



Mary Taylor, CPA
Auditor of State

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

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LAKE COUNTY**

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the District revised its accounting basis during the year ending June 30, 2007. The District previously prepared its statements following a regulatory basis the Auditor of State prescribes for certain governments, but which is not applicable to school districts. The accompanying financial statements and notes now follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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, the major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2007, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

May 7, 2008

**Wickliffe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$4,090,445. Net assets of governmental activities increased \$4,082,990, which represents a 67% increase from 2006. Net assets of business-type activities increased \$7,455 or 8% from 2006.
- General receipts accounted for \$18,497,152 in receipts or 90% of all receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$2,149,066 or 10% of total receipts of \$20,646,218.
- The District had \$16,431,081 in disbursements related to governmental activities; only \$2,037,520 of these disbursements was offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,476,551 were adequate to provide for these programs resulting in an increase of net assets from \$6,090,798 to \$10,173,788.
- The District had \$124,692 in disbursements related to business-type activities; a total of \$111,546 was offset by program specific charges for services, grants and contributions. Total program receipts were not adequate to provide for these programs by \$13,146, however other general receipts totaling \$20,601 resulted in an increase to net assets from \$97,264 to \$104,719.
- The District's major governmental fund is the general fund. The general fund had \$19,508,875 in receipts and other financing sources and \$15,921,781 in disbursements and other financing uses. The general fund's fund balance increased \$3,587,094 from \$5,149,838 to \$8,736,932.

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 Government's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

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

**Wickliffe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the District at year end. The statement of activities 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 modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

In the Statement of Net Assets and the Statement of Activities, 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.

**Wickliffe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

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 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 Government as a whole. The Government 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 Government 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 Government'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 Government's programs. The Government'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 Government'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. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds

When the Government 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 Government has several enterprise funds, the food service, rotary and special enterprise funds. When the services are provided to other department of the Government, the service is reported as an internal service fund. The Government has one internal service fund to account for employee health-care claims.

Fiduciary Funds

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets 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.

**Wickliffe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

**Table 1
Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:						
Cash and cash equivalents	\$ 10,173,788	\$ 6,090,798	\$ 104,719	\$ 97,264	\$ 10,278,507	\$ 6,188,062
Total assets	<u>10,173,788</u>	<u>6,090,798</u>	<u>104,719</u>	<u>97,264</u>	<u>10,278,507</u>	<u>6,188,062</u>
Net assets:						
Restricted for:						
Capital improvements set-aside	74,320	-	-	-	74,320	-
Debt service	-	212,528	-	-	-	212,528
Capital projects	725,622	273,289	-	-	725,622	273,289
Other purposes	198,343	191,589	-	-	198,343	191,589
Unrestricted	<u>9,175,503</u>	<u>5,413,392</u>	<u>104,719</u>	<u>97,264</u>	<u>9,280,222</u>	<u>5,510,656</u>
Total net assets	<u>\$ 10,173,788</u>	<u>\$ 6,090,798</u>	<u>\$ 104,719</u>	<u>\$ 97,264</u>	<u>\$ 10,278,507</u>	<u>\$ 6,188,062</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Total assets increased by \$4,082,990 from 2006 to 2007. Fiscal year 2007 was the first full year of collection of the 6.89 mill continuing levy passed in 2005. In fiscal year 2007 the School District sold Mapledale Elementary School and the acreage surrounding the school. Interest earnings on investments doubled due to the additional cash the District had to invest and a stronger economy than the prior year. Effective fiscal year 2007 the Board of Education negotiated an increase in the employee share of the total cost of health benefits resulting in a 73 percent increase in insurance revenues. In fiscal year 2006 the School District had a milk only lunch program. In fiscal year 2007 a box lunch program was offered increasing food service revenues 70 percent.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current. As this is the first year for reporting on the modified cash basis, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Wickliffe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

**Table 2
Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash Receipts:			
Program cash receipts:			
Charges for services	\$ 535,226	\$ 82,720	\$ 617,946
Operating grants	<u>1,502,294</u>	<u>28,826</u>	<u>1,531,120</u>
Total program cash receipts	<u>2,037,520</u>	<u>111,546</u>	<u>2,149,066</u>
General cash receipts:			
Property taxes	12,720,444	-	12,720,444
Grants and entitlements	4,396,965	-	4,396,965
Investment earnings	451,598	992	452,590
Other	126,058	-	126,058
Gain on sale of assets	<u>801,095</u>	<u>-</u>	<u>801,095</u>
Total general cash receipts	18,496,160	992	18,497,152
Transfers	<u>(19,609)</u>	<u>19,609</u>	<u>-</u>
Total cash receipts	<u>20,514,071</u>	<u>132,147</u>	<u>20,646,218</u>
Cash disbursements:			
Program cash disbursements:			
Instruction:			
Regular	6,255,334	-	6,255,334
Special	2,148,041	-	2,148,041
Vocational	147,136	-	147,136
Other	428,626	-	428,626
Support services			
Pupil	902,759	-	902,759
Instructional staff	456,336	-	456,336
Board of education	160,906	-	160,906
Administration	1,251,386	-	1,251,386
Fiscal	550,861	-	550,861
Business	14,556	-	14,556
Operation and maintenance - plant	1,737,037	-	1,737,037
Pupil transportation	819,352	-	819,352
Central services	313,913	-	313,913
Operations of non-instruction services	634,320	-	634,320
Extracurricular activities	277,376	-	277,376
Facilities acquisition and construction	8,658	-	8,658
Debt service			
Principal	313,458	-	313,458
Interest and fiscal charges	11,026	-	11,026
Food service	-	76,945	76,945
Special enterprise	<u>-</u>	<u>47,747</u>	<u>47,747</u>
Total cash disbursements	<u>16,431,081</u>	<u>124,692</u>	<u>16,555,773</u>
Change in net assets	\$ <u>4,082,990</u>	\$ <u>7,455</u>	\$ <u>4,090,445</u>

**Wickliffe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

Governmental Activities

Net assets of the District's governmental activities increased by \$4,082,990. Total governmental disbursements of \$16,431,081 was primarily offset by program receipts of \$2,037,520 and general receipts of \$18,476,551. Program receipts supported 12% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and grants and entitlements. These two receipts sources represent 83% of total governmental receipts. Property taxes support 77% of total disbursements while grants and entitlements supported 27% of total disbursements.

The Statement of Activities 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 2007. 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**

	<u>Governmental Activities</u>	
	<u>Total Cost of</u>	<u>Net Cost of</u>
	<u>Services</u>	<u>Services</u>
Program cash disbursements:		
Instruction:		
Regular	\$ 6,255,334	\$ (6,065,148)
Special	2,148,041	(1,069,673)
Vocational	147,136	(147,136)
Other	428,626	(428,626)
Support services:		
Pupil	902,759	(833,333)
Instructional staff	456,336	(453,636)
Board of education	160,906	(160,906)
Administration	1,251,386	(1,251,386)
Fiscal	550,861	(550,861)
Business	14,556	(14,556)
Operation and maintenance - plant	1,737,037	(1,737,037)
Pupil transportation	819,352	(819,352)
Central	313,913	(299,913)
Operations of non-instructional services	634,320	(436,940)
Extracurricular activities	277,376	207,760
Facilities acquisition and construction	8,658	(8,334)
Debt service		
Principal	313,458	(313,458)
Interest and fiscal charges	11,026	(11,026)
Total cash disbursements	<u>\$ 16,431,081</u>	<u>\$ (14,393,561)</u>

The dependence upon tax receipts during fiscal year 2007 for governmental activities is apparent, as 86% of 2007 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
For the Fiscal Year Ended June 30, 2007
Unaudited**

Business-Type Activities

Business-type activities include food service operation, rotary fund and special enterprise. These programs had receipts of \$132,147 and disbursements of \$124,692 for fiscal year 2007. Management assesses the performance of each of these funds to ensure that they are run efficiently.

The District's Funds

Total governmental funds had receipts, including other financing sources of \$22,046,445 and disbursements, including other financing uses of \$18,215,463. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$3,587,094 primarily as a result of two fiscal year collections of the 6.89 mill continuing levy.

The table that follows assists in illustrating the disbursements of the general fund:

	<u>2007</u>	<u>2006</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Disbursement by Object:			
Instruction	\$ 8,174,219	\$ 8,323,831	(1.80)%
Support services	5,476,473	5,084,241	7.71
Operations of non-instructional services	66,976	66,759	0.33
Facilities acquisition and construction	8,658	14,348	(39.66)
Extracurricular activities	<u>188,109</u>	<u>187,553</u>	0.30
Total	<u>\$ 13,914,435</u>	<u>\$ 13,676,732</u>	

The most significant decrease was in the area of facilities acquisition and construction. In fiscal years 2006 and 2007 the School District abandoned its deferred maintenance program.

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.

During 2007, the District amended its General Fund budget several time to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a change in the budgeted tax receipts.

Final disbursements, not including other financing uses, were budgeted at \$14,496,360 while actual disbursements, not including other financing uses, were \$15,652,188. Disbursements were not above budget, as well as receipts being significantly above expectations. The District kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$2,382,864 for 2007.

**Wickliffe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

Capital Assets

The District does not report capital assets as the acquisitions are recorded as disbursements when paid.

Debt

At June 30, 2007, the District paid off all of its remaining debt. For further information see Note 9 to the basic financial statements.

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

The School District relies heavily on its taxpayers to support its operations. The community support for the schools is strong. The School District last passed a continuing operating levy in 2005. The School District has communicated to the community they rely upon their support for the majority of its operations. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters to ask for additional support.

Wickliffe City School District has not anticipated any meaningful growth in state revenue. With 55 percent of the taxes for the School District coming from local tax payers, one can see the significant impact this change would have on the School District and ultimately, the residential taxpayers.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the 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, at Wickliffe City School District, 2221 Rockefeller Road, Wickliffe, Ohio 44092 or by email at wc_treas@lgca.org.

Wickliffe City School District

Statement of Net Assets – Modified Cash Basis

June 30, 2007

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>10,173,788</u>	\$ <u>104,719</u>	\$ <u>10,278,507</u>
Total assets	<u>10,173,788</u>	<u>104,719</u>	<u>10,278,507</u>
Net assets:			
Restricted for:			
Capital improvement set-aside	74,320	-	74,320
Capital projects	725,622	-	725,622
Other purposes	198,343	-	198,343
Unrestricted	<u>9,175,503</u>	<u>104,719</u>	<u>9,280,222</u>
Total net assets	\$ <u><u>10,173,788</u></u>	\$ <u><u>104,719</u></u>	\$ <u><u>10,278,507</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

Statement of Activities – Modified Cash Basis

For The Fiscal Year Ended June 30, 2007

	Cash Disbursements	Program Cash Receipts	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular education	\$ 6,255,334	\$ 63,823	\$ 126,363
Special education	2,148,041	162,279	916,089
Vocational education	147,136	-	-
Other	428,626	-	-
Support services:			
Pupil	902,759	69,426	-
Instructional staff	456,336	-	2,700
Board of education	160,906	-	-
Administration	1,251,386	-	-
Fiscal	550,861	-	-
Business	14,556	-	-
Operations and maintenance - plant	1,737,037	-	-
Pupil transportation	819,352	-	-
Central services	313,913	-	14,000
Operations and non-instructional services	634,320	197,075	305
Extracurricular activities	277,376	42,299	442,837
Facilities acquisition	8,658	324	-
Debt service:			
Principal	313,458	-	-
Interest and fiscal charges	11,026	-	-
Total governmental activities	<u>16,431,081</u>	<u>535,226</u>	<u>1,502,294</u>
Business-type activities:			
Food service	76,945	27,595	28,826
Rotary	-	6,445	-
Special enterprise fund	47,747	48,680	-
Total business-type activities	<u>124,692</u>	<u>82,720</u>	<u>28,826</u>
Totals	<u>\$ 16,555,773</u>	<u>\$ 617,946</u>	<u>\$ 1,531,120</u>

General cash receipts:
 Property taxes levies for:
 General purpose
 Grant and entitlements not restricted to
 specific programs
 Investment earnings
 Gain on sale of assets
 Miscellaneous
 Total general cash receipts
 Transfers
 Total general cash receipts and transfers

Change in net assets

Net assets at, beginning of year

Net assets at, end of year

The Notes to the Basic Financial Statements are an Integral Part of this Statement

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (6,065,148)	\$ -	\$ (6,065,148)
(1,069,673)	-	(1,069,673)
(147,136)	-	(147,136)
(428,626)	-	(428,626)
(833,333)	-	(833,333)
(453,636)	-	(453,636)
(160,906)	-	(160,906)
(1,251,386)	-	(1,251,386)
(550,861)	-	(550,861)
(14,556)	-	(14,556)
(1,737,037)	-	(1,737,037)
(819,352)	-	(819,352)
(299,913)	-	(299,913)
(436,940)	-	(436,940)
207,760	-	207,760
(8,334)	-	(8,334)
(313,458)	-	(313,458)
(11,026)	-	(11,026)
<u>(14,393,561)</u>	<u>-</u>	<u>(14,393,561)</u>
-	(20,524)	(20,524)
-	6,445	6,445
-	933	933
-	(13,146)	(13,146)
<u>(14,393,561)</u>	<u>(13,146)</u>	<u>(14,406,707)</u>
12,720,444	-	12,720,444
4,396,965	-	4,396,965
451,598	992	452,590
801,095	-	801,095
126,058	-	126,058
18,496,160	992	18,497,152
(19,609)	19,609	-
<u>18,476,551</u>	<u>20,601</u>	<u>18,497,152</u>
4,082,990	7,455	4,090,445
<u>6,090,798</u>	<u>97,264</u>	<u>6,188,062</u>
\$ <u>10,173,788</u>	\$ <u>104,719</u>	\$ <u>10,278,507</u>

Wickliffe City School District

Balance Sheet – Modified Cash Basis Governmental Funds

June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents			
	\$ <u>8,736,932</u>	\$ <u>1,176,919</u>	\$ <u>9,913,851</u>
Total assets	\$ <u>8,736,932</u>	\$ <u>1,176,919</u>	\$ <u>9,913,851</u>
Fund balances:			
Reserved for encumbrances	\$ 1,737,753	\$ 236,083	\$ 1,973,836
Reserved for capital improvement set-aside	74,320	-	74,320
Unreserved; undesignated (deficit) for:			
General fund	6,924,859	-	6,924,859
Special revenue funds	-	215,214	215,214
Capital projects funds	-	<u>725,622</u>	<u>725,622</u>
Total fund balances	\$ <u>8,736,932</u>	\$ <u>1,176,919</u>	\$ <u>9,913,851</u>

Wickliffe City School District

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

June 30, 2007

Total Governmental Funds Balances \$ 9,913,851

Amounts Reported for Governmental Activities in the
Statement of Net Assets 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 Assets.

259,937

Net assets of governmental activities \$ 10,173,788

Wickliffe City School District

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

For The Fiscal Year Ended June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Cash receipts:			
Taxes	\$ 12,720,444	\$ -	\$ 12,720,444
Earnings on investments	430,697	20,901	451,598
Extracurricular activities	42,299	106,873	149,172
Classroom materials and fees	63,823	-	63,823
Tuition and fees	34,493	-	34,493
Charges for services	-	267	267
Miscellaneous	197,075	48,395	245,470
Intergovernmental	4,546,221	1,353,284	5,899,505
Total cash receipts	<u>18,035,052</u>	<u>1,529,720</u>	<u>19,564,772</u>
Cash disbursements:			
Instruction:			
Regular education	6,055,071	200,263	6,255,334
Special education	1,545,961	298,744	1,844,705
Vocational education	147,136	-	147,136
Other	426,051	2,575	428,626
Support Services:			
Pupils	561,110	341,649	902,759
Instructional staff	376,079	80,257	456,336
Board of education	160,906	-	160,906
Administration	1,172,322	79,064	1,251,386
Fiscal services	550,861	-	550,861
Business	14,556	-	14,556
Operations and maintenance - plant	1,737,037	-	1,737,037
Pupil transportation	636,416	182,936	819,352
Central services	267,186	46,727	313,913
Operations of non-instructional services	66,976	567,344	634,320
Extracurricular activities:			
Academic and subject oriented	13,275	8,424	21,699
Occupation oriented	-	13,456	13,456
Sports oriented	154,387	67,387	221,774
Co-curricular	20,447	-	20,447
Capital Outlay			
Site improvement services	1,650	-	1,650
Other facilities acquisition and construction	7,008	-	7,008
Debt services:			
Principal	-	313,458	313,458
Interest and fiscal charges	-	11,026	11,026
Total cash disbursements	<u>13,914,435</u>	<u>2,213,310</u>	<u>16,127,745</u>
Total excess of cash receipts over (under) cash disbursements	<u>4,120,617</u>	<u>(683,590)</u>	<u>3,437,027</u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

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

For The Fiscal Year Ended June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):			
Proceeds from the sale of capital assets	7,020	794,075	801,095
Advances – in	1,423,253	54,963	1,478,216
Transfers – in	-	158,812	158,812
Refund of prior year disbursements	43,550	-	43,550
Advances – out	(1,306,197)	(62,881)	(1,369,078)
Transfers – out	(701,149)	(13,644)	(714,793)
Refund of prior year receipts	-	(3,847)	(3,847)
Total other financing sources (uses)	<u>(533,523)</u>	<u>927,478</u>	<u>393,955</u>
Net change in fund balance	3,587,094	243,888	3,830,982
Fund balance at beginning of year	<u>5,149,838</u>	<u>933,031</u>	<u>6,082,869</u>
Fund balance at end of year	\$ <u>8,736,932</u>	\$ <u>1,176,919</u>	\$ <u>9,913,851</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

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

For The Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 3,830,982

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

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

252,008

Change in Net Assets of Governmental Activities

\$ 4,082,990

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Budget (Non-GAAP) and Actual – General Fund

For The Fiscal Year Ended June 30, 2007

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Cash receipts:				
Taxes	\$ 13,548,300	\$ 7,577,795	\$ 12,720,444	\$ 5,142,649
Earnings on investments	293,145	293,145	430,697	137,552
Extracurricular activities	28,790	28,790	42,299	13,509
Classroom materials and fees	43,440	43,440	63,823	20,383
Tuition and fees	23,477	23,477	34,493	11,016
Miscellaneous	134,135	134,135	197,075	62,940
Intergovernmental	3,094,293	3,094,293	4,546,221	1,451,928
Total cash receipts	<u>17,165,580</u>	<u>11,195,075</u>	<u>18,035,052</u>	<u>6,839,977</u>
Cash disbursements:				
Instruction:				
Regular	8,382,288	6,055,048	6,811,279	(756,231)
Special	1,709,989	1,817,123	1,739,034	78,089
Vocational education	133,614	171,836	165,512	6,324
Other	101,299	334,415	479,260	(144,845)
Supporting services:				
Pupils	527,667	630,376	631,186	(810)
Instructional staff	281,480	443,528	423,047	20,481
Board of education	160,347	229,090	181,001	48,089
Administration	868,262	1,175,379	1,318,732	(143,353)
Fiscal services	467,819	556,389	619,657	(63,268)
Business	46,783	17,387	16,374	1,013
Operation and maintenance – plant	1,589,350	1,818,041	1,953,973	(135,932)
Pupil transportation	452,580	664,540	715,897	(51,357)
Central services	316,388	291,465	300,554	(9,089)
Operations of non-instructional services	3,238	66,976	75,341	(8,365)
Extracurricular activities:				
Academic subject oriented activities	24,674	13,275	14,933	(1,658)
Sports oriented	147,003	154,387	173,668	(19,281)
Co-curricular activities	14,515	20,447	23,001	(2,554)
Facilities acquisition and construction:				
Site improvement services	103,080	1,650	1,856	(206)
Other facilities acquisition and construction services	21,539	35,008	7,883	27,125
Total cash disbursements	<u>15,351,915</u>	<u>14,496,360</u>	<u>15,652,188</u>	<u>(1,155,828)</u>
Excess cash receipts over (under) cash disbursements	<u>1,813,665</u>	<u>(3,301,285)</u>	<u>2,382,864</u>	<u>5,684,149</u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

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

For The Fiscal Year Ended June 30, 2007

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Other financing sources (uses):				
Proceeds from sale of capital assets	4,778	4,778	7,020	2,242
Advances – in	1,423,253	1,423,253	1,423,253	-
Refund of prior year disbursements	29,641	29,641	43,550	13,909
Advances – out	(430,133)	-	(1,306,197)	(1,306,197)
Transfers – out	(1,100,000)	(1,882,972)	(701,149)	1,181,823
Total other financing sources (uses)	(72,461)	(425,300)	(533,523)	(108,223)
Net change in fund balance	1,741,204	(3,726,585)	1,849,341	5,575,926
Fund balance at beginning of year	4,446,972	4,446,972	4,446,972	-
Prior year encumbrances	702,866	702,866	702,866	-
Fund balance at end of year	\$ <u>6,891,042</u>	\$ <u>1,423,253</u>	\$ <u>6,999,179</u>	\$ <u>5,575,926</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

Statement of Fund Net Assets – Modified Cash Basis Proprietary Funds

June 30, 2007

	<u>Business-Type Activities</u> Enterprise Funds	<u>Governmental Activities</u> Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ <u>104,719</u>	\$ <u>259,937</u>
Total assets	<u>104,719</u>	<u>259,937</u>
Net assets:		
Unrestricted	<u>104,719</u>	<u>259,937</u>
Total net assets	\$ <u><u>104,719</u></u>	\$ <u><u>259,937</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2007

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
Operating cash receipts:		
Tuition and fees	\$ 6,445	\$ -
Charges for services	25,952	-
Extracurricular activities	-	324
Miscellaneous	50,323	1,517,546
Intergovernmental	28,450	-
Total operating cash receipts	<u>111,170</u>	<u>1,517,870</u>
Operating cash disbursements:		
Salaries and wages	50,431	205,774
Fringe benefits	17,975	95,226
Contract services	2,171	95
Materials and supplies	52,909	1,679
Capital outlay	-	562
Other operating disbursements	-	1,517,546
Total operating cash disbursements	<u>123,486</u>	<u>1,820,882</u>
Operating loss	<u>(12,316)</u>	<u>(303,012)</u>
Non-operating cash receipts and disbursements:		
Interest income	992	-
Refund of prior year receipts	(1,206)	-
Refund of prior year disbursements	-	127,786
Other non-operating receipts	376	-
Total non-operating cash receipts and disbursements	<u>162</u>	<u>127,786</u>
Loss before transfers and advances	(12,154)	(175,226)
Advances – in	9,853	1,241,381
Transfers – in	19,609	536,372
Advances – out	<u>(9,853)</u>	<u>(1,350,519)</u>
Total transfers and advances	<u>19,609</u>	<u>427,234</u>
Change in net assets	7,455	252,008
Total net assets at beginning of year	<u>97,264</u>	<u>7,929</u>
Total net assets at end of year	<u>\$ 104,719</u>	<u>\$ 259,937</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

Statement of Fiduciary Assets and Liabilities – Modified Cash Basis Fiduciary Funds

June 30, 2007

	<u>Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>3,598</u>	\$ <u>40,438</u>
Liabilities:		
Due to students	<u>-</u>	\$ <u>40,438</u>
Net assets:		
Held in trust	\$ <u>3,598</u>	

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Wickliffe City School District

Statement of Changes in Fiduciary Assets – Modified Cash Basis
Fiduciary Funds

For the Fiscal Year Ended June 30, 2007

	<u>Trust Funds</u>
Additions:	
Interest income	\$ <u>98</u>
Total additions	<u>98</u>
Change in net assets	98
Net assets beginning of year	<u>3,500</u>
Net assets end of year	\$ <u><u>3,598</u></u>

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Wickliffe City School District

Notes To Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Note 1: Description of the School District and Reporting Entity

The Wickliffe City School District (the “District”) is located in Lake County in Northern 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 77 support employees and 112 certified employees who provide services to 1,482 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 insure 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.

Non-public Schools – Within the District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the District, 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 School District and are significantly 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 on the District’s financial statements.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

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

Reporting Entity (continued)

The District is associated with four jointly governed organizations. These organizations are the East Shore Center, Ohio School's Council, Lake County Schools Council of Governments Health Care Benefits Program, and Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are described in detail in Note 10.

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

These financial statements follow a modified cash basis of accounting. This is a basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and 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. Receipts which are not classified as program receipts are presented as general receipts of the School 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 School District.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. 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. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund

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

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; and for grants and other resources whose use is restricted to a particular purpose.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds

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

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School 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. Any such modifications made by the School District are described in the appropriate section in this note.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

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

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 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 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.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 2: Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

The District complies with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB 31, the District's investments are stated at fair value, except for interest-earning investment contracts, money market investments, and external investment pools (see Note 4).

In applying GASB Statement No. 31, the District utilized the following methods and assumptions as of June 30, 2007:

The portfolio was limited to nonparticipating interest-earning investment contracts and U.S. Government Securities.

Most of the District's investments are reported at fair value, which is the quoted market price as of the valuation date. For investments in STAROhio, fair value is determined by the pool's share price. Exceptions to the fair value requirement include nonparticipating interest-earning investment contracts and money market investments.

Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Money market investments, including U.S. Treasury and agency obligations that had a remaining maturity of one year or less at the time of purchase by the District, are reported at amortized 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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2007. STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$430,697, which includes \$58,595 assigned from other School District funds.

Based upon the reporting requirements of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District does not sponsor an external investment pool.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 2: Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

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 School 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. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds 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 an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 2: Summary of Significant Accounting Policies (continued)

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 Assets

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

N. Fund Balance Reserves

Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During the fiscal year, the District had neither special items nor extraordinary items.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 3: 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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio)
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 3: Deposits and Investments (continued)

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 Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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. At fiscal year end, the District had a book balance of \$7,154,517. Of the District's bank balance of \$7,805,147, \$7,405,147 was exposed to custodial risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Although the securities held by the pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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 one hundred five percent of the deposits being secured.

Investments

Investments are reported as fair value. As of June 30, 2007, the District had the following investments:

	Fair Value	Maturity	
		6 months or less	More than 6 months
Federal National Mortgage Association Bonds	\$ 946,466	\$ 723,466	\$ 223,000
Federal Home Loan Bank	1,746,977	798,628	948,349
Federal Home Loan Mortgage Corporation	24,887	24,887	-
Sweep Accounts	448,871	448,871	-
Total Portfolio	\$ <u>3,167,201</u>	\$ <u>1,995,852</u>	\$ <u>1,171,349</u>

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 3: Deposits and Investments (continued)

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 that need to sell securities on the open market prior to maturity and by investing operation funds primarily in short-term investments. The District investment policy also limits security purchases to those that mature five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than four years.

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

Credit Risk is addressed by the District's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the District are registered and carry a rating AAA 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.

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal National Mortgage Association Bonds	29.88%
Federal Home Loan bank	55.16
Federal Home Loan Mortgage Corporation	0.79
Sweep Accounts	14.17

Note 4: Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Property tax receipts received during calendar 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) are for calendar 2007 taxes.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 4: Property Taxes (continued)

Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five 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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007 and are collected in 2008 with real property taxes.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property assessments are twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2006 Second-Half Collections		2007 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 314,403,790	88.76%	\$ 337,437,390	91.81%
Public Utility Personal	8,010,760	2.26%	7,697,220	2.09%
Tangible Personal Property	<u>31,817,672</u>	<u>8.98%</u>	<u>22,394,093</u>	<u>6.10%</u>
	<u>\$ 354,232,222</u>	<u>100.00%</u>	<u>\$ 367,528,703</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 67.31		\$ 67.31	

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30 and are intended to finance the fiscal year in which they are paid. This year, the June 2006 tangible personal property tax settlement was not received until July of 2005.

The 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, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 5: Interfund Advances and Transfers

A. Interfund advances consisted of the following at June 30, 2007, as reported on the fund statement.

Advance from	Advance to				
	General Fund	Non-major Governmental	Non-major Business type	Internal Service	Total
General fund	\$ -	\$ 54,963	\$ 9,853	\$ 1,241,381	\$ 1,306,197
Non-major governmental	62,881	-	-	-	62,881
Non-major business type	9,853	-	-	-	9,853
Internal service	<u>1,350,519</u>	-	-	-	<u>1,350,519</u>
Total	\$ <u>1,423,253</u>	\$ <u>54,963</u>	\$ <u>9,853</u>	\$ <u>1,241,381</u>	\$ <u>2,729,450</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

B. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund statements.

Transfer from	Transfer to			
	Non-major Governmental	Non-major Business Type	Internal Service	Total
General fund	\$ 145,168	\$ 19,609	\$ 536,372	\$ 701,149
Non-major governmental	<u>13,644</u>	-	-	<u>13,644</u>
Total	\$ <u>158,812</u>	\$ <u>19,609</u>	\$ <u>536,372</u>	\$ <u>714,793</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.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 6: 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 nature disasters. During fiscal year 2007, the District contracted with the Indiana Insurance Agency Inc. 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. Coverage provided with Indiana Insurance are as follows:

	<u>Coverage</u>
Buildings and Contents – replacement costs	\$ 46,840,232
Inland Marine	75,000
Crime Insurances	25,000
Automobile Liability	1,000,000
Uninsured Motorists	500,000
General Liability	
Per Occurrence	1,000,000
Total per year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant 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 Program. The District paid \$1,517,546 in claims during fiscal year 2007.

C. Worker's Compensation

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures 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. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 7: Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$286,348 \$315,972, and \$385,164, respectively; equal to the required contributions for each year.

B. State Teachers Retirement System

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

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and the employer contributions are used fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 7: Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System (continued)

DB plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit,” the retirement allowance is based on the years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

In the Combined plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefits are determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined plans. Various other benefits are available to members’ beneficiaries.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 7: Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System (continued)

For the fiscal years ended June 30, 2007, 2006 and 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$948,034, \$858,612, and \$990,000, respectively; 100 percent has been contributed for fiscal years 2007 thru 2005.

C. 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, 2007, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 8: Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$67,717 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 8: Postemployment Benefits (continued)

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer’s SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$101,034.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.5 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

Note 9: Long-Term Liabilities

Changes in long-term debt activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>6/30/06</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/07</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds:					
Energy Conservation 1997	\$ 88,457	\$ -	\$ 88,457	\$ -	\$ -
General obligation library improvements					
1995 Issue, 5.46%	115,000	-	115,000	-	-
1996 Issue, 5.50%	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>-</u>	<u>-</u>
Total general obligation bonds	<u>\$ 313,457</u>	<u>\$ -</u>	<u>\$ 313,457</u>	<u>\$ -</u>	<u>\$ -</u>

Proceeds from the outstanding Energy Conservation Improvement Bonds (1997) were used to improve energy efficiency within the District. The project encompassed the removal and replacement of district boilers, retrofitting of lighting systems and replacement of cafeteria windows at the high school. The bonds were issued in 1997 and matured on June 1, 2007.

Proceeds from the outstanding Library Improvement Bonds (1995 and 1996) were used for an addition to the Wickliffe Public Library. The construction and improvements included additional collection space, meeting space and improved administrative offices. The bonds were issued in 1995 and 1996, respectively and have matured on December 1, 2006.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 10: Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

East Shore Center

The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. In fiscal year 2007, the School District paid \$8,404 to the East Shore Center. Financial information can be obtained by writing the fiscal agent, Lake County Educational Service Center, 30 South Park Place, Suite 320, Painesville, OH 44077.

Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among 91 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee.

The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2007 the District paid \$43,953 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Secretary/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 10: Jointly Governed Organizations

Ohio Schools' Council Association (continued)

participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining repayment related to that participant to Energy Acquisition Corp.

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

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

Lake County Schools Council of Governments Health Care Benefits Program

The District participates in the Lake County Schools Council of Governments Health Care Benefits Program (HCBP) which is a cooperative program for the provision of health care benefits that is currently functioning as self-insurance claims servicing pool. The pool is comprised of eleven member school districts. Each member pays an administrative fee to the pool. The HCBP business and affairs are conducted by a five member Board of Directors elected from the HCBP's assembly. Each participating member retains a share of the overall risk as determined by the claims servicing agent. Financial information can be obtained by writing the Treasurer, 30 South Park Place, Suite 30, Painesville, Ohio 44077.

Note 11: Claims Servicing Pool

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 30 South Park Place, Suite 30, Painesville, Ohio 44077.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 12: 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, Clerk/Treasurer, 1713 Lincoln Road, Wickliffe, Ohio 44092.

Note 13: Contingencies

A. Grants

The District receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2007.

B. Litigation

As of June 30, 2007, the District is a defendant in legal proceedings to matters which are incidental to performing routine School District functions. Based on the status of these legal proceedings, it is the opinion of management and legal counsel that the ultimate resolution of such may result in the School District being required to pay damages to a former employee.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 14: 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 purchase of textbooks and other instructional materials and an equal amount 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. These amounts must be 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 textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2006	\$ (605,273)	\$ -
Current Year Set-Aside Requirements	226,763	226,763
Qualifying Disbursements	(403,685)	(152,443)
Total	(782,195)	74,320
Set-Aside Reserve Balance as of June 30, 2007	\$ -	\$ 74,320

Note 15: School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient". The School District is unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Currently, a state-wide petition drive is underway to place a Constitutional Amendment on the ballot.

Wickliffe City School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2007

Note 16: Budgetary Basis of Accounting and Compliance

The budgetary basis as provided by 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 – Budgetary 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 year end encumbrances, which are treated as cash disbursement (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,737,753 for the General Fund.

The negative variance reported on the Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Budget (Non-GAAP) and Actual – General Fund resulting from the Advances-out is not a violation of Ohio Revised Code. The advances-out (initial loan and repayment) in the creditor (loaning) and debtor (borrowing) funds do not require appropriation as advances represent temporary allocations of resources.

The District was in violation of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03.

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
Program Title				
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
National School Lunch Program	LLP4-2005	10.555	(\$1,206)	(\$1,206)
National School Lunch Program	LLP4-2006	10.555	4,208	4,208
National School Lunch Program	LLP4-2007	10.555	24,243	24,243
Total National School Lunch Program			<u>27,245</u>	<u>27,245</u>
Total Nutrition Cluster			<u>27,245</u>	<u>27,245</u>
Total U.S. Department of Agriculture			<u>27,245</u>	<u>27,245</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	C1S1-2006	84.010	0	14
Title I Grants to Local Educational Agencies	C1S1-2006	84.010	10,394	40,625
Title I Grants to Local Educational Agencies	C1S1-2007	84.010	256,859	229,973
Total Title I Grants to Local Educational Agencies			<u>267,253</u>	<u>270,612</u>
Special Education Cluster:				
Title VI-B Special Education-Grants to States	6BSD-2005	84.027	0	85
Title VI-B Special Education-Grants to States	6BSA-2006	84.027	7,927	9,015
Title VI-B Special Education-Grants to States	6BSD-2006	84.027	6,013	7,254
Title VI-B Special Education-Grants to States	6BSD-2007	84.027	54,003	43,769
Title VI-B Special Education-Grants to States	6BSF-2006	84.027	46,776	65,257
Title VI-B Special Education-Grants to States	6BSF-2007	84.027	378,670	389,184
Total Title VI-B Special Education-Grants to States			<u>493,389</u>	<u>514,564</u>
Preschool Special Education	PGS1-2006	84.173	117	1,805
Preschool Special Education	PGS1-2007	84.173	9,693	9,036
Total Preschool Special Education			<u>9,810</u>	<u>10,841</u>
Total Special Education Cluster			<u>503,199</u>	<u>525,405</u>
Safe and Drug Free Schools and Communities-State Grants	DRS1-2000	84.186	(3,847)	0
Safe and Drug Free Schools and Communities-State Grants	DRS1-2006	84.186	(141)	1,430
Safe and Drug Free Schools and Communities-State Grants	DRS1-2007	84.186	7,071	6,375
Total Safe and Drug Free Schools and Communities-State Grants			<u>3,083</u>	<u>7,805</u>
Innovative Education Program Strategies	C2S1-2006	84.298	577	1,297
Innovative Education Program Strategies	C2S1-2007	84.298	2,532	2,279
Total Innovative Education Program Strategies			<u>3,109</u>	<u>3,576</u>

(continued)

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Technology Literacy Challenge Funds	TJS1-2006	84.318	1,703	1,596
Technology Literacy Challenge Funds	TJS1-2007	84.318	2,337	2,939
Total Technology Literacy Challenge Funds			<u>4,040</u>	<u>4,535</u>
Improving Teacher Quality State Grants (Title II, Part A)	TRS1-2006	84.367	15,839	12,642
Improving Teacher Quality State Grants (Title II, Part A)	TRS1-2007	84.367	63,726	48,367
Total Improving Teacher Quality State Grants (Title II, Part A)			<u>79,565</u>	<u>61,009</u>
Total Passed through the Ohio Department of Education			<u>860,249</u>	<u>872,942</u>
<i>Passed Through the Cuyahoga County Educational Service Center</i>				
English Language Acquisition Grant (Title III)	T3S1-2006	84.365	205	0
English Language Acquisition Grant (Title III)	T3S1-2007	84.365	23	0
Total English Language Acquisition Grant (Title III)			<u>228</u>	<u>0</u>
Total Passed Through the Cuyahoga County Educational Service Center			<u>228</u>	<u>0</u>
Total U.S. Department of Education			<u>860,477</u>	<u>872,942</u>
Total Federal Assistance			<u>\$887,722</u>	<u>\$900,187</u>

The accompanying notes are an integral part of this schedule.

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – NEGATIVE RECEIPTS

The Ohio Department of Education (ODE) transferred federal monies from grant year 2006 to grant year 2007 for several of the District's federal grants. These transfers appear as negative receipts in the 2006 grant year and positive receipts in the 2007 grant year. This action by ODE allowed the Center to extend the availability period for expenditure of these receipts.

The District was required to return federal grant monies for the 2000 grant year Safe and Drug Free Schools and Communities-State Grants. This return is presented a negative receipt.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 7, 2008, wherein we noted the District utilized a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We also noted the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated May 7, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 an opinion. The results of our tests disclosed an instance of noncompliance or another matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 7, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 7, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Wickliffe City School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Wickliffe City School District, Lake County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 7, 2008

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (84.027 & 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001

Noncompliance Finding

Annual Financial Report

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.

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 and subjected to various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure the annual financial report is prepared on a generally accepted accounting principles basis.

Official's Response:

Over the last several fiscal years 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. For the last several fiscal years through FY2006 the Board authorized filing cash basis statements. For FY2007 the Board reviewed the costs and consequences of filing cash vs OCBOA vs GAAP. The Board very much wanted an unqualified opinion for the district and therefore directed the Treasurer to prepare OCBOA and save the district the additional cost of GAAP based statements. The current Board of Education is of the opinion that the funds we have today are all we will have from the electorate for the next 5 - 7 years therefore reductions must be achieved.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

WICKLIFFE CITY SCHOOL DISTRICT
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code 117.39 – The District does not file GAAP financial statements	No	Not Corrected, Finding is repeated, See 2007-001



Mary Taylor, CPA
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
JUNE 17, 2008**