

Wickliffe City School District

**Basic Financial Statements
June 30, 2011**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Wickliffe City School District, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 8, 2012

Wickliffe City School District

For the Fiscal Year Ended June 30, 2011

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Wickliffe City School District

For the Fiscal Year Ended June 30, 2011

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Independent Auditor's Report

Board of Education
Wickliffe City School District
Wickliffe, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District (the "District"), as of and for the year ended June 30, 2011, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 accompanying financial statements and notes follow the cash basis of accounting. 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 basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in cash basis 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.

Board of Education
Wickliffe City School District

As described in Note 3 to the financial statements, during the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management’s discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Parichi, Inc.

Cleveland, Ohio
December 23, 2011

Wickliffe City School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2011

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, 2011. 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 2011 are as follows:

- In total, net assets decreased \$2,282,291. Net assets of governmental activities decreased \$2,267,605, which represents a 25 percent decrease from 2010. Net assets of business-type activities decreased \$14,686 or 13 percent from 2010.
- Total general receipts accounted for \$16,471,448 in receipts or 86 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,612,175 or 14 percent of total receipts of \$19,083,623.
- The District had \$20,985,779 in disbursements related to governmental activities; only \$2,289,436 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 \$16,471,448 were not adequate to provide for these programs resulting in a decrease of net assets from \$9,223,312 to \$6,955,707.
- The District had \$380,135 in disbursements related to business-type activities; a total of \$322,739 was offset by program specific charges for services, grants and contributions. Total program receipts were not adequate to provide for these programs by \$57,396. Additionally, other general receipts totaling \$42,710 resulted in a decrease to net assets from \$116,037 to \$101,351.
- The District's major governmental fund is the General Fund. The General Fund had \$17,026,860 in receipts and other financing sources and \$18,865,983 in disbursements and other financing uses. The General Fund's fund balance decreased \$1,839,123 from \$8,752,229 to \$6,913,106.

Using these Basic Financial Statements

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

Report Components

The Statement of Net 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 (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2011

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

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

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the District did financially during 2011, within the limitations of 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 the fiscal 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 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.

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.

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

Reporting the District's Most Significant Funds

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

Governmental Funds

Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds

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

Fiduciary Funds

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Liabilities on page 23. 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 (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2011

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 2011 and 2010.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ <u>6,955,707</u>	\$ <u>9,223,312</u>	\$ <u>101,351</u>	\$ <u>116,037</u>	\$ <u>7,057,058</u>	\$ <u>9,339,349</u>
Total assets	<u>6,955,707</u>	<u>9,223,312</u>	<u>101,351</u>	<u>116,037</u>	<u>7,057,058</u>	<u>9,339,349</u>
Net assets:						
Restricted for:						
Capital projects	148,120	304,253	-	-	148,120	304,253
Other purposes	254,019	101,518	-	-	254,019	101,518
Unrestricted	<u>6,553,568</u>	<u>8,817,541</u>	<u>101,351</u>	<u>116,037</u>	<u>6,654,919</u>	<u>8,933,578</u>
Total net assets	\$ <u>6,955,707</u>	\$ <u>9,223,312</u>	\$ <u>101,351</u>	\$ <u>116,037</u>	\$ <u>7,057,058</u>	\$ <u>9,339,349</u>

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

Total assets decreased by \$2,282,291 from 2010 to 2011. The decrease was partially due to the decrease in local property tax revenues received and earnings on investments.

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 year and the prior year.

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Cash Receipts:						
Program cash receipts:						
Charges for services	\$ 613,843	\$ 557,838	\$ 139,401	\$ 116,000	\$ 753,244	\$ 673,838
Operating grants and contributions	<u>1,675,593</u>	<u>1,405,016</u>	<u>183,338</u>	<u>104,396</u>	<u>1,858,931</u>	<u>1,509,412</u>
Total program cash receipts	<u>2,289,436</u>	<u>1,962,854</u>	<u>322,739</u>	<u>220,396</u>	<u>2,612,175</u>	<u>2,183,250</u>
General cash receipts:						
Property taxes	10,213,824	10,427,020	-	-	10,213,824	10,427,020
Grants and entitlements	6,092,186	6,065,511	-	-	6,092,186	6,065,511
Investment earnings	76,935	184,904	-	-	76,935	184,904
Other	70,095	81,460	-	-	70,095	81,460
Gain on sale of assets	<u>18,408</u>	<u>27,990</u>	<u>-</u>	<u>-</u>	<u>18,408</u>	<u>27,990</u>
Total general cash receipts	16,471,448	16,786,885	-	-	16,471,448	16,786,885
Transfers	<u>(42,710)</u>	<u>(12,534)</u>	<u>42,710</u>	<u>12,534</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>18,718,174</u>	<u>18,737,205</u>	<u>365,449</u>	<u>232,930</u>	<u>19,083,623</u>	<u>18,970,135</u>
Cash disbursements:						
Program cash disbursements:						
Instruction:						
Regular education	7,699,672	7,123,647	-	-	7,699,672	7,123,647
Special education	2,257,373	2,483,093	-	-	2,257,373	2,483,093
Vocational education	40,329	7,293	-	-	40,329	7,293
Other	763,746	735,268	-	-	763,746	735,268
Support services:						
Pupil	1,279,810	1,209,303	-	-	1,279,810	1,209,303
Instructional staff	1,131,760	1,023,576	-	-	1,131,760	1,023,576
Board of education	238,993	525,740	-	-	238,993	525,740
Administration	1,379,799	1,272,290	-	-	1,379,799	1,272,290
Fiscal	529,173	571,486	-	-	529,173	571,486
Business	92,935	72,092	-	-	92,935	72,092
Operation and maintenance - plant						
Plant	1,958,063	2,135,032	-	-	1,958,063	2,135,032
Pupil transportation	1,090,954	918,753	-	-	1,090,954	918,753
Central services	639,307	780,167	-	-	639,307	780,167
Operations of non-instructional services						
Instructional services	531,297	470,796	-	-	531,297	470,796
Extracurricular activities	272,545	415,936	-	-	272,545	415,936
Facilities acquisition and construction						
Acquisition and construction	1,080,023	716,979	-	-	1,080,023	716,979
Food service	-	-	297,514	176,400	297,514	176,400
Rotary	-	-	21,301	14,846	21,301	14,846
Special enterprise	<u>-</u>	<u>-</u>	<u>61,320</u>	<u>53,447</u>	<u>61,320</u>	<u>53,447</u>
Total cash disbursements	<u>20,985,779</u>	<u>20,461,451</u>	<u>380,135</u>	<u>244,693</u>	<u>21,365,914</u>	<u>20,706,144</u>
Change in net assets	\$ <u>(2,267,605)</u>	\$ <u>(1,724,246)</u>	\$ <u>(14,686)</u>	\$ <u>(11,763)</u>	\$ <u>(2,282,291)</u>	\$ <u>(1,736,009)</u>

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

Governmental Activities

Net assets of the District's governmental activities decreased by \$2,267,605. Total governmental disbursements of \$20,985,779 was offset by program receipts of \$2,289,436 and general receipts of \$16,471,448. Program receipts supported 11 percent of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and grants and entitlements. These two receipts sources represent 87 percent of total governmental receipts. Property taxes support 49 percent of total disbursements while grants and entitlements supported 29 percent of total disbursements.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Table 3
Total Cost of Program Services from Governmental Activities

	Total Cost of Services		Net (Cost) of Services	
	2011	2010	2011	2010
Program cash disbursements:				
Instruction:				
Regular education	\$ 7,699,672	\$ 7,123,647	\$ (7,425,778)	\$ (6,856,209)
Special education	2,257,373	2,483,093	(1,289,200)	(1,627,975)
Vocational education	40,329	7,293	(40,329)	(7,293)
Other	763,746	735,268	(763,746)	(735,268)
Support services:				
Pupil	1,279,810	1,209,303	(1,218,218)	(1,142,707)
Instructional staff	1,131,760	1,023,576	(1,131,760)	(1,023,576)
Board of education	238,993	525,740	(238,993)	(525,740)
Administration	1,379,799	1,272,290	(1,379,799)	(1,272,290)
Fiscal	529,173	571,486	(529,173)	(571,486)
Business	92,935	72,092	(92,935)	(72,092)
Operation and maintenance - plant	1,958,063	2,135,032	(1,957,369)	(2,134,774)
Pupil transportation	1,090,954	918,753	(1,090,954)	(918,753)
Central	639,307	780,167	(627,482)	(775,167)
Operations of non-instructional services	531,297	470,796	(118,334)	(129,278)
Extracurricular activities	272,545	415,936	287,750	10,990
Facilities acquisition and construction	1,080,023	716,979	(1,080,023)	(716,979)
Total cash disbursements	\$ <u>20,985,779</u>	\$ <u>20,461,451</u>	\$ <u>(18,696,343)</u>	\$ <u>(18,498,597)</u>

The dependence upon tax receipts during fiscal year 2011 for governmental activities is apparent, as 88 percent of 2011 instruction activities are supported through taxes and other general receipts. The District's taxpayers, as a whole, are by far the primary support for District's students.

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

Business-Type Activities

Business-type activities include food service operation, rotary fund and latchkey fund. These programs had receipts of \$365,449 and disbursements of \$380,135 for fiscal year 2011. 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 \$18,785,015 and disbursements, including other financing uses of \$21,052,754. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$1,839,123 primarily due to the completion of construction and renovation projects.

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

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Disbursement by Function:			
Instruction	\$ 10,132,009	\$ 9,887,859	2.47%
Support services	7,674,399	7,855,909	(2.31)
Operations of non-instructional services	500	-	100.00
Extracurricular activities	153,189	296,072	(48.26)
Facilities acquisition and construction	<u>838,911</u>	<u>716,979</u>	17.01
Total	<u>\$ 18,799,008</u>	<u>\$ 18,756,819</u>	

The most significant percentage decrease was in extracurricular activities. This was primarily due to the decrease of sport oriented expenditures within the District.

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 2011, the District amended its General Fund budget in anticipation of approval of the Governor's education budget. Final disbursements, not including other financing uses, were budgeted at \$20,208,572 while actual disbursements, not including other financing uses, were \$19,625,629.

The most significant change between original and final budgeted receipts was in Intergovernmental with a decrease of \$4,229,272, mainly due to State intergovernmental receipts not being included with the final certificate, i.e., electric deregulation monies and tangible personal property taxes reimbursed by the State. The most significant variance from final budget to actual receipts was in Intergovernmental in the amount of \$5,370,772 over expected receipts, as the District received the taxes reimbursed by the State which were not included in the final certificate from the Office of the Budget Commission of Lake County.

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

The most significant change between original and final budgeted disbursements was for Regular Instruction with a decrease of \$434,560 due to allocation of retirement and insurance benefits. That decrease in budget, also led to Regular Instruction having the most significant variance from final budget to actual disbursements in the amount of \$232,836, under budget.

In summary, disbursements were below budget and receipts were above final expectations. The District ended above budgeted expectations by \$5,560,914, however, the actual General Fund decreased in fund balance by \$2,665,744 for 2011.

Capital Assets

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

Current Financial Related Activities

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

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

The District relies heavily on its taxpayers to support its operations. The community support for the schools is strong. The District last passed a continuing operating levy in November 2011. The District has communicated to the community that they rely upon their support for the majority of its operations. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the District to come back to the voters to ask for additional support.

Wickliffe City School District has not anticipated any meaningful growth in State revenue. With 51 percent of the taxes for the District coming from local taxpayers, one can see the significant impact this change would have on the District and ultimately, the residential taxpayers.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Susan M. Haffey, Treasurer, 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 – Cash Basis

June 30, 2011

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
		Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>6,955,707</u>	\$ <u>101,351</u>	\$ <u>7,057,058</u>
Total assets	<u>6,955,707</u>	<u>101,351</u>	<u>7,057,058</u>
Net assets:			
Restricted for:			
Capital projects	148,120	-	148,120
Other purposes	254,019	-	254,019
Unrestricted	<u>6,553,568</u>	<u>101,351</u>	<u>6,654,919</u>
Total net assets	\$ <u>6,955,707</u>	\$ <u>101,351</u>	\$ <u>7,057,058</u>

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

Wickliffe City School District

Statement of Activities – Cash Basis

For the Fiscal Year Ended June 30, 2011

	Cash Disbursements	Program Cash Receipts	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular education	\$ 7,699,672	\$ 62,560	\$ 211,334
Special education	2,257,373	-	968,173
Vocational education	40,329	-	-
Other	763,746	-	-
Support services:			
Pupil	1,279,810	61,592	-
Instructional staff	1,131,760	-	-
Board of education	238,993	-	-
Administration	1,379,799	-	-
Fiscal	529,173	-	-
Business	92,935	-	-
Operations and maintenance – plant	1,958,063	694	-
Pupil transportation	1,090,954	-	-
Central services	639,307	-	11,825
Operations and non-instructional services	531,297	412,963	-
Extracurricular activities	272,545	76,034	484,261
Facilities acquisition and construction	<u>1,080,023</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>20,985,779</u>	<u>613,843</u>	<u>1,675,593</u>
Business-type activities:			
Food service	297,514	71,416	183,338
Rotary	21,301	7,300	-
Special enterprise fund	<u>61,320</u>	<u>60,685</u>	<u>-</u>
Total business-type activities	<u>380,135</u>	<u>139,401</u>	<u>183,338</u>
Totals	\$ <u>21,365,914</u>	\$ <u>753,244</u>	\$ <u>1,858,931</u>

General cash receipts:
 Property tax 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 accompanying notes are an integral part of these financial statements.

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (7,425,778)	\$ -	\$ (7,425,778)
(1,289,200)	-	(1,289,200)
(40,329)	-	(40,329)
(763,746)	-	(763,746)
(1,218,218)	-	(1,218,218)
(1,131,760)	-	(1,131,760)
(238,993)	-	(238,993)
(1,379,799)	-	(1,379,799)
(529,173)	-	(529,173)
(92,935)	-	(92,935)
(1,957,369)	-	(1,957,369)
(1,090,954)	-	(1,090,954)
(627,482)	-	(627,482)
(118,334)	-	(118,334)
287,750	-	287,750
<u>(1,080,023)</u>	<u>-</u>	<u>(1,080,023)</u>
<u>(18,696,343)</u>	<u>-</u>	<u>(18,696,343)</u>
-	(42,760)	(42,760)
-	(14,001)	(14,001)
-	<u>(635)</u>	<u>(635)</u>
-	<u>(57,396)</u>	<u>(57,396)</u>
<u>(18,696,343)</u>	<u>(57,396)</u>	<u>(18,753,739)</u>
10,213,824	-	10,213,824
6,092,186	-	6,092,186
76,935	-	76,935
18,408	-	18,408
<u>70,095</u>	<u>-</u>	<u>70,095</u>
16,471,448	-	16,471,448
<u>(42,710)</u>	<u>42,710</u>	<u>-</u>
<u>16,428,738</u>	<u>42,710</u>	<u>16,471,448</u>
(2,267,605)	(14,686)	(2,282,291)
<u>9,223,312</u>	<u>116,037</u>	<u>9,339,349</u>
\$ <u>6,955,707</u>	\$ <u>101,351</u>	\$ <u>7,057,058</u>

Wickliffe City School District

Balance Sheet – Cash Basis Governmental Funds

June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>6,913,106</u>	\$ <u>38,300</u>	\$ <u>6,951,406</u>
Total assets	\$ <u>6,913,106</u>	\$ <u>38,300</u>	\$ <u>6,951,406</u>
Fund balances:			
Restricted	\$ 11,000	\$ 402,139	\$ 413,139
Assigned	908,194	-	908,194
Unassigned (deficit)	<u>5,993,912</u>	<u>(363,839)</u>	<u>5,630,073</u>
Total fund balances	\$ <u>6,913,106</u>	\$ <u>38,300</u>	\$ <u>6,951,406</u>

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

Wickliffe City School District

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

June 30, 2011

Total Governmental Funds Balances \$ 6,951,406

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.

4,301

Net assets of governmental activities \$ 6,955,707

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

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
Property taxes	\$ 10,213,824	\$ -	\$ 10,213,824
Investment earnings	70,291	6,644	76,935
Extracurricular activities	115,593	65,474	181,067
Classroom materials and fees	62,560	-	62,560
Charges for services	-	74	74
Miscellaneous	434,862	8,148	443,010
Intergovernmental	<u>6,111,322</u>	<u>1,653,550</u>	<u>7,764,872</u>
Total cash receipts	<u>17,008,452</u>	<u>1,733,890</u>	<u>18,742,342</u>
Cash disbursements:			
Instruction:			
Regular education	7,508,178	191,494	7,699,672
Special education	1,838,910	418,463	2,257,373
Vocational education	40,329	-	40,329
Other	744,592	19,154	763,746
Support Services:			
Pupils	837,232	442,578	1,279,810
Instructional staff	1,021,157	110,603	1,131,760
Board of education	238,993	-	238,993
Administration	1,379,799	-	1,379,799
Fiscal	529,173	-	529,173
Business	92,935	-	92,935
Operations and maintenance – plant	1,957,860	203	1,958,063
Pupil transportation	1,090,954	-	1,090,954
Central services	526,296	113,011	639,307
Operations of non-instructional services	500	530,797	531,297
Extracurricular activities:			
Academic and subject oriented	30,870	8,173	39,043
Sports oriented	97,600	111,183	208,783
Co-curricular	24,719	-	24,719
Facilities acquisition and construction:			
Site improvement services	237,207	-	237,207
Architecture and engineering services	62,682	-	62,682
Building improvement services	536,602	241,112	777,714
Other facilities acquisition and construction services	<u>2,420</u>	<u>-</u>	<u>2,420</u>
Total cash disbursements	<u>18,799,008</u>	<u>2,186,771</u>	<u>20,985,779</u>
Total excess (deficiency) of cash receipts over (under) cash disbursements	<u>(1,790,556)</u>	<u>(452,881)</u>	<u>(2,243,437)</u>

Continued

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

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):			
Proceeds from the sale of capital assets	18,408	-	18,408
Advance – in	-	1,765	1,765
Transfers – in	-	22,500	22,500
Advances – out	(1,765)	-	(1,765)
Transfers – out	(65,210)	-	(65,210)
Total other financing sources (uses)	<u>(48,567)</u>	<u>24,265</u>	<u>(24,302)</u>
Net change in fund balance	(1,839,123)	(428,616)	(2,267,739)
Fund balance at beginning of year, restated	<u>8,752,229</u>	<u>466,916</u>	<u>9,219,145</u>
Fund balance at end of year	\$ <u>6,913,106</u>	\$ <u>38,300</u>	\$ <u>6,951,406</u>

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances – Total Governmental Funds \$ (2,267,739)

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.

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Change in Net Assets of Governmental Activities \$ (2,267,605)

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

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Cash receipts:				
Property taxes	\$ 11,450,895	\$ 11,225,296	\$ 10,213,824	\$ (1,011,472)
Investment earnings	57,162	8,518	70,291	61,773
Extracurricular activities	94,002	14,007	115,593	101,586
Classroom materials and fees	50,875	7,581	62,560	54,979
Miscellaneous	353,637	52,695	434,862	382,167
Intergovernmental	4,969,822	740,550	6,111,322	5,370,772
Total cash receipts	<u>16,976,393</u>	<u>12,048,647</u>	<u>17,008,452</u>	<u>4,959,805</u>
Cash disbursements:				
Instruction:				
Regular	8,505,731	8,071,171	7,838,335	232,836
Special	2,083,227	1,976,791	1,919,768	57,023
Vocational education	45,687	43,352	42,102	1,250
Other	843,518	800,421	777,332	23,089
Supporting services:				
Pupils	948,466	900,007	874,046	25,961
Instructional staff	1,156,827	1,097,723	1,066,058	31,665
Board of education	270,745	256,912	249,502	7,410
Administration	1,563,118	1,483,255	1,440,469	42,786
Fiscal	599,479	568,851	552,441	16,410
Business	105,282	99,903	97,021	2,882
Operation and maintenance – plant	2,217,980	2,104,660	2,043,948	60,712
Pupil transportation	1,235,898	1,172,753	1,138,924	33,829
Central services	596,220	565,758	549,438	16,320
Operation of non-instructional services	566	527	522	5
Extracurricular activities:				
Academic subject oriented activities	34,972	33,185	32,227	958
Sports oriented	110,567	104,918	101,892	3,026
Co-curricular activities	28,003	26,572	25,806	766
Facilities acquisition and construction:				
Site improvement services	268,722	254,993	247,637	7,356
Architecture and engineering services	71,010	67,382	65,438	1,944
Building improvement services	607,896	576,836	560,197	16,639
Other facilities acquisition and construction services	<u>2,742</u>	<u>2,602</u>	<u>2,526</u>	<u>76</u>
Total cash disbursements	<u>21,296,656</u>	<u>20,208,572</u>	<u>19,625,629</u>	<u>582,943</u>
Excess (deficiency) cash receipts over (under) cash disbursements	<u>(4,320,263)</u>	<u>(8,159,925)</u>	<u>(2,617,177)</u>	<u>5,542,748</u>

Continued

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

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Other financing sources (uses):				
Proceeds from sale of capital assets	14,970	2,231	18,408	16,177
Advances – out	(1,915)	(1,817)	(1,765)	52
Transfers – out	(70,762)	(67,147)	(65,210)	1,937
Total other financing sources (uses)	<u>(57,707)</u>	<u>(66,733)</u>	<u>(48,567)</u>	<u>18,166</u>
Net change in fund balance	(4,377,970)	(8,226,658)	(2,665,744)	5,560,914
Fund balance at beginning of year, restated	8,372,270	8,372,270	8,372,270	-
Prior year encumbrances	<u>379,977</u>	<u>379,977</u>	<u>379,977</u>	<u>-</u>
Fund balance at end of year	\$ <u>4,374,277</u>	\$ <u>525,589</u>	\$ <u>6,086,503</u>	\$ <u>5,560,914</u>

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

Wickliffe City School District

Statement of Fund Net Assets – Cash Basis Proprietary Funds

June 30, 2011

	<u>Business-Type Activities</u> Enterprise Funds	<u>Governmental Activities</u> Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ <u>101,351</u>	\$ <u>4,301</u>
Total assets	<u>101,351</u>	<u>4,301</u>
Net assets:		
Unrestricted	<u>101,351</u>	<u>4,301</u>
Total net assets	\$ <u><u>101,351</u></u>	\$ <u><u>4,301</u></u>

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

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Operating cash receipts:		
Tuition and fees	\$ 7,300	\$ -
Charges for services	71,416	-
Extracurricular activities	-	134
Miscellaneous	60,685	-
Intergovernmental	183,338	-
Total operating cash receipts	<u>322,739</u>	<u>134</u>
Operating cash disbursements:		
Salaries and wages	96,113	-
Contractual services	559	-
Fringe benefits	40,632	-
Materials and supplies	241,306	-
Capital outlay	1,525	-
Total operating cash disbursements	<u>380,135</u>	<u>-</u>
Operating income (loss) before transfers	(57,396)	134
Transfers – in	<u>42,710</u>	<u>-</u>
Change in net assets	(14,686)	134
Total net assets at beginning of year	<u>116,037</u>	<u>4,167</u>
Total net assets at end of year	\$ <u>101,351</u>	\$ <u>4,301</u>

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

Wickliffe City School District

Statement of Fiduciary Assets and Liabilities – Cash Basis
Fiduciary Funds

June 30, 2011

	<u>Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>3,500</u>	\$ <u>38,890</u>
Liabilities:		
Due to students	<u>-</u>	\$ <u>38,890</u>
Net assets:		
Held in trust	\$ <u>3,500</u>	

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

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

	<u>Trust Funds</u>
Additions:	
Earnings on investments	\$ <u>24</u>
Total additions	<u>24</u>
Deletions:	
Other operating expenses	<u>24</u>
Total deletions	<u>24</u>
Change in net assets	-
Net assets at beginning of year	<u>3,500</u>
Net assets at end of year	\$ <u><u>3,500</u></u>

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

Wickliffe City School District

Notes To the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 97 support employees and 124 certified employees who provide services to 1,557 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 of the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

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

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

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

Reporting Entity (continued)

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

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

Note 2: Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The District also applies guidance issued on or before November 30, 1989 by the Financial Accounting Standards Board ("FASB") which established the FASB Accounting Standards Codification ("ASC") as the single source of authoritative accounting principles generally accepted in the United States of America, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net 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 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.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

The Statement of Net Assets presents the financial condition of the governmental activities of the 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 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 District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

Fund Financial Statements

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

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

Proprietary Funds

Proprietary funds focus on the determination of operating income/loss, changes in net 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.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

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 5).

In applying GASB Statement No. 31, the District utilized the following methods and assumptions as of June 30, 2011:

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 balance sheet date. 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 and the Statement of Cash Receipts, Disbursements, and Changes in Fund Balances.

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 2011 amounted to \$70,291.

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.

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

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement healthcare 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. These items are not reflected as liabilities on the accompanying financial statements.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

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 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 disbursements for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

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

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

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

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

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

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

O. Interfund Activity

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

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

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.

Q. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 23, 2011, the date the financial statements were available to be issued.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 3: Change in Accounting Principles and Restatement of Prior Year's Fund Balance

A. Change in Accounting Principles

For fiscal year 2011, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification and restatement of the District's financial statements.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The District has no such investments and thus, the implementation of this Statement has no impact on the District's financial statements or disclosures.

B. Restatement of Prior Year's Fund Balance

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$ 8,663,494	\$ 555,651	\$ 9,219,145
Change in Fund Structure	<u>88,735</u>	<u>(88,735)</u>	<u>-</u>
Restated Fund Balance at June 30, 2010	\$ <u>8,752,229</u>	\$ <u>466,916</u>	\$ <u>9,219,145</u>

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 4: Fund Balances

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

<u>Fund Balances</u>	<u>Total General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Community activities	\$ -	\$ 7,627	\$ 7,627
Auxiliary services	-	97,075	97,075
Drug abuse education	-	934	934
English proficiency	-	2,984	2,984
Innovations	-	1,395	1,395
Other purposes	11,000	144,004	155,004
Capital improvements	<u>-</u>	<u>148,120</u>	<u>148,120</u>
Total restricted	<u>11,000</u>	<u>402,139</u>	<u>413,139</u>
Assigned to:			
Other purposes	<u>908,194</u>	<u>-</u>	<u>908,194</u>
Unassigned (deficit)	<u>5,993,912</u>	<u>(363,839)</u>	<u>5,630,073</u>
Total fund balances	\$ <u>6,913,106</u>	\$ <u>38,300</u>	\$ <u>6,951,406</u>

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 5: Deposits and Investments

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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 180 days in an amount not to exceed 25 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 the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 5: 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.

Cash on Hand

At fiscal year-end, the District had \$825 in undeposited cash on hand which is included on the basic financial statements of the District as part of "Equity in pooled cash and cash equivalents".

Deposits

Custodial Credit Risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year end, the District held a book balance of \$2,345,938 and a bank balance of \$2,780,416, all of which was covered by Federal Depository Insurance.

Investments

Investments are reported as fair value. At June 30, 2011, the District had the following investments:

	Fair Value	Maturity	
		Six months or less	More than six months
Federal Home Loan Bank	\$ 1,086,851	\$ 300,000	\$ 786,851
Federal Home Loan Mortgage Corporation	407,904	206,070	201,834
Federal Farm Credit Bank	463,267	-	463,267
Federal National Mortgage Association	575,853	-	575,853
Fannie Mae	257,383	-	257,383
Freddie Mac	25,367	-	25,367
Municipal Bonds	979,871	253,342	726,529
US Treasury Notes	642,817	150,920	491,897
Money Market Mutual Fund	313,372	-	313,372
Total Portfolio	\$ 4,752,685	\$ 910,332	\$ 3,842,353

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 5: 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 the 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 five years.

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

Credit Risk is 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. Investments of the District are registered and carry a rating ranging from AAA to AA- by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as 5 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 Home Loan Bank	22.87 %
Federal Home Loan Mortgage Corporation	8.58
Federal Farm Credit Bank	9.75
Federal National Mortgage Association	12.12
Fannie Mae	5.42
Freddie Mac	0.53
Municipal Bonds	20.61
US Treasury Notes	13.53
Money Market Mutual Fund	6.59

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 6: Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions 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 District. Property tax receipts received during calendar 2011 for real and public utility property taxes represents collections of calendar 2010 taxes. Property tax payments received during calendar 2011 for tangible personal property (other than public utility property) are for calendar 2011 taxes.

Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 are levied after April 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after April 1, 2011 and are collected in 2012 with real property taxes.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents collection of 2011 taxes. Tangible personal property taxes received in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. 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 2010 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 311,777,160	97.70%	\$ 311,229,900	97.73%
Public Utility Personal	7,079,840	2.22%	7,244,360	2.27%
Tangible Personal Property	<u>257,380</u>	<u>0.08%</u>	<u>-</u>	<u>0.00%</u>
	\$ <u>319,114,380</u>	<u>100.00%</u>	\$ <u>318,474,260</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 67.31		\$ 67.31	

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, 2011, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 7: Interfund Transfers and Advances

Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following, as reported on the fund statements.

<u>Transfer from</u>	<u>Transfer to</u>		
	<u>Non-major Governmental</u>	<u>Non-major Business Type</u>	<u>Total</u>
General Fund	\$ <u>22,500</u>	\$ <u>42,710</u>	\$ <u>65,210</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.

At June 30, 2011, the General Fund had an unpaid interfund cash advance, in the amount of \$1,765, for a short-term loan, made to Non-major Governmental Funds. This amount is expected to repaid within one year.

Note 8: Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and nature disasters. During fiscal year 2011, the District contracted with Ohio Casualty, a member of Liberty Mutual, for property, fleet, liability, inland marine, crime, general liability, errors and omissions, and sexual misconduct and molestation liability coverage. Additionally, the District has an umbrella policy. Coverage provided with Ohio Casualty are as follows:

	<u>Coverage</u>
Buildings and Contents – replacement costs	\$ 47,615,720
Inland Marine	360,000
Crime Insurances	90,000
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 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 \$2,199,554 in premiums during fiscal year 2011.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 8: Risk Management (continued)

C. Worker's Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. Comp Management provides administrative, cost control, and actuarial services to the Plan.

Note 9: Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B funds. The District's total contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$346,680, \$329,933, and \$352,789, respectively; 100 percent has been contributed for fiscal years 2010 and 2009, while 89.27 percent has been contributed for 2011.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 9: Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

The 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 calling toll free 1-888-227-7877 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 to 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 bi-weekly 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.

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" or the "money-purchase benefit" calculation. Under the "formula benefit," 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.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 9: Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System (continued)

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 benefit is 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 retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 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.

For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent. 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 total required contributions to STRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$1,184,135, \$1,086,741, and \$1,031,143, respectively; 100 percent has been contributed for fiscal years 2010 and 2009, while 92.89 percent has been contributed for 2011.

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, 2011, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 10: Postemployment Benefits

A. School Employee Retirement System

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan. Active members do not make contributions to the post-employment benefit plans. The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2011, the actuarially required allocation is 0.76 percent. The District's contributions to Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$21,082, \$20,103, and \$16,631, respectively, 89.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Health Care Plan is funded through employer contributions as set forth in ORC 3309.375 and 3309.69 to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription plans, respectively.

The ORC provides statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation was 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the fiscal years ended June 30, 2011, 2010, and 2009 the District's contributions assigned to health care were \$81,341, \$52,548, and \$144,172, respectively, 89.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 10: Postemployment Benefits (continued)

A. School Employee Retirement System (continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

B. State Teachers Retirement System

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

Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2011, 2010, and 2009 the District's contributions to post-employment health care were \$84,581, \$77,624, and \$73,653, respectively, 92.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

Note 11: Leases

The District has entered into a lease agreement with T Mobile Central, LLC (T Mobile) where T Mobile will use the District's property to access utilities commencing June 27, 2007 for five years with five successive five year options to renew. Commencing July 2010, T Mobile subleased the property to Clear Wireless, LLC. Total revenue from the lease and sublease in 2011 was \$23,603 and \$8,550, respectively. The base rent on the lease is \$1,800 per month, which is to increase by three percent annually on the anniversary of the commencement date. Per the master lease agreement, the District is to receive additional rent in the amount of 50 percent of all payments received from each sublease. The base additional rent being received by the District from the sublease is \$8,550 annually and will be increased by three percent annually. The future minimum rent to be received from the lease and sublease for 2012 is \$24,311 and \$8,807, respectively.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 12: Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

Ohio Schools' Council Association

The Ohio Schools' Council Association (the "Council") is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Council.

The Council elects five of its Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the "Board"). The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2011, the District paid \$260,616 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the natural gas program. This program allows the District to purchase natural gas at reduced rates. Compass Energy was selected as the new natural gas supplier and program manager. The new program runs from October 1, 2010 to March 31, 2013. There are currently 143 participants in the program. The participants make monthly payments based on estimated usage.

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

The District also participates in the Council's electric purchase program. The Council provided 110 school districts in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at the reduced rates. Each month, the Council invoices participants based on estimated payments which are compared to their usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. The District purchases its electricity from Cleveland Electric Illuminating Company. In late October 2009, the District joined a new Ohio Schools' Council consortium electricity purchasing program which provides for additional discounts above what the District would receive otherwise.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 13: 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 382 Blackbrook Road, Painesville, Ohio 44077.

Note 14: Related Organizations

Wickliffe Public Library

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

Note 15: Contingencies

A. Grants

The District 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, 2011.

B. Litigation

As of June 30, 2011, the District is a defendant in legal proceedings to matters which are incidental to performing routine 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 District being required to pay damages to a former employee.

Wickliffe City School District

Notes To the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 16: Set-Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 carry 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, 2010	\$ (1,523,447)	\$ -
Current Year Set-Aside Requirements	226,979	226,979
Qualifying Disbursements	<u>(489,829)</u>	<u>(226,979)</u>
Total	<u>(1,786,297)</u>	<u>-</u>
Set-Aside Reserve Balance as of June 30, 2011	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The District had qualifying expenditures during the year that reduced the set-aside amounts for textbooks and capital acquisition to below zero. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This negative fund balance is therefore not presented as being carried forward to future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

Note 17: Budgetary Basis of Accounting

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 – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding fiscal year-end encumbrances, which are treated as cash disbursement (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at fiscal year-end (budgetary basis) amounted to \$826,603 for the General Fund.

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

Board of Education
Wickliffe City School District
Wickliffe, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District (the “District”) as of and for the year ended June 30, 2011, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 23, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the District adopted *GASB Statement Nos. 54 and 59*, as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Board of Education
Wickliffe City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

We noted certain matters that we reported to management of the District, in a separate letter dated December 23, 2011.

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

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

Cuni & Paricki, Inc.

Cleveland, Ohio
December 23, 2011

**Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Independent Auditor's Report

Board of Education
Wickliffe City School District
Wickliffe, Ohio

Compliance

We have audited the Wickliffe City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-02 and 2011-03.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the District adopted *GASB Statement Nos. 54 and 59*, as disclosed in Note 3. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Board of Education
Wickliffe City School District

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

Cini & Panichi, Inc.

Cleveland, Ohio
December 23, 2011

Wickliffe City School District

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
U.S. Department of Agriculture:				
Passed-Through Ohio Department of Education:				
Nutrition Cluster:				
School Lunch Program	2011	10.555	\$ <u>180,453</u>	\$ <u>180,453</u>
U.S. Department of Education:				
Passed-Through Ohio Department of Education:				
Title I Cluster:				
Title I	2010	84.010	41,973	47,150
Title I	2011	84.010	<u>276,084</u>	<u>290,605</u>
Subtotal Title I			<u>318,057</u>	<u>337,755</u>
ARRA – Title I	2010	84.389	2,187	4,150
ARRA – Title I	2011	84.389	<u>64,725</u>	<u>64,857</u>
Subtotal ARRA – Title I			<u>66,912</u>	<u>69,007</u>
Total Title I Cluster			<u>384,969</u>	<u>406,762</u>
Special Education Cluster:				
Title VI-B	2010	84.027	91,069	68,803
Title VI-B	2011	84.027	<u>336,833</u>	<u>374,538</u>
Subtotal Title VI-B			<u>427,902</u>	<u>443,341</u>
Special Education – Preschool Grant	2011	84.173	<u>7,462</u>	<u>8,156</u>
ARRA – Special Education – Grants to States	2011	84.391	<u>117,325</u>	<u>279,077</u>
ARRA – Special Education – Preschool Grants	2010	84.392	9,941	12,241
ARRA – Special Education – Preschool Grants	2011	84.392	<u>780</u>	<u>775</u>
Subtotal ARRA – Special Education = Preschool Grants			<u>10,721</u>	<u>13,016</u>
Total Special Education Cluster			<u>563,410</u>	<u>743,590</u>
Drug-Free Schools Grant	2010	84.186	837	-
Drug-Free Schools Grant	2011	84.186	<u>72</u>	<u>9</u>
Total Drug-Free Schools Grant			<u>909</u>	<u>9</u>
Education Technology State Grants	2010	84.318	887	2,126
Education Technology State Grants	2011	84.318	<u>124</u>	<u>1,199</u>
Total Education Technology State Grants			<u>1,011</u>	<u>3,325</u>
English Language Acquisition Grant	2010	84.365	2,357	859
English Language Acquisition Grant	2011	84.365	<u>744</u>	<u>608</u>
Total Innovative Education Program Strategies			<u>3,101</u>	<u>1,467</u>
ARRA – Race to the Top	2011	84.395	<u>-</u>	<u>15,114</u>

(continued)

The accompanying notes are an integral part of this schedule

Wickliffe City School District

Schedule of Expenditures of Federal Awards (continued)

For the Fiscal Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
U.S. Department of Education:				
Passed-Through Ohio Department of Education:				
Improving Teacher Quality State Grant	2010	84.367	11,882	11,754
Improving Teacher Quality State Grant	2011	84.367	<u>52,559</u>	<u>54,818</u>
Total Improving Teacher Quality State Grant			<u>64,441</u>	<u>66,572</u>
<i>ARRA – State Fiscal Stabilization Fund</i>	2010	84.394	-	74,418
<i>ARRA – State Fiscal Stabilization Fund</i>	2011	84.394	<u>141,574</u>	<u>141,574</u>
Total <i>ARRA – State Fiscal Stabilization Fund</i>			<u>141,574</u>	<u>215,992</u>
Total U.S. Department of Education			<u>1,159,415</u>	<u>1,452,831</u>
Total Expenditures of Federal Awards			\$ <u>1,339,868</u>	\$ <u>1,633,284</u>

The accompanying notes are an integral part of this schedule

Wickliffe City School District

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2011

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Child Nutrition Cluster

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

CFDA – Catalog of Federal Domestic Assistance

Wickliffe City School District

Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505

For the Fiscal Year Ended June 30, 2011

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs	<ul style="list-style-type: none"> • Title I Cluster (CFDA # 84.010) (CFDA # 84.389) • Special Education Cluster (CFDA # 84.027) (CFDA # 84.173) (CFDA # 84.391) (CFDA # 84.392)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

Wickliffe City School District

Schedule of Findings and Questioned Costs
 OMB Circular A-133 Section .505

For the Fiscal Year Ended June 30, 2011

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

Findings	Findings Summary
2011-1	<p><i>Annual Financial Report -Material Noncompliance</i></p> <p>Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.</p> <p>Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements in accordance with another comprehensive basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined for its failure to file the required financial report.</p> <p>We recommend the District take the necessary steps to ensure the annual financial report is prepared on a generally accepted accounting principles basis.</p> <p>Officials 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. Through FY2006 the Board authorized filing cash statements. Effective with FY2007 the Board reviewed the costs and consequences of filing cash vs. OCBOA vs. GAAP. The Board wanted an unqualified opinion for the District and therefore directed the treasurer to prepare OCBOA statements effective FY2007 going forward thereby saving the district the additional cost of GAAP based statements. The 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.</p>

Wickliffe City School District

Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505

For the Fiscal Year Ended June 30, 2011

3. Findings and Questioned Costs for Federal Awards

Findings	Findings Summary
2011-2	<p>CFDA Title and Number Special Education – Grants to States, CFDA #84.027 Special Education – Preschool Grants, CFDA #84.173 Title I – CFDA #84.010</p> <p>Federal Agency Department of Education Pass-Through Agency Ohio Department of Education</p> <p>Reporting – Noncompliance</p> <p>Per our review of the final expenditure reports for the consolidated application on the Ohio Department of Education’s Comprehensive Continuous Improvement Plan website, we noted the final expenditure reports were not submitted by the deadline as noted in the Grant Agreement. The final expenditure reports were submitted in November 2011.</p> <p>We recommend the District adopt policies and procedures to ensure the final expenditure reports are submitted by the required dates.</p> <p>Officials Response: The District has procedures in place to complete the final expenditure report by the deadline. The District completed the draft final expenditure report by the deadline; however, the Fiscal Representative and Authorized Representative did not approve the report to submit it to the Ohio Department of Education. Therefore, the final expenditure report was complete; however, it was not submitted through the Ohio Department of Education’s Comprehensive Continuous Improvement Plan website. As soon as the Department of Education made the District aware of the oversight the Treasurer and Superintendent approved the reports.</p>
2011-3	<p>CFDA Title and Number ARRA – Special Education – Grants to States, CFDA #84.391</p> <p>Federal Agency Department of Education Pass-Through Agency Ohio Department of Education</p> <p>Reporting – Noncompliance/Questioned Cost</p> <p>During our testing of the final expenditure report for the ARRA – Special Education – Grants to States, CFDA #84.391, we noted the District reported \$20,864 in grant expenditures that were not spent by the District.</p> <p>We recommend the District adopt policies and procedures to ensure the final expenditure reports are properly prepared and supported by the accounting records of the District.</p> <p>Officials Response: The District has procedures in place to ensure the final expenditure reports are completed properly. The reporting error was unique to only one of the district ARRA grant funds received. Upon audit verification of the reporting error the District filed a revised final expenditure report with the Ohio Department of Education on December 22, 2011. On December 22, 2011 the status of the revised final expenditure report was approved by the Ohio Department of Education Grants Management. The unexpended balance will be returned to the Ohio Department of Education.</p>

Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Revised Code 117.38 – The District does not file GAAP financial statements	No	Not Corrected, Finding is repeated, See 2011-1

Independent Accountant's Report on Applying Agreed-Up Procedure

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

To the Board of Education:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Wickliffe City School District has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment at its meeting on December 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation, or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 23, 2011

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Dave Yost • Auditor of State

WICKLIFFE CITY SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 21, 2012