862,042	889,421
Extracurricular activities:					
Academic and subject oriented	47,893	-	-	6,331	54,224
Sports oriented	259,206	-	-	128,424	387,630
Co-curricular	22,684	-	-	-	22,684
Facilities acquisition and construction:					
Site improvements services	53,876	-	-	1,249	55,125
Architecture and engineering services	-	-	291,418	-	291,418
Building improvement services	81,145	-	-	-	81,145
Other facilities acquisition and construction services	12,486	-	-	-	12,486
Debt service:					
Principal payments	-	4,000,000	-	-	4,000,000
Interest and fiscal charges	-	264,597	-	-	264,597
Debt issuance costs	-	91,228	464,358	-	555,586
Total cash disbursements	<u>21,084,318</u>	<u>4,383,233</u>	<u>791,056</u>	<u>1,800,747</u>	<u>28,059,354</u>
Excess of receipts over (under) disbursements	<u>(121,453)</u>	<u>(2,780,662)</u>	<u>(740,419)</u>	<u>71,734</u>	<u>(3,570,800)</u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Advances – in	464,723	-	-	174,723	639,446
Advances – out	(464,723)	-	-	(174,723)	(639,446)
Transfers – in	-	-	-	1,631,620	1,631,620
Transfers – out	(1,700,404)	-	-	-	(1,700,404)
Refund of prior year receipts	-	-	-	(830)	(830)
Proceeds from sale of bonds	-	3,900,000	55,995,000	-	59,895,000
Premium on issuance of bonds	-	2,746,730	464,358	-	3,211,088
Proceeds from sale of notes	-	-	4,000,000	-	4,000,000
Total other financing sources (uses)	<u>(1,700,404)</u>	<u>6,646,730</u>	<u>60,459,358</u>	<u>1,630,790</u>	<u>67,036,474</u>
Net change in fund balance	(1,821,857)	3,866,068	59,718,939	1,702,524	63,465,674
Fund balance at beginning of year	<u>7,661,511</u>	<u>-</u>	<u>-</u>	<u>412,183</u>	<u>8,073,694</u>
Fund balance at end of year	<u>\$ 5,839,654</u>	<u>\$ 3,866,068</u>	<u>\$ 59,718,939</u>	<u>\$ 2,114,707</u>	<u>\$ 71,539,368</u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Cash Basis

For the Fiscal Year Ended June 30, 2020

Net Changes in Fund Balances – Total Governmental Funds \$ 63,465,674

Amounts Reported for Governmental Activities in the Statement of Activities – Cash Basis are different because:

Internal services funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net receipts (disbursements) of the Internal Service Funds are reported with Governmental Activities.

-

Change in Net Position of Governmental Activities \$ 63,465,674

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund

For the Fiscal Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Cash receipts:				
Property taxes	\$ 15,336,431	\$ 15,336,431	\$ 14,519,539	\$ (816,892)
Investment earnings	145,218	145,218	196,368	51,150
Extracurricular activities	57,664	57,664	77,975	20,311
Classroom materials and fees	37,941	37,941	51,305	13,364
Tuition and fees	123,654	123,654	167,209	43,555
Miscellaneous	622,553	622,553	841,835	219,282
Intergovernmental	3,721,501	3,721,501	5,032,328	1,310,827
Total cash receipts	<u>20,044,962</u>	<u>20,044,962</u>	<u>20,886,559</u>	<u>841,597</u>
Cash disbursements:				
Instruction:				
Regular	7,386,431	7,300,763	7,427,973	(127,210)
Special	3,889,539	3,844,428	3,911,414	(66,986)
Vocational	85,935	84,938	86,418	(1,480)
Other	893,029	882,671	898,051	(15,380)
Supporting services:				
Pupils	1,133,753	1,120,603	1,140,129	(19,526)
Instructional staff	1,182,775	1,169,057	1,189,427	(20,370)
Board of Education	162,504	160,619	163,418	(2,799)
Administration	1,515,777	1,498,197	1,524,302	(26,105)
Fiscal	559,965	553,470	563,114	(9,644)
Business	188,896	186,705	189,958	(3,253)
Operation and maintenance – plant	1,646,409	1,627,314	1,655,669	(28,355)
Pupil transportation	1,391,587	1,375,447	1,399,413	(23,966)
Central services	399,688	395,053	401,936	(6,883)
Operation of non-instructional services	27,226	26,910	27,379	(469)
Extracurricular activities:				
Academic subject oriented activities	18,370	18,157	18,473	(316)
Sports oriented	257,756	254,767	259,206	(4,439)
Co-curricular activities	22,557	22,296	22,684	(388)
Facilities acquisition and construction:				
Site improvement services	53,575	52,953	53,876	(923)
Building improvement services	80,691	79,755	81,145	(1,390)
Other facilities acquisition and construction services	12,416	12,272	12,486	(214)
Total cash disbursements	<u>20,908,879</u>	<u>20,666,375</u>	<u>21,026,471</u>	<u>(360,096)</u>
Total (deficiency) excess of cash receipts over cash disbursements	<u>(863,917)</u>	<u>(621,413)</u>	<u>(139,912)</u>	<u>481,501</u>

(continued)

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund (continued)

For the Fiscal Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Advances – in	464,723	464,723	464,723	-
Advances – out	(464,723)	(464,723)	(464,723)	-
Transfers – out	(1,700,404)	(1,700,404)	(1,700,404)	-
Total other financing sources (uses)	<u>(1,700,404)</u>	<u>(1,700,404)</u>	<u>(1,700,404)</u>	<u>-</u>
Net change in fund balance	(2,564,321)	(2,321,817)	(1,840,316)	481,501
Fund balance at beginning of year	7,117,925	7,117,925	7,117,925	-
Prior year encumbrances	<u>444,072</u>	<u>444,072</u>	<u>444,072</u>	<u>-</u>
Fund balance at end of year	\$ <u>4,997,676</u>	\$ <u>5,240,180</u>	\$ <u>5,721,681</u>	\$ <u>481,501</u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Fund Net Position – Cash Basis Proprietary Funds

June 30, 2020

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
Assets:		
Current assets:	\$ 49,056	\$ 4,336
Equity in pooled cash and cash equivalents	<u>49,056</u>	<u>4,336</u>
Total assets		
Net position:		
Unrestricted	<u>49,056</u>	<u>4,336</u>
Total net position	<u>\$ 49,056</u>	<u>\$ 4,336</u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Cash Receipts, Disbursements and Changes in Fund Net Position – Cash Basis Proprietary Funds

For the Fiscal Year Ended June 30, 2020

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
Operating cash receipts:		
Charges for services	\$ 102,363	\$ -
Miscellaneous	45,319	-
Intergovernmental	<u>185,106</u>	<u>-</u>
Total operating cash receipts	<u>332,788</u>	<u>-</u>
Operating cash disbursements:		
Salaries and wages	120,480	-
Fringe benefits	110,443	-
Contractual services	93,313	-
Materials and supplies	123,671	-
Capital outlay	<u>17,760</u>	<u>-</u>
Total operating cash disbursements	<u>465,667</u>	<u>-</u>
Operating loss before transfers and advances	<u>(132,879)</u>	<u>-</u>
Advances – in	290,000	-
Advances – out	(290,000)	-
Transfers – in	<u>68,784</u>	<u>-</u>
Change in net position	(64,095)	-
Total net position at beginning of year	<u>113,151</u>	<u>4,336</u>
Total net position at end of year	<u>\$ 49,056</u>	<u>\$ 4,336</u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds

June 30, 2020

	<u>Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>3,670</u>	\$ <u>54,833</u>
Liabilities:		
Due to students	<u>-</u>	\$ <u><u>54,833</u></u>
Net position:		
Held in trust	\$ <u><u>3,670</u></u>	

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Funds

For the Fiscal Year Ended June 30, 2020

	<u>Trust Funds</u>
Operating revenues:	
Investment earnings	\$ 59
Net position at beginning of year	<u>3,611</u>
Net position at end of year	<u><u>\$ 3,670</u></u>

The accompanying notes are an integral part of these financial statements.

Wickliffe City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 1: Description of the School District and Reporting Entity

The Wickliffe City School District (the “District”) is located in Lake County in northeastern Ohio. The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District serves an area of approximately four square miles consisting of the corporate limits of the City of Wickliffe. The District employs 85 support employees and 127 certified employees who provide services to 1,407 pupils and other community members. The District currently operates three school buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The District has no component units. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For an Ohio School District, this includes general operations, food services, and student related activities of the District.

There are various non-public schools within the District’s boundaries. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the District Treasurer, as directed by the non-public school. These transactions are reflected as a governmental activity of the District.

The District is the primary government and constitutes the entire reporting entity. The Wickliffe Public Library, located in the District, is a related organization to the District. The Library is not included in the District’s financial statements.

Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The District is associated with one jointly governed organization, one claims servicing pool, and one related organization. These organizations are the Ohio Schools Council, Lake County Council of Governments Health Care Benefits Self Insurance Program, and Wickliffe Public Library. These organizations are described in detail in Notes 12, 13, and 14.

The District’s management believes these financial statements present all activities for which the District is financially accountable.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 2: Summary of Significant Accounting Policies

As discussed further in Note 2 C, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position – Cash Basis presents the cash balance of governmental and business-type activities of the District as a whole at fiscal year-end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each function or program of the District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

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

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. Below are the District's major funds:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – The Bond Retirement Fund accounts for and reports property taxes restricted for the payment of bonds issued.

Building Fund – The Building Fund accounts for and reports bond and note proceeds restricted for the acquisition, construction, improvements and furnishings for the District.

The other governmental funds of the District account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds

The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds

Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Fund

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

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

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 2: Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

The appropriation resolution is the Board of Education's authorization to spend resources and set annual limits on cash disbursements plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board of Education.

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

E. Cash and Cash Equivalents

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

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Except for nonparticipating contracts, investments are reported at fair value. Nonparticipating investment contracts such as nonnegotiable certificates of deposits, commercial paper and repurchase agreements are reported at cost. The District has no nonparticipating contracts.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 2: Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments balance exceeds the cumulative value of those investments subject to GASB Statement No. 31.

The gain/loss resulting from valuation will be reported within the investment earnings account on the Statement of Activities – Cash Basis and the Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2020 amounted to \$196,368, which includes \$99,579 assigned from other funds of the District.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets on the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment health care benefits.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 2: Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for net pension liability, net OPEB liability, and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception unless the cash was provided to the District to make the purchases. Lease payments are reported when paid. These items are not reflected as liabilities on the accompanying financial statements.

L. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There are no restricted assets due to enabling legislation. Net position restricted for other purposes include resources restricted for Federal and State grants restricted to cash disbursements for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance Reserves

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

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

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves (continued)

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

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

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

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

O. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 non-operating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 3: New Accounting Pronouncements

Newly Adopted Accounting Pronouncements

For fiscal year ended June 30, 2020, the District implemented the following Governmental Accounting Standards Board (GASB):

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including: unused lines of credit, assets pledged as collateral for the debt and terms specified in debt agreements related to significant events with finance-related consequences including default, termination, and subjective acceleration clauses. These disclosures were incorporated in the District's notes to the financial statements; however, there was no effect on beginning net position.

GASB Statement No. 90, *Majority Equity Interests, an amendment to GASB 14 and 61*. This statement modified previous guidance for reporting a government's equity interest in a legally separate organization. This statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in the component unit. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement was issued in May 2020 and extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement were effective immediately and implemented by the District.

GASB Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018*, issued in May, 2018, provides guidance that clarifies, explains or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. These changes were incorporated in the District's financial statements; however, there was no effect on beginning net position.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2019. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 3: New Accounting Pronouncements (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted (continued)

GASB Implementation Guide No. 2019-2, *Fiduciary Activities*, issued in June 2019, provides guidance to address issues related to accounting and financial reporting for fiduciary activities in accordance with the requirements of GASB Statement No. 84. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2019. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Implementation Guide No. 2019-1, *Implementation Guide Update-2019* and GASB Implementation Guide No. 2019-3, *Leases*, effective dates were also deferred as a result of GABS Statement No. 95. The effective date of these implementation guides are reporting periods beginning after June 15, 2020 and June 15, 2021, respectively. The District has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 4: Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Community activities	\$ -	\$ -	\$ -	\$ 5,968	\$ 5,968
Athletics	-	-	-	20,080	20,080
Auxiliary services	-	-	-	176,609	176,609
Title I	-	-	-	29,135	29,135
Debt	-	3,866,068	-	-	3,866,068
Special education	-	-	-	28,857	28,857
English proficiency	-	-	-	6,566	6,566
Improving teacher quality	-	-	-	7,239	7,239
Student wellness	-	-	-	121,810	121,810
Other purposes	11,000	-	-	94,594	105,594
Capital improvements	-	-	59,718,939	1,628,419	61,347,358
Total restricted	<u>11,000</u>	<u>3,866,068</u>	<u>59,718,939</u>	<u>2,119,277</u>	<u>65,715,284</u>
Assigned to:					
Other purposes	<u>2,755,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755,438</u>
Unassigned	<u>3,073,216</u>	<u>-</u>	<u>-</u>	<u>(4,570)</u>	<u>3,068,646</u>
Total fund balances	\$ <u>5,839,654</u>	\$ <u>3,866,068</u>	\$ <u>59,718,939</u>	\$ <u>2,114,707</u>	\$ <u>71,539,368</u>

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 5: Deposits and Investments

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in 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 marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 5: Deposits and Investments (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
8. Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short-selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Cash on Hand

At fiscal year-end, the District had \$715 in undeposited cash on hand which is included on the basic financial statements of the District as part of "equity in pooled cash and cash equivalents."

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 5: Deposits and Investments (continued)

Deposits (continued)

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

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

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

At year-end, the carrying amount of the District's deposits was \$4,104,106 and the bank balance was \$4,190,188. At year-end, none of the District's total bank balance was exposed to custodial credit risk as the deposits were covered under FDIC and OPCS.

Investments

Investments are reported as fair value. At June 30, 2020, the District had the following investments:

	Fair Value	Maturity	
		Six months or less	More than six months
Money market mutual fund	\$ 2,991,440	\$ 2,991,440	\$ -
Negotiable certificates of deposit	10,730,960	2,105,989	8,624,971
U.S. treasury notes	7,739,259	4,743,768	2,995,491
Commercial paper	16,232,607	1,123,910	15,108,697
Banker's acceptance	2,331,390	2,331,390	-
Federal National Mortgage Association	1,997,900	-	1,997,900
Federal Farm Credit Bank	13,293,137	-	13,293,137
Federal Home Loan Mortgage Corp.	7,999,903	-	7,999,903
Federal Home Loan Bank	4,229,846	-	4,229,846
Total	\$ <u>67,546,442</u>	\$ <u>13,296,497</u>	\$ <u>54,249,945</u>

The entire balance of the negotiable certificates of deposit is covered by FDIC insurance.

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 5: Deposits and Investments (continued)

Investments (continued)

The District has the following recurring fair value measurements at June 30, 2020:

- Money market mutual fund is valued at amortized cost, which approximates fair value. This is considered a Level 1 investment.
- All other investments are measured based on Level 2 inputs, using a matrix or model pricing method.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The District's investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a remaining life greater than five years.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the District must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is risk that in the event of bank failure, the District's deposits may not be returned to it. The District's investment policy requires that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. The District's investment in the money market mutual fund and the negotiable certificate of deposit are unrated. All other investments carry a rating of A-1/AA+ or above by Standard and Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The District's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. At June 30, 2020, the District's investments greater than five percent are as follows:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Negotiable certificates of deposit	15.89%
U.S. treasury notes	11.46%
Commercial paper	24.03%
Federal Farm Credit Bank	19.68%
Federal Home Loan Mortgage Corp.	11.84%

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 6: Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax receipts received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 are levied after April 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by state law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and were collected in 2019 with real property taxes. Public utility property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second-Half Collections		2020 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 266,814,590	95.56%	\$ 267,145,490	95.30%
Public Utility Personal	<u>12,406,600</u>	<u>4.44%</u>	<u>13,177,050</u>	<u>4.70%</u>
	<u>\$ 279,221,190</u>	<u>100.00%</u>	<u>\$ 280,322,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 83.11		\$ 94.58	

The Lake County Treasurer collects property taxes on behalf of all taxing districts in the county, including Wickliffe City School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the county by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 7: Interfund Activity

Interfund transfers for the fiscal year ended June 30, 2020, consisted of the following, as reported on the fund statements.

<u>Transfer from</u>	<u>Transfer to</u>		
	<u>Other Governmental</u>	<u>Enterprise Funds</u>	<u>Total</u>
General Fund	\$ <u>1,631,620</u>	\$ <u>68,784</u>	\$ <u>1,700,404</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8: Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District contracted with Love Insurance Agency, for property, fleet, liability, crime, general liability, and errors and omissions coverage. Coverages provided with Love Insurance Agency are as follows:

	<u>Coverage</u>
Buildings and Contents	\$ 65,551,990
Flood/Earthquake per occurrence	1,000,000
Crime Coverage	100,000
Automobile Liability	5,000,000
Uninsured Motorists	1,000,000
General Liability:	
Per Occurrence	5,000,000
Total per year	7,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a reduction in insurance coverage from the prior year.

B. Employee Medical Coverage

The District has elected to provide medical coverage through premium payment to the Lake County Council of Governments Health Care Benefits Self Insurance Program. The District paid \$3,205,118 in premiums during fiscal year 2020.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 8: Risk Management (continued)

C. Worker's Compensation

For fiscal year 2020, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. Comp Management provides administrative, cost control, and actuarial services to the Plan.

Note 9: Defined Benefit Pension Plans

A. Net Pension Liability

Pensions are a component of exchange transactions — between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee — on a deferred-payment basis — as part of the total compensation package offered by an employer for employee services each financial period.

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

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

A. Net Pension Liability (continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

B. Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

B. Plan Description – School Employees Retirement System (SERS) (continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was the full 14.0 percent while the funding for the Health Care Fund was 0.0 percent.

The District's contractually required contribution to SERS was \$456,063 for fiscal year 2020.

C. Plan Description – State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be viewed by visiting www.strsoh.org or by requesting a copy by calling toll-free 888-227-7877.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

C. Plan Description – State Teachers Retirement System (STRS) (continued)

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14.00 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$1,161,849 for fiscal year 2020.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

D. Net Pension Liability

The net pension liability was measured as of June 30, 2019 for SERS and STRS, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 for SERS and STRS, respectively. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.087753%	0.068976%	
Proportion of the net pension liability current measurement date	<u>0.086446%</u>	<u>0.070330%</u>	
Change in proportionate share	<u>(0.001307%)</u>	<u>0.001354%</u>	
Proportionate share of the net pension liability	\$ 5,172,216	\$ 15,553,145	\$ 20,725,361

E. Actuarial Assumptions – SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2135.

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal (level percent of payroll)
Actuarial Assumptions:	
Investment rate of return	7.5 percent, net of investments expense
COLA or Ad Hoc COLA	2.5 percent, on or after April, 1 2018, COLA's for future retirees will be delayed for three years following commencement.
Future salary increases, including inflation	3.50 percent to 18.20 percent
Inflation	3.00 percent

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
Cash	1.00%	0.50%
US equity	22.50	4.75
International equity	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategy	10.00	3.00
Total	<u>100.00%</u>	

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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

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

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
School District’s proportionate share of the net pension liability	\$ 7,248,123	\$ 5,172,216	\$ 3,431,307

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increase	3.00 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Cost-of-living adjustments (COLA)	0.00 percent effective July 1, 2017

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – STRS (continued)

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 9: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – STRS (continued)

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

	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
School District's proportionate share of the net pension liability	\$ 22,729,189	\$ 15,553,145	\$ 9,478,257

G. Social Security System

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

Note 10: OPEB Plans

A. Net OPEB Liability

OPEB is a component of exchange transactions — between an employer and its employees — of salaries and benefits for employee services. OPEB are provided to an employee — on a deferred-payment basis — as part of the total compensation package offered by an employer for employee services each financial period.

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

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

A. Net OPEB Liability (continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

B. Plan Description – School Employees Retirement System (SERS)

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

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

B. Plan Description – School Employees Retirement System (SERS) (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year ended June 30, 2020, 0.0 percent of covered payroll was made to health care. Active employee members do not contribute to the Health Care Plan. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year ended June 30, 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year ended June 30, 2020, the District's surcharge obligation was \$45,167.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$45,167 for fiscal year 2020.

C. Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

D. Net OPEB Liability (Asset)

The net OPEB liability (asset) were measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net OPEB liability/asset prior measurement date	0.087913%	0.068976%	
Proportion of net OPEB liability/asset current measurement date	<u>0.087987%</u>	<u>0.070330%</u>	
Change in proportionate share	<u>0.000074%</u>	<u>0.001354%</u>	
Proportionate share of the net OPEB liability	\$ 2,212,688	\$ -	\$ 2,212,688
Proportionate share of the net OPEB (asset)	\$ -	\$ (1,164,840)	\$ (1,164,840)

E. Actuarial Assumptions – SERS

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

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

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

E. Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Wage inflation	3.00 percent
Projected salary increases	3.50 percent to 18.20 percent, including inflation
Investment rate of return	7.50 percent
Municipal bond index rate:	
Measurement date	3.13 percent
Prior measurement date	3.62 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	3.22 percent
Prior Measurement date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

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

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

E. Actuarial Assumptions – SERS (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US equity	22.50	4.75
International equity	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategy	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2029 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

E. Actuarial Assumptions – SERS (continued)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS’ net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS’ net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u> <u>(2.22%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.22%)</u>	<u>1% Increase</u> <u>(4.22%)</u>
School District’s proportionate share of the net OPEB liability	\$ 2,685,784	\$ 2,212,688	\$ 1,836,522

	<u>1% Decrease</u> <u>(6.00-3.75%)</u>	<u>Current</u> <u>Trend Rate</u> <u>(7.25-4.75%)</u>	<u>1% Increase</u> <u>(8.00-5.75%)</u>
School District’s proportionate share of the net OPEB liability	\$ 1,772,811	\$ 2,212,688	\$ 2,796,298

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019 actuarial valuation are presented below:

Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increases	3 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent

	<u>Initial</u>	<u>Ultimate</u>
Health care cost trends		
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.93%	4.00%
Prescription drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

F. Actuarial Assumptions – STRS (continued)

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

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*Target weights will be phased in over 24-month period concluding on July 1, 2019.

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

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 10: OPEB Plans (continued)

F. Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u> <u>(6.45%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.45%)</u>	<u>1% Increase</u> <u>(8.45%)</u>
School District’s proportionate share of the net OPEB (asset)	\$ (993,959)	\$ (1,164,840)	\$ (1,308,511)

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
School District’s proportionate share of the net OPEB (asset)	\$ (1,320,875)	\$ (1,164,840)	\$ (973,735)

Benefit Term Changes Since the Prior Measurement Date There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 11: Debt

A. Notes Payable

The changes in the District's notes payable during fiscal year 2020 were as follows:

	<u>Balance</u> <u>6/30/19</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/20</u>
Governmental activities:				
School facility improvement notes, 2.5%, maturing 5/27/20	\$ -	\$ 4,000,000	\$ (4,000,000)	\$ -

B. Long-term Bonds

The original issue date, maturity date, interest rate and original issuance amount for each of the City's bonds and loans follows:

	<u>Original</u> <u>Issue Date</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Issue Amount</u>
Governmental activities:				
General obligation bonds:				
School facility construction improvement bonds, series 2020A	2020	2057	3.00-5.00%	\$ 55,995,000
School facility construction improvement bonds, series 2020B	2020	2050	3.00-4.00%	\$ 3,900,000

Changes in long-term bonds during the year ended June 30, 2020, consisted of the following:

	<u>Balance</u> <u>6/30/19</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/20</u>	<u>Amounts Due</u> <u>in One Year</u>
Governmental activities:					
General obligation bonds:					
School facility construction improvement bonds, series 2020A	\$ -	\$ 55,995,000	\$ -	\$ 55,995,000	\$ 2,400,000
Premium on school facility construction improvement bonds	-	3,111,596	-	3,111,596	-
School facility construction improvement bonds, series 2020B	-	3,900,000	-	3,900,000	130,000
Premium on school facility construction improvement bonds	-	99,492	-	99,492	-
Total governmental activities	\$ -	\$ 63,106,088	\$ -	\$ 63,106,088	\$ 2,530,000

In April 2020, the District issued \$55,995,000 in general obligation bonds for the purpose of constructing, adding to, renovating, remodeling, furnishing, equipping, and otherwise improving District buildings and facilities. The bonds are being retired from the Bond Retirement fund from a voted tax levy.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 11: Debt (continued)

B. Long-term Bonds (continued)

In May 2020, the District issued \$3,900,000 in general obligation bonds for the purpose of constructing, adding to, renovating, remodeling, furnishing, equipping, and otherwise improving District buildings and facilities and to retire outstanding notes issued for that purpose. The bonds are being retired from the Bond Retirement fund from a voted tax levy.

Year	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2021	\$ 2,530,000	\$ 1,352,746
2022	2,080,000	2,165,819
2023	785,000	2,083,419
2024	780,000	2,052,869
2025	810,000	2,022,519
2026-2030	4,690,000	9,481,195
2031-2035	5,935,000	8,237,295
2036-2040	7,265,000	6,914,445
2041-2045	8,565,000	5,602,008
2046-2050	10,210,000	3,947,089
2051-2055	11,225,000	1,950,402
2056-2057	<u>5,020,000</u>	<u>246,025</u>
Totals	\$ <u>59,895,000</u>	\$ <u>46,055,831</u>

C. Lessee

The District entered into a lease purchase agreement to lease technology equipment commencing July 1, 2016 with first payment due in July 2017. Annual payments of \$239,654 were made with an interest rate of 2.64 percent with final payment paid July 2019. This lease has expired as of June 30, 2020.

The District entered into a lease purchase agreement to lease technology equipment commencing July 9, 2019 with first payment due in July 2020. Annual payments of \$89,036 are to be made with an interest rate of 2.88 percent with final payment due in July 2022. The future minimum lease payments are as follows for the fiscal years ending June 30:

	Lease Payment
2021	\$ 89,036
2022	89,036
2023	89,036
Interest	<u>(14,520)</u>
Principal	\$ <u>252,588</u>

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 11: Debt (continued)

D. Lessor

The District has entered into a lease agreement with T-Mobile Central, LLC (T-Mobile) where T-Mobile will use the District's property to access utilities commencing June 27, 2007 for five years with five successive five-year options to renew. In June 2017, the second five-year option was exercised. Commencing July 2010, T-Mobile subleased the property to Clear Wireless, LLC. Total revenue from the lease and sublease in fiscal year 2020 was \$30,796 and \$15,041, respectively. The base rent on the lease was \$1,800 per month, which increases by three percent annually on the anniversary of the commencement date. During fiscal year 2020 the rent on the lease was \$2,566 per month. Per the master lease agreement, the District is to receive additional rent in the amount of 50 percent of all payments received from each sublease. The base additional rent being received by the District from the sublease was \$713 per month and increases annually. During fiscal year 2020 the additional rent from the sublease was \$1,253 per month.

The future minimum rent to be received from the lease and sublease are as follows for the fiscal years ending June 30:

	<u>T-Mobile Lease</u>	<u>Clear Wireless Sublease</u>	<u>Total</u>
2021	\$ 31,720	\$ 15,492	\$ 47,212
2022	<u>32,672</u>	<u>15,957</u>	<u>48,629</u>
	<u>\$ 64,392</u>	<u>\$ 31,449</u>	<u>\$ 95,841</u>

The District entered into a lease agreement with Lake County Health District for use of the School District's Family Resource Center commencing May 15, 2020 for one year with successive one-year options to renew. The rent on the lease is \$10,000 per year payable in monthly installments.

Note 12: Jointly Governed Organizations

Ohio Schools Council

The Ohio Schools Council (the "Council") is a jointly governed organization among 247 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each school district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Council.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 12: Jointly Governed Organizations (continued)

Ohio Schools Council (continued)

The Council elects five of its Board of Directors members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors. The Board of Directors is the policy making authority of the Council. The Board of Directors meets monthly September through June. The Board of Directors appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board of Directors and Assembly and carrying out such other responsibilities as designated by the Board of Directors. The degree of control exercised by any school district is limited to its representation on the Board of Directors. In fiscal year 2020, the District paid \$52,605 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council Association at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The District participates in the natural gas program. This program allows the District to purchase natural gas at reduced rates. Constellation Energy Services, Inc. is the natural gas supplier and program manager. There are currently 165 participants in the program. The participants make monthly payments based on estimated usage.

Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted, and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The District also participates in the Council's electric purchase program. The Council provided school districts in the First Energy territory (Ohio Edison, The Illuminating Company, Toledo Edison, Duke Energy and AEP Ohio Power) the ability to purchase electricity at the reduced rates. Each month, the Council invoices participants based on estimated payments which are compared to their usage for the year (July to June). Refund checks are issued to school districts that consumed less than their projected usage of electrical energy and school districts that over-consumed are invoiced. The District purchases its electricity from Cleveland Electric Illuminating Company. In late October 2009, the District joined a new Ohio Schools Council consortium electricity purchasing program which provides for additional discounts above what the District would receive otherwise.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 13: Claims Servicing Pool

Lake County Council of Governments Health Care Benefits Self Insurance Program

The District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a claims servicing pool comprised of twelve Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five-member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Financial information can be obtained from the Health Care Benefits Program of Lake County Schools Council, Madison Local Schools, 1956 Red Bird Road, Madison, Ohio 44057.

Note 14: Related Organizations

Wickliffe Public Library

The Wickliffe Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Wickliffe Public Library, Rick Zalecky, Fiscal Officer, 1713 Lincoln Road, Wickliffe, Ohio 44092.

Note 15: Contingencies

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2020, if applicable, cannot be determined at this time.

B. Litigation

As of June 30, 2020, the District is not a defendant in legal proceedings that would, in the District's opinion, have a material effect on the basic financial statements.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 15: Contingencies (continued)

C. School District Foundation Funding

The District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the state, which can extend past the fiscal year end. ODE has finalized the adjustments and they did not have a significant impact on the District's funding.

Note 16: Set-Aside Calculations

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

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

	Capital Improvements Reserve
Set-aside reserve balance as of June 30, 2019	\$ -
Current year set-aside requirements	224,498
Qualifying disbursements	<u>(494,665)</u>
Total	<u>(270,167)</u>
Set-aside reserve balance as of June 30, 2020	\$ <u><u>-</u></u>

Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2020

Note 17: Budgetary Basis of Accounting

The budgetary basis as provided by Ohio law is based upon accounting for certain transactions on the basis of cash receipts, disbursement, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding fiscal year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budgetary basis). There were no outstanding encumbrances at fiscal year-end (budgetary basis).

Note 18: Compliance and Accountability

A. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Accountability

The Miscellaneous Federal Grant Fund had a negative fund balance at June 30, 2020 of \$4,570. The deficit in this fund is due to federal grants being on reimbursement basis. As of June 30, 2020, the District is awaiting reimbursement to replenish the current fund deficit balance. The General Fund has sufficient funds to support the deficit balance and will provide operating transfer to the deficit fund balance in the fund as needed.

Note 19: Subsequent Event

COVID-19

In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to operations, including government mandated actions, employee, and supplier related challenges have impacted many entities. The financial markets have experienced significant declines and high volatility. Governmental agencies have made indications of their desire to provide aid to those affected by COVID-19, however, the availability, form, and amount of such aid that may be available to the District is not yet known. The District is evaluating the effects of COVID-19 on its operations.

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**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$ 35,520
COVID - 19 School Breakfast Program		2,845
Total - School Breakfast Program		<u>38,365</u>
National School Lunch Program	10.555	126,947
COVID- 19 National School Lunch Program		15,112
National School Lunch Program - Non-Cash Assistance		29,595
Total - National School Lunch Program		<u>171,654</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster		<u>210,019</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States	84.027	33,037
		<u>350,187</u>
Total - Special Education Grants to States		<u>383,224</u>
Special Education Preschool Grants	84.173	5,582
Total - Special Education Cluster		<u>388,806</u>
Title I Grants to Local Educational Agencies	84.010	38,455
		<u>182,826</u>
Total - Title I Grant to Local Educational Agencies		<u>221,281</u>
Twenty- First Century Grant	84.287	9,850
		<u>185,733</u>
Total - Twenty- First Century Grant		<u>195,583</u>
Improving Teacher Quality State Grants	84.367	8,943
		<u>25,288</u>
Total - Improving Teacher Quality State Grants		<u>34,231</u>
Student Support and Academic Enrichment Program	84.424	12,450
Total U.S. Department of Education		<u>852,351</u>
Total Expenditures of Federal Awards		<u>\$1,062,370</u>

The accompanying notes are an integral part of this schedule.

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wickliffe City School District, Lake County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 47,638
Special Education - Grants to States	84.027	\$ 41,045

OHIO AUDITOR OF STATE KEITH FABER



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

Wickliffe City School District
Lake County
2221 Rockefeller Road
Wickliffe, Ohio 44092

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon date February 23, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 23, 2021



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Wickliffe City School District
Lake County
2221 Rockefeller Road
Wickliffe, Ohio 44092

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Wickliffe City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Wickliffe City School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In our opinion, Wickliffe City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 23, 2021

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> ➤ Special Education Cluster, CFDA 84.027 and 84.173 ➤ Child Nutrition Cluster, CFDA 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Official's Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

WICKLIFFE CITY SCHOOLS

2221 Rockefeller Road: Wickliffe, OH 44092

Phone: 440.943.6900 Fax: 440.943.7738 Web: wickliffeschools.org

Superintendent: Joseph Spiccia Treasurer: Lewis E. Galante

Board of Education: Katie Ball • Carl Marine • Donald J. Marn • Daniel J. Thomeier • Gail Willis

WICKLIFFE CITY SCHOOL DISTRICT LAKE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Noncompliance Finding – Ohio Rev. Code § 117.38: The District does not prepare GAAP basis financial statements.	Not Corrected	At this time, Wickliffe City Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective. Repeated as 2020-001.

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WICKLIFFE CITY SCHOOLS

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WICKLIFFE CITY SCHOOL DISTRICT LAKE COUNTY

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	At this time, Wickliffe City Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective.	N/A	Lewis Galante, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



WICKLIFFE CITY SCHOOL DISTRICT

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/16/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov