

# **Wickliffe City School District**

**Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Wickliffe City School District, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 25, 2018

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# Wickliffe City School District

For the Year Ended June 30, 2017

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Wickliffe City School District

For the Year Ended June 30, 2017

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## **Independent Auditor's Report**

Board of Education  
Wickliffe City School District  
Wickliffe, Ohio

### **Report on the Financial Statements**

We have audited the accompanying 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 (the "District"), as of and for the year ended June 30, 2017, 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 the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the basis of accounting described in Note 2.

***Basis of Accounting***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with the accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting applied to these statements, which is a basis other than generally accepted accounting principles. Our opinions are not modified with respect to this matter.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Management's Discussion and Analysis on pages 3 through 10, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
December 29, 2017



# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2017

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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, 2017. 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 2017 are as follows:

- In total, net position increased \$1,833,847. Net position of governmental activities increased \$1,797,246 and net position of business-type activities increased \$36,601 from 2016.
- Total general receipts accounted for \$21,247,179 in receipts or 89 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,634,508 or 11 percent of total receipts of \$23,881,687.
- The District had \$21,608,326 in disbursements related to governmental activities; \$2,175,918 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and grants and entitlements not restricted to specific programs) of \$21,229,654, net of transfers out of \$17,525, were adequate to provide for these programs resulting in an increase of net position from \$5,468,035 to \$7,265,281.
- The District had \$439,514 in disbursements related to business-type activities; \$458,590 of program specific charges for services, grants and contributions offset these disbursements. Total program receipts were adequate to provide for these programs in an excess of \$19,076. After including transfers in of \$17,525, net position increased from \$109,876 to \$146,477.
- The District's major governmental fund is the General Fund. The General Fund had \$22,070,602 in receipts and other financing sources and \$20,357,695 in disbursements and other financing uses. The General Fund's fund balance increased \$1,712,907 from \$5,120,428 to \$6,833,335.

### 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.

### 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.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2017

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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 receipts (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 2017, 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.

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.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2017

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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 only major governmental fund is the General 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.

#### ***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.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2017

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### *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 23 and Statement of Changes in Fiduciary Net Position – Cash Basis on page 24. 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 2017 and 2016.

**Table 1  
Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ <u>7,265,281</u>	\$ <u>5,468,035</u>	\$ <u>146,477</u>	\$ <u>109,876</u>	\$ <u>7,411,758</u>	\$ <u>5,577,911</u>
Total assets	<u>7,265,281</u>	<u>5,468,035</u>	<u>146,477</u>	<u>109,876</u>	<u>7,411,758</u>	<u>5,577,911</u>
Net position:						
Restricted for:						
Capital projects	8,129	8,129	-	-	8,129	8,129
Other purposes	430,481	373,306	-	-	430,481	373,306
Unrestricted	<u>6,826,671</u>	<u>5,086,600</u>	<u>146,477</u>	<u>109,876</u>	<u>6,973,148</u>	<u>5,196,476</u>
Total net position	\$ <u>7,265,281</u>	\$ <u>5,468,035</u>	\$ <u>146,477</u>	\$ <u>109,876</u>	\$ <u>7,411,758</u>	\$ <u>5,577,911</u>

As noted earlier, net position may serve over time as a useful indicator of a District’s financial position.

Total assets increased by \$1,833,847 from 2016 to 2017. The increase was primarily due to greater property tax revenues.

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, 2017

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Cash receipts:						
Program cash receipts:						
Charges for services	\$ 329,366	\$ 385,114	\$ 190,902	\$ 207,198	\$ 520,268	\$ 592,312
Operating grants and contributions	<u>1,846,552</u>	<u>2,340,754</u>	<u>267,688</u>	<u>270,303</u>	<u>2,114,240</u>	<u>2,611,057</u>
Total program cash receipts	<u>2,175,918</u>	<u>2,725,868</u>	<u>458,590</u>	<u>477,501</u>	<u>2,634,508</u>	<u>3,203,369</u>
General cash receipts:						
Property taxes	14,353,607	13,985,767	-	-	14,353,607	13,985,767
Grants and entitlements	5,619,661	5,722,925	-	-	5,619,661	5,722,925
Investment earnings	4,133	13,927	-	-	4,133	13,927
Miscellaneous	587,172	613,565	-	-	587,172	613,565
Inception of capital lease	<u>682,606</u>	<u>575,000</u>	<u>-</u>	<u>-</u>	<u>682,606</u>	<u>575,000</u>
Total general cash receipts	21,247,179	20,911,184	-	-	21,247,179	20,911,184
Transfers	<u>(17,525)</u>	<u>-</u>	<u>17,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>23,405,572</u>	<u>23,637,052</u>	<u>476,115</u>	<u>477,501</u>	<u>23,881,687</u>	<u>24,114,553</u>
Cash disbursements:						
Program cash disbursements:						
Instruction:						
Regular education	7,349,415	7,719,953	-	-	7,349,415	7,719,953
Special education	3,252,910	3,188,194	-	-	3,252,910	3,188,194
Vocational education	-	2,788	-	-	-	2,788
Other	875,010	977,949	-	-	875,010	977,949
Support services:						
Pupil	1,374,606	1,636,268	-	-	1,374,606	1,636,268
Instructional staff	1,787,625	1,418,823	-	-	1,787,625	1,418,823
Board of Education	161,865	248,729	-	-	161,865	248,729
Administration	1,505,062	1,521,338	-	-	1,505,062	1,521,338
Fiscal	583,048	769,555	-	-	583,048	769,555
Business	93,283	87,265	-	-	93,283	87,265
Operation and maintenance – plant	1,537,275	1,933,426	-	-	1,537,275	1,933,426
Pupil transportation	991,611	1,109,163	-	-	991,611	1,109,163
Central services	304,654	477,931	-	-	304,654	477,931
Operations of non-instructional services	862,593	931,219	-	-	862,593	931,219
Extracurricular activities	471,766	458,274	-	-	471,766	458,274
Facilities acquisition and construction	457,603	512,832	-	-	457,603	512,832
Food service	-	-	359,999	443,942	359,999	443,942
Rotary	-	-	19,303	1,479	19,303	1,479
Adult education	-	-	178	-	178	-
Special enterprise fund	-	-	<u>60,034</u>	<u>64,092</u>	<u>60,034</u>	<u>64,092</u>
Total cash disbursements	<u>21,608,326</u>	<u>22,993,707</u>	<u>439,514</u>	<u>509,513</u>	<u>22,047,840</u>	<u>23,503,220</u>
Change in net position	\$ <u>1,797,246</u>	\$ <u>643,345</u>	\$ <u>36,601</u>	\$ <u>(32,012)</u>	\$ <u>1,833,847</u>	\$ <u>611,333</u>

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2017

## Governmental Activities

Net position of the District's governmental activities increased \$1,797,246. Total governmental disbursements of \$21,608,326, were offset by program receipts of \$2,175,918 and general receipts of \$21,247,179. Program receipts supported 10 percent of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and grants and entitlements. These two receipt sources represent 85 percent of total governmental receipts. Property taxes support 66 percent of total disbursements while grants and entitlements supported 26 percent of total disbursements.

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 2017. 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	
	2017	2016	2017	2016
Program cash disbursements:				
Instruction:				
Regular education	\$ 7,349,415	\$ 7,719,953	\$ (7,097,302)	\$ (7,003,710)
Special education	3,252,910	3,188,194	(2,284,777)	(2,141,831)
Vocational education	-	2,788	-	(2,788)
Other	875,010	977,949	(875,010)	(977,949)
Support services:				
Pupil	1,374,606	1,636,268	(1,294,333)	(1,562,879)
Instructional staff	1,787,625	1,418,823	(1,787,625)	(1,418,823)
Board of Education	161,865	248,729	(161,865)	(248,729)
Administration	1,505,062	1,521,338	(1,505,062)	(1,521,338)
Fiscal	583,048	769,555	(583,048)	(769,555)
Business	93,283	87,265	(93,283)	(87,265)
Operation and maintenance - plant	1,537,275	1,933,426	(1,537,169)	(1,933,269)
Pupil transportation	991,611	1,109,163	(991,611)	(1,109,163)
Central services	304,654	477,931	(304,654)	(472,531)
Operations of non-instructional services	862,593	931,219	(83,511)	(143,688)
Extracurricular activities	471,766	458,274	(375,555)	(361,489)
Facilities acquisition and construction	457,603	512,832	(457,603)	(512,832)
Total cash disbursements	\$ <u>21,608,326</u>	\$ <u>22,993,707</u>	\$ <u>(19,432,408)</u>	\$ <u>(20,267,839)</u>

The dependence upon tax receipts during fiscal year 2017 for governmental activities is apparent, as 89 percent of 2017 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, 2017

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## ***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 \$476,115 and disbursements of \$439,514 for fiscal year 2017. This resulted in an increase to net position for the fiscal year of \$36,601.

## **The District's Funds**

Total governmental funds had receipts, including other financing sources, of \$24,153,786 and disbursements, including other financing uses, of \$22,356,535. The District's only major fund is the General Fund. The fund balance of the General Fund increased \$1,712,907 primarily due to an increase in property taxes revenue.

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Disbursement by Function:			
Instruction	\$ 11,118,091	\$ 11,361,996	(2.15)%
Support services	7,864,522	8,523,154	(7.73)
Operations of non-instructional services	20,970	16,373	28.08
Extracurricular activities	317,357	317,796	(0.14)
Facilities acquisition and construction	<u>457,603</u>	<u>512,832</u>	(10.77)
Total	<u>\$ 19,778,543</u>	<u>\$ 20,732,151</u>	

The most significant dollar change was in support services, which is the result of reduced operation and maintenance costs for plant services.

## **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 \$20,102,705 while actual disbursements, not including other financing uses, were \$20,096,052.

The change between original and final budgeted receipts was due to an increase in property taxes. The most significant variance from final budget to actual receipts was in property taxes in the amount of \$4,381,655 over expected receipts, as the District collected amounts greater than what the Office of the Budget Commission of Lake County estimated, as the estimate does not include total collection or delinquent amounts.

The original and final budgeted disbursements were materially consistent with no significant fluctuations noted.

In summary, receipts were above final expectations. The District's actual receipts ended above budgeted expectations by \$6,375,664; which caused the actual fund balance to increase by \$1,315,125 for fiscal year 2017.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2017

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## 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.

## 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 continuing operating levy in November 2015 and started collecting on the increased levy in January 2016. The District has communicated to the community that they rely upon their support for the majority of its operations. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the District to come back to the voters to ask for additional support.

Wickliffe City School District has not anticipated any growth in State revenue. With 55 percent 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 Susan M. Haffey, Treasurer/CFO, at Wickliffe City School District, 2221 Rockefeller Road, Wickliffe, Ohio 44092 or by email at [Susan.Haffey@wickliffeschools.org](mailto:Susan.Haffey@wickliffeschools.org).



# Wickliffe City School District

## Statement of Net Position – Cash Basis

June 30, 2017

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	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
		Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>7,265,281</u>	\$ <u>146,477</u>	\$ <u>7,411,758</u>
Net position:			
Restricted for:			
Capital projects	8,129	-	8,129
Other purposes	430,481	-	430,481
Unrestricted	<u>6,826,671</u>	<u>146,477</u>	<u>6,973,148</u>
Total net position	\$ <u><u>7,265,281</u></u>	\$ <u><u>146,477</u></u>	\$ <u><u>7,411,758</u></u>

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, 2017

	Cash Disbursements	Program Cash Receipts	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular education	\$ 7,349,415	\$ 46,876	\$ 205,237
Special education	3,252,910	105,900	862,233
Other	875,010	-	-
Support services:			
Pupil	1,374,606	80,273	-
Instructional staff	1,787,625	-	-
Board of Education	161,865	-	-
Administration	1,505,062	-	-
Fiscal	583,048	-	-
Business	93,283	-	-
Operations and maintenance – plant	1,537,275	106	-
Pupil transportation	991,611	-	-
Central services	304,654	-	-
Operations and non-instructional services	862,593	-	779,082
Extracurricular activities	471,766	96,211	-
Facilities acquisition and construction	<u>457,603</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>21,608,326</u>	<u>329,366</u>	<u>1,846,552</u>
Business-type activities:			
Food service	359,999	131,550	267,688
Rotary	19,303	-	-
Adult education	178	-	-
Special enterprise fund	<u>60,034</u>	<u>59,352</u>	<u>-</u>
Total business-type activities	<u>439,514</u>	<u>190,902</u>	<u>267,688</u>
Totals	\$ <u>22,047,840</u>	\$ <u>520,268</u>	\$ <u>2,114,240</u>

General cash receipts:  
 Property tax levies for:  
     General purpose  
 Grant and entitlements not restricted to  
     specific programs  
 Investment earnings  
 Miscellaneous  
 Inception of capital lease  
 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>
\$ (7,097,302)	\$ -	\$ (7,097,302)
(2,284,777)	-	(2,284,777)
(875,010)	-	(875,010)
(1,294,333)	-	(1,294,333)
(1,787,625)	-	(1,787,625)
(161,865)	-	(161,865)
(1,505,062)	-	(1,505,062)
(583,048)	-	(583,048)
(93,283)	-	(93,283)
(1,537,169)	-	(1,537,169)
(991,611)	-	(991,611)
(304,654)	-	(304,654)
(83,511)	-	(83,511)
(375,555)	-	(375,555)
<u>(457,603)</u>	<u>-</u>	<u>(457,603)</u>
<u>(19,432,408)</u>	<u>-</u>	<u>(19,432,408)</u>
-	39,239	39,239
-	(19,303)	(19,303)
-	(178)	(178)
<u>-</u>	<u>(682)</u>	<u>(682)</u>
<u>-</u>	<u>19,076</u>	<u>19,076</u>
<u>(19,432,408)</u>	<u>19,076</u>	<u>(19,413,332)</u>
14,353,607	-	14,353,607
5,619,661	-	5,619,661
4,133	-	4,133
587,172	-	587,172
<u>682,606</u>	<u>-</u>	<u>682,606</u>
21,247,179	-	21,247,179
<u>(17,525)</u>	<u>17,525</u>	<u>-</u>
<u>21,229,654</u>	<u>17,525</u>	<u>21,247,179</u>
1,797,246	36,601	1,833,847
<u>5,468,035</u>	<u>109,876</u>	<u>5,577,911</u>
\$ <u>7,265,281</u>	\$ <u>146,477</u>	\$ <u>7,411,758</u>

# Wickliffe City School District

## Balance Sheet – Cash Basis Governmental Funds

June 30, 2017

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>6,833,335</u>	\$ <u>427,610</u>	\$ <u>7,260,945</u>
Fund balances:			
Restricted	\$ 11,000	\$ 427,610	\$ 438,610
Assigned	476,116	-	476,116
Unassigned	<u>6,346,219</u>	<u>-</u>	<u>6,346,219</u>
Total fund balances	\$ <u>6,833,335</u>	\$ <u>427,610</u>	\$ <u>7,260,945</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, 2017

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Total Governmental Funds Balances \$ 7,260,945

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

Internal Service 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* \$ 7,265,281

# 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, 2017

	General	Other Governmental Funds	Total Governmental Funds
Cash receipts:			
Property taxes	\$ 14,353,607	\$ -	\$ 14,353,607
Investment earnings	3,194	939	4,133
Extracurricular activities	158,708	50,370	209,078
Classroom materials and fees	46,876	-	46,876
Charges for services	-	106	106
Tuition and fees	105,900	-	105,900
Miscellaneous	537,673	52,268	589,941
Intergovernmental	5,759,977	1,669,873	7,429,850
Total cash receipts	<u>20,965,935</u>	<u>1,773,556</u>	<u>22,739,491</u>
Cash disbursements:			
Instruction:			
Regular education	7,286,782	62,633	7,349,415
Special education	2,957,966	294,944	3,252,910
Other	873,343	1,667	875,010
Support Services:			
Pupils	1,050,218	324,388	1,374,606
Instructional staff	1,779,680	7,940	1,787,620
Board of Education	161,865	-	161,865
Administration	1,363,302	141,760	1,505,062
Fiscal	583,048	-	583,048
Business	93,283	-	93,283
Operations and maintenance – plant	1,537,275	-	1,537,275
Pupil transportation	991,197	414	991,611
Central services	304,654	-	304,654
Operations of non-instructional services	20,970	841,623	862,593
Extracurricular activities:			
Academic and subject oriented	25,546	9,865	35,411
Sports oriented	265,717	144,544	410,261
Co-curricular	26,094	-	26,094
Facilities acquisition and construction:			
Site improvements services	81,818	-	81,818
Building improvement services	366,743	-	366,743
Other facilities acquisition and construction services	9,042	-	9,042
Total cash disbursements	<u>19,778,543</u>	<u>1,829,778</u>	<u>21,608,321</u>
Total excess (deficiency) of cash receipts over cash disbursements	<u>1,187,392</u>	<u>(56,222)</u>	<u>1,131,170</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 – Cash Basis Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2017

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):			
Refund of prior year expenses	-	1,000	1,000
Inception of capital lease	682,606	-	682,606
Advances – in	422,061	206,541	628,602
Advances – out	(459,540)	(169,062)	(628,602)
Transfers – in	-	102,087	102,087
Transfers – out	(119,612)	-	(119,612)
Total other financing sources (uses)	<u>525,515</u>	<u>140,566</u>	<u>666,081</u>
Net change in fund balance	1,712,907	84,344	1,797,251
Fund balance at beginning of year	<u>5,120,428</u>	<u>343,266</u>	<u>5,463,694</u>
Fund balance at end of year	\$ <u>6,833,335</u>	\$ <u>427,610</u>	\$ <u>7,260,945</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, 2017

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Net Change in Fund Balances – Total Governmental Funds \$ 1,797,251

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

Internal service 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.

(5)

*Change in Net Position of Governmental Activities* \$ 1,797,246



# 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, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Cash receipts:				
Property taxes	\$ 12,723,549	\$ 9,971,952	\$ 14,353,607	\$ 4,381,655
Investment earnings	2,831	2,219	3,194	975
Extracurricular activities	85,285	66,841	96,211	29,370
Classroom materials and fees	41,553	32,566	46,876	14,310
Tuition and fees	93,874	73,572	105,900	32,328
Miscellaneous	460,855	361,191	519,897	158,706
Intergovernmental	5,105,849	4,001,657	5,759,977	1,758,320
Total cash receipts	<u>18,513,796</u>	<u>14,509,998</u>	<u>20,885,662</u>	<u>6,375,664</u>
Cash disbursements:				
Instruction:				
Regular	7,676,910	7,434,231	7,431,773	2,458
Special	3,116,333	3,017,821	3,016,822	999
Other	920,101	891,015	890,720	295
Supporting services:				
Pupils	1,038,470	1,005,643	1,005,310	333
Instructional staff	1,874,962	1,815,692	1,815,091	601
Board of Education	170,531	165,140	165,086	54
Administration	1,436,292	1,390,889	1,390,428	461
Fiscal	614,264	594,846	594,649	197
Business	98,277	95,171	95,139	32
Operation and maintenance – plant	1,619,579	1,568,382	1,567,863	519
Pupil transportation	1,044,265	1,011,254	1,010,919	335
Central services	320,965	310,819	310,716	103
Operation of non-instructional services	22,093	21,394	21,387	7
Extracurricular activities:				
Academic subject oriented activities	16,346	15,829	15,824	5
Sports oriented	279,943	271,094	271,004	90
Co-curricular activities	27,491	26,622	26,613	9
Facilities acquisition and construction:				
Site improvement services	86,198	83,474	83,446	28
Building improvement services	386,378	374,164	374,040	124
Other facilities acquisition and construction services	9,526	9,225	9,222	3
Total cash disbursements	<u>20,758,924</u>	<u>20,102,705</u>	<u>20,096,052</u>	<u>6,653</u>
Total excess (deficiency) of cash receipts over cash disbursements	<u>(2,245,128)</u>	<u>(5,592,707)</u>	<u>789,610</u>	<u>6,382,317</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, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Inception of capital lease	682,606	682,606	682,606	-
Advances – in	459,540	459,540	422,061	(37,479)
Advances – out	(459,540)	(459,540)	(459,540)	-
Transfers – out	(119,612)	(119,612)	(119,612)	-
Total other financing sources (uses)	<u>562,994</u>	<u>562,994</u>	<u>525,515</u>	<u>(37,479)</u>
Net change in fund balance	(1,682,134)	(5,029,713)	1,315,125	6,344,838
Fund balance at beginning of year	4,773,977	4,773,977	4,773,977	-
Prior year encumbrances	<u>257,117</u>	<u>257,117</u>	<u>257,117</u>	<u>-</u>
Fund balance at end of year	\$ <u>3,348,960</u>	\$ <u>1,381</u>	\$ <u>6,346,219</u>	\$ <u>6,344,838</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, 2017

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	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ <u>146,477</u>	\$ <u>4,336</u>
Total assets	<u>146,477</u>	<u>4,336</u>
Net position:		
Unrestricted	<u>146,477</u>	<u>4,336</u>
Total net position	<u>\$ <u>146,477</u></u>	<u>\$ <u>4,336</u></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, 2017

	<u>Business-Type Activities</u> Enterprise Funds	<u>Governmental Activities</u> Internal Service Funds
Operating cash receipts:		
Charges for services	\$ 131,550	\$ -
Miscellaneous	59,352	-
Intergovernmental	<u>267,688</u>	<u>-</u>
Total operating cash receipts	<u>458,590</u>	<u>-</u>
Operating cash disbursements:		
Salaries and wages	127,139	-
Fringe benefits	85,786	-
Contractual services	79,408	-
Materials and supplies	147,181	-
Capital outlay	<u>-</u>	<u>5</u>
Total operating cash disbursements	<u>439,514</u>	<u>5</u>
Operating income (loss) before transfers and advances	<u>19,076</u>	<u>(5)</u>
Advances – in	253,000	-
Advances – out	(253,000)	-
Transfers – in	<u>17,525</u>	<u>-</u>
Change in net position	36,601	(5)
Total net position at beginning of year	<u>109,876</u>	<u>4,341</u>
Total net position at end of year	\$ <u>146,477</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, 2017

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	<u>Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>3,553</u>	\$ <u>43,181</u>
Liabilities:		
Due to students	<u>-</u>	\$ <u>43,181</u>
Net position:		
Held in trust	\$ <u>3,553</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, 2017

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	<u>Trust Funds</u>
Operating revenues:	
Investment earnings	\$ 27
Net position at beginning of year	<u>3,526</u>
Net position at end of year	<u>\$ 3,553</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, 2017

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## **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 84 support employees and 127 certified employees who provide services to 1,413 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 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.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 1: Description of the School District and Reporting Entity (continued)**

### ***Reporting Entity (continued)***

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.

## **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). Generally accepted accounting principles 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 Statement of Net Position – Cash Basis presents the financial condition of the District as a whole at fiscal year-end. The Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each program or function of the District as a whole. Direct disbursements are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **A. Basis of Presentation (continued)**

#### *Government-wide Financial Statements (continued)*

Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

#### *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. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. 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*

Governmental funds focus on the sources, uses and balances of current financial resources. The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's only major fund is the General Fund.

#### *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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### ***B. Fund Accounting (continued)***

Other governmental funds of the District are used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs, if any; and for grants and other resources whose use is restricted to a particular purpose.

#### *Proprietary Funds*

Proprietary funds focus on the determination of operating income/loss, changes in net position, financial position and cash flows, and are classified as either enterprise or internal service.

##### *Enterprise Funds*

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### *Internal Service Fund*

The Internal Service Funds are used to 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **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.

### **D. Budgetary Process**

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

The appropriation resolution is subject to amendment by the Board of Education 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 year.

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

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. Individual fund integrity is maintained through District records.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### ***E. Cash and Cash Equivalents (continued)***

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.

During 2017, the District invested in a money market mutual fund, negotiable certificates of deposit and federal agency securities (see Note 5). 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.

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 2017 amounted to \$3,194, which includes \$167 assigned from other funds of the District.

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.

### ***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. The District did not have any restricted assets at June 30, 2017.

### ***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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### ***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 post-employment health care benefits.

### ***K. Long-Term Obligations***

The District's cash basis financial statements do not report liabilities for net pension 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **N. Fund Balance Reserves (continued)**

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

*Committed:* The committed fund balance classification includes amounts that can be used only for the specific purposes 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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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**Note 2: Summary of Significant Accounting Policies (continued)**

**P. Pensions**

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

**Note 3: New Accounting Pronouncements**

For fiscal year ended June 30, 2017, the District implemented the following Governmental Accounting Standards Board (GASB):

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73* improves consistency in the application of pension accounting. These changes were incorporated in the District's financial statements; however, there was no effect on beginning net position.

**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:

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
Restricted for:			
Community activities	\$ -	\$ 7,933	\$ 7,933
Athletics	-	22,241	22,241
Auxiliary services	-	204,644	204,644
Title I	-	40,140	40,140
Special education	-	31,149	31,149
English proficiency	-	5,509	5,509
Improving teach quality	-	9,075	9,075
Other purposes	11,000	98,790	109,790
Capital improvements	-	8,129	8,129
Total restricted	<u>11,000</u>	<u>427,610</u>	<u>438,610</u>

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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**Note 4: Fund Balances (continued)**

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assigned to:			
Other purposes	<u>476,116</u>	<u>-</u>	<u>476,116</u>
Unassigned	<u>6,346,219</u>	<u>-</u>	<u>6,346,219</u>
Total fund balances	\$ <u>6,833,335</u>	\$ <u>427,610</u>	\$ <u>7,260,945</u>

**Note 5: Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 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 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;



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 5: Deposits and Investments (continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. 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 25 percent of the interim monies available for investment at any one time; 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 until maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the District Treasurer or qualified trustee 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 will not be able to recover deposits or collateral securities that are in possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## Note 5: Deposits and Investments (continued)

### Deposits (continued)

At fiscal year-end, the District held a book balance of \$1,884,064 and a bank balance of \$1,928,893. Of the bank balance, \$400,502 was covered by federal depository insurance while the remaining \$1,528,391 was collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the District's name.

### Investments

Investments are reported as fair value. At June 30, 2017, the District had the following investments:

	Fair Value	Maturity	
		Six months or less	More than six months
Money market mutual fund	\$ 4,933	\$ 4,933	\$ -
Negotiable certificates of deposits	5,469,547	345,126	5,124,421
Federal farm credit bank bonds	99,233	-	99,233
Total	\$ <u>5,573,713</u>	\$ <u>350,059</u>	\$ <u>5,223,654</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.

The District has the following recurring fair value measurements at June 30, 2017:

- Money market is valued at amortized cost, which approximates fair value.
- Negotiable certificates of deposit and federal farm credit bank bonds are measured based on Level 2 inputs, using 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## Note 5: Deposits and Investments (continued)

### Investments (continued)

**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 deposits are unrated. The federal farm credit bank bonds carry an "AA+" rating by Standard & 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, 2017, the District's investments greater than five percent are as follows:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Negotiable certificates of deposits	98.13%

## 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 are levied after April 1, 2016, on the assessed value as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and were collected in 2016 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## Note 6: Property Taxes (continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 266,435,580	95.85%	\$ 265,926,160	95.64%
Public Utility Personal	<u>11,524,300</u>	<u>4.15%</u>	<u>12,118,690</u>	<u>4.36%</u>
	\$ <u>277,959,880</u>	<u>100.00%</u>	\$ <u>278,044,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 83.11		\$ 83.11	

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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

## Note 7: Interfund Activity

Interfund transfers for the fiscal year ended June 30, 2017, 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>102,087</u>	\$ <u>17,525</u>	\$ <u>119,612</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.

Interfund advances for the year ended June 30, 2017, consisted of the following:

At June 30, 2017, the General Fund had an unpaid interfund cash advance, in the amount of \$37,479, for a short-term loan made to the Miscellaneous State Grant special revenue fund. This is expected to be repaid within one year.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## 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 2017, the District contracted with Ohio Casualty, a member of Liberty Mutual, for property, fleet, liability, inland marine, crime, general liability, errors and omissions, and sexual misconduct and molestation liability coverage. Additionally, the District has an umbrella policy. Coverages provided with Ohio Casualty are as follows:

	<u>Coverage</u>
Buildings and Contents – replacement costs	\$ 55,511,865
Inland Marine	200,000
Crime Insurances	100,000
Automobile Liability	1,000,000
Uninsured Motorists	500,000
General Liability:	
Per Occurrence	1,000,000
Total per year	2,000,000
Cyber Liability	1,000,000

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 \$2,701,431 in premiums during fiscal year 2017.

### C. Worker's Compensation

For fiscal year 2017, 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 8: Risk Management (continued)**

### **C. Worker's Compensation (continued)**

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.

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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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**Note 9: Defined Benefit Pension Plans (continued)**

**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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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.

One year after an effective benefit date, a benefit recipient is entitled to a 3.0 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2017, 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 \$380,121 for fiscal year 2017.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 9: Defined Benefit Pension Plans (continued)**

### **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](http://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 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. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phase in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC Plan and 1.5 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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 Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS 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.



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## Note 9: Defined Benefit Pension Plans (continued)

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, the employer rate was 14 percent and the member rate was 13 percent of covered payroll. The statutory employer rate for the year ended June 30, 2017 and subsequent years is 14 percent. The statutory member contribution rate increased to 14 percent on July 1, 2016.

The District's contractually required contribution to STRS was \$1,189,143 for fiscal year 2017.

### D. Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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>
Proportionate Share of the Net Pension Liability	\$ 6,245,632	\$ 24,853,144	\$ 31,098,776
Proportion of the Net Pension Liability	0.085334%	0.074248%	

### 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## Note 9: Defined Benefit Pension Plans (continued)

### E. Actuarial Assumptions – SERS (continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged 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 Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset 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, 2017

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## 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 (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 8,268,828	\$ 6,245,632	\$ 4,552,133

### F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and not set back from age 90 and above.

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

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

## Note 9: Defined Benefit Pension Plans (continued)

### F. Actuarial Assumptions – STRS (continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 33,027,809	\$ 24,853,144	\$ 17,957,332

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 9: Defined Benefit Pension Plans (continued)**

### **F. Actuarial Assumptions – STRS (continued)**

**Changes between Measurement Date and Report Date** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend the cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

### **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. As of June 30, 2017, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

## **Note 10: Post-Employment Benefits**

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

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drugs plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 10: Post-Employment Benefits (continued)**

### **A. School Employees Retirement System (continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14 percent contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.0 percent. 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. By statute no employer shall pay a health care surcharge greater than 2.0 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 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016 and 2015 were \$44,649, \$44,653 and \$64,284, respectively.

The SERS Retirement Board establishes 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.

The financial reports for SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. 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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 888-227-7877.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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**Note 10: Post-Employment Benefits (continued)**

**B. State Teachers Retirement System (continued)**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.0 percent employer contribution rate, 0.0 percent of covered payroll was allocated to post-employment health care for June 30, 2017 and 2016. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2017, 2016, and 2015 the District's contributions to postemployment health care were \$-0-, \$-0-, and \$-0-, respectively.

**Note 11: Leases**

**A. 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 2017 was \$28,183 and \$10,209, 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 2017 the rent on the lease was \$2,349 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 by three percent annually. During fiscal year 2017 the additional rent from the sublease was \$851 per month.

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

	T-Mobile Lease	Clear Wireless Sublease	Total
2018	\$ 29,029	\$ 10,515	\$ 39,544
2019	29,899	10,831	40,730
2020	30,796	11,156	41,952
2021	31,720	11,490	43,210
2022	<u>32,672</u>	<u>11,835</u>	<u>44,507</u>
	<u>\$ 154,116</u>	<u>\$ 55,827</u>	<u>\$ 209,943</u>

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## Note 11: Leases (continued)

### B. Lessee

The District entered into a lease purchase agreement to lease computer equipment commencing January 10, 2014 with final payment due in December 2016. Monthly payments of \$6,864 were to be made with an interest rate of 2.22 percent. Expenses related to this lease for the year ended June 30, 2017 totaled \$41,187. This lease has expired as of June 30, 2017.

The District entered into a lease purchase agreement to lease technology equipment commencing January 9, 2014 with first payment due in July 2015. Annual payments of \$192,315 are to be made with an interest rate of 2.43 percent with final payment due in July 2017. The future minimum lease payments are as follows for the fiscal years ending June 30:

	Lease Payment
2018	\$ 192,315
Total payments	192,315
Interest	<u>(4,563)</u>
Principal	\$ <u>187,752</u>

The District entered into a lease purchase agreement to lease technology equipment commencing July 1, 2015 with first payment due in July 2016. Annual payments of \$201,680 are to be made with an interest rate of 2.59 percent with final payment due in July 2018. The District made the first payment in June 2016. The future minimum lease payments are as follows for the fiscal years ending June 30:

	Lease Payment
2018	\$ 201,680
2019	<u>201,680</u>
Total payments	403,360
Interest	<u>(15,147)</u>
Principal	\$ <u>388,213</u>

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 are to be made with an interest rate of 2.64 percent with final payment due in July 2019. The future minimum lease payments are as follows for the fiscal years ending June 30:

	Lease Payment
2018	\$ 239,654
2019	239,654
2020	<u>239,654</u>
Total payments	718,962
Interest	<u>(36,355)</u>
Principal	\$ <u>682,607</u>



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

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## **Note 12: Jointly Governed Organizations**

### *Ohio Schools Council*

The Ohio Schools Council (the “Council”) is a jointly governed organization among 210 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.

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 2017, the District paid \$24,392 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. The new program runs from April 1, 2016 to March 31, 2019. There are currently 156 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, 2017

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## **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 nine 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 Lake County Educational Service Center at 8221 Auburn Road, Concord Township, Ohio 44077.

## **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, 2017, if applicable, cannot be determined at this time.

### **B. Litigation**

As of June 30, 2017, 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, 2017

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## 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. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

## 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, 2016	\$ -
Current Year Set-Aside Requirements	238,525
Qualifying Disbursements	<u>(457,603)</u>
Total	<u>(219,078)</u>
Set-Aside Reserve Balance as of June 30, 2017	\$ <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, 2017

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## 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). The encumbrances outstanding at fiscal year-end (budgetary basis) amounted to \$392,061 for the General Fund. Funds with separate legally adopted budgets amounted to \$95,055.

## Note 18: Significant Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classifications of fund balance. At year-end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 392,620
Other Governmental Funds	<u>202,651</u>
Total Governmental Funds	\$ <u>595,271</u>

## Note 19: 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.



CPAs and Business Advisors

*Where Relationships Count.*

**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Education  
Wickliffe City School District  
Wickliffe, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 (the “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 29, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

### **The District's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
December 29, 2017

**Independent Auditor’s Report on Compliance for Each Major Program;  
Report on Internal Control over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Education  
Wickliffe City School District  
Wickliffe, Ohio

**Report on Compliance for Each Major Program**

We have audited the Wickliffe City School District’s (the “District”) compliance with the types of compliance requirements described in the in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2017. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Board of Education  
Wickliffe City School District

**Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated, December 29, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
December 29, 2017

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# Wickliffe City School District

## Schedule of Expenditures of Federal Awards

### For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
U.S. Department of Agriculture:					
Passed-Through Ohio Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$ 53,338	\$ -	\$ 53,338	\$ -
National School Lunch Program	10.555	<u>209,232</u>	<u>30,264</u>	<u>209,232</u>	<u>30,264</u>
Total Child Nutrition Cluster		<u>262,570</u>	<u>30,264</u>	<u>262,570</u>	<u>30,264</u>
Total U.S. Department of Agriculture		<u>262,570</u>	<u>30,264</u>	<u>262,570</u>	<u>30,264</u>
U.S. Department of Education:					
Passed-Through Ohio Department of Education:					
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027	418,800	-	410,660	-
Special Education – Preschool Grants	84.173	<u>5,661</u>	<u>-</u>	<u>5,344</u>	<u>-</u>
Total Special Education Cluster (IDEA)		424,461	-	416,004	-
Title I Grants to Local Educational Agencies	84.010	285,994	-	268,910	-
Improving Teacher Quality State Grant	84.367	48,528	-	46,433	-
Twenty-First Century Community Learning Centers	84.287	131,806	-	108,107	-
Fund for the Improvement of Education	84.215f	<u>1,013</u>	<u>-</u>	<u>31,933</u>	<u>-</u>
Total U.S. Department of Education		<u>891,802</u>	<u>-</u>	<u>871,387</u>	<u>-</u>
U.S. Department of the Interior Office:					
Passed-Through Ohio Department of Natural Resources:					
Enhanced Hunter Education and Safety Program	15.626	<u>-</u>	<u>-</u>	994	<u>-</u>
Total U.S. Department of the Interior Office		<u>-</u>	<u>-</u>	994	<u>-</u>
Total Expenditures of Federal Awards		\$ <u>1,154,372</u>	\$ <u>30,264</u>	\$ <u>1,134,951</u>	\$ <u>30,264</u>

The accompanying notes are an integral part of this schedule.

# Wickliffe City School District

Notes to the Schedule of Expenditures of Federal Awards

**For the Fiscal Year Ended June 30, 2017**

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## **Note 1: Significant Accounting Policies**

### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Wickliffe City School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is presented 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 cash basis financial position of the District.

All programs are presented by federal agency. Pass-through programs are also presented by the entity through which the District received the federal award. Catalog of Federal Domestic Assistance ("CFDA") Numbers and Pass-Through Numbers are presented for those programs for which such numbers are available.

### Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed that federal monies are expended first.

## **Note 2: Indirect Cost Rate**

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

# Wickliffe City School District

Lake County, Ohio  
 Schedule of Findings and Questioned Costs

**For the Fiscal Year Ended June 30, 2017**

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## 1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses 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 material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses 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 Section 200.516(a)?	No
(d)(1)(vii)	Major Programs	Special Education Cluster (IDEA): CFDA # 84.027 and # 84.173  Title I Grants to Local Educational Agencies: CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

# Wickliffe City School District

Lake County, Ohio  
Schedule of Findings and Questioned Costs

**For the Fiscal Year Ended June 30, 2017**

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## 2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

### 2017-001 – Material Noncompliance:

#### Condition:

Ohio Administrative Code Section 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 (GAAP). However, the District prepared its financial statements in accordance with another comprehensive basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

#### Criteria:

Ohio Revised Code Section 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 Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

#### Cause:

The Board has reduced programs and services to students as a result of failed levy attempts that eventually were successful but at a tremendously reduced rate of revenue (10 mills vs. 7 mills) to the District. Through FY2006, the Board authorized filing cash statements prepared to comply with the basis of accounting prescribed by the Auditor of State in accordance with the financial reporting provisions of Ohio Revised Code 117.38 and Ohio Administrative Code 117-2-03(D). Effective with FY2007, the Board reviewed the costs and consequences of filing under the following basis: GAAP and cash basis, an other comprehensive basis of accounting (OCBOA), which is prepared on the cash basis as “GAAP look-alike” financial statements. The Board wanted an unqualified opinion for the District and therefore directed the Treasurer to prepare OCBOA statements effective FY2007 going forward, thereby saving the District the additional cost of preparing GAAP based statements.

#### Effect:

Pursuant to Ohio Revised Code Section 117.38, the District may be fined for its failure to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

#### Recommendation:

We recommend the District take the necessary steps to ensure the annual financial report is prepared on a GAAP basis.

#### Management’s Response:

The District will continue to prepare OCBOA statements for as long as the Board deems the costs and consequences of filing OCBOA statements is most beneficial for the District.

# **Wickliffe City School District**

Lake County, Ohio  
Schedule of Findings and Questioned Costs

**For the Fiscal Year Ended June 30, 2017**

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## **3. Findings for Federal Awards**

None noted.

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# WICKLIFFE CITY SCHOOLS

## LEARN.LEAD.SERVE

2221 Rockefeller Road Wickliffe, OH 44092

Phone: 440.943.6900

Fax: 440-943-7738

Web: wickliffeschools.org

Superintendent: Joseph Spiccia

Treasurer: Susan M. Haffey

Board of Education: Carl Marine • Donald J. Marn • Jackie Sheridan • Daniel J. Thomeier • Gail Willis

### Corrective Action Plan

### For the Fiscal Year Ended June 30, 2017

Finding Number	Finding Summary	Anticipated Completion Date	Responsible Contact Person
2017-001	<p>Ohio Revised Code Section 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 Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.</p> <p>Ohio Administrative Code Section 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. However, the District prepared its financial statements in accordance with another comprehensive basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined for its failure to file the required financial report.</p> <p>The District will continue to prepare OCBOA statements for as long as the Board deems the costs and consequences of filing OCBOA statements is most beneficial for the District.</p>	Unknown	Susan Haffey, Treasurer



Generations of Pride

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# Wickliffe City School District

## Schedule of Prior Audit Findings and Questioned Costs

### For the Fiscal Year Ended June 30, 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2016-001	<p>Ohio Revised Code Section 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 Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.</p> <p>Ohio Administrative Code Section 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. However, the District prepared its financial statements in accordance with another comprehensive basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined for its failure to file the required financial report.</p>	No	Not corrected – repeated finding as 2017-001.
2016-002 & 2016-003	During our payroll internal control testing, we noted six instances of timesheets within one department not being approved by the department supervisor. It was noted however, that the individuals relating to these timesheets were paid based on the employee contracts in place.	Yes	Corrected.

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# Dave Yost • Auditor of State

WICKLIFFE CITY SCHOOL DISTRICT

LAKE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 6, 2018