

# ***CITY OF WICKLIFFE***

**LAKE COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2011**







# Dave Yost • Auditor of State

City Council  
City of Wickliffe  
28730 Ridge Road  
Wickliffe, Ohio 44092

We have reviewed the *Independent Auditor's Report* of the City of Wickliffe, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 and December 31, 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 City of Wickliffe is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

July 30, 2013

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**CITY OF WICKLIFFE**  
**Lake County, Ohio**  
**Audit Report**  
**For the Year Ended December 31, 2011**

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

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**INDEPENDENT AUDITOR'S REPORT**

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

To the City Council:

***Report on the Financial Statements***

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 City of Wickliffe, Lake County, Ohio (the City), as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, Lake County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 4 to the financial statements, during 2011 the City of Wickliffe adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and restated its 2010 fund balances of the Governmental Funds due to a change in fund structure. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 26, 2013

## **CITY OF WICKLIFFE, OHIO**

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

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The discussion and analysis of the City of Wickliffe's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets increased \$1,703,487. Net assets of governmental activities increased \$1,773,907 from 2010. Net assets of business-type activities decreased \$70,420 from 2010.
- ❑ General revenues accounted for \$19.3 million in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 20% of total revenues of \$24 million.
- ❑ The City had \$20.2 million in expenses related to governmental activities; only about \$2.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$19.3 million and reserves were not adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$16.5 million in revenues and \$13.1 million in expenditures. The general fund's fund balance increased \$3,265,474 to \$10,482,973.
- ❑ Net assets for enterprise funds decreased by \$70,420.

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

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

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

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

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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### **Government-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

**Governmental Funds** – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## *CITY OF WICKLIFFE, OHIO*

### *Management's Discussion and Analysis For the Year Ended December 31, 2011*

*Unaudited*

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

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

The following table provides a comparison of net assets between 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$16,672,874	\$15,180,561	\$1,535,742	\$1,447,232	\$18,208,616	\$16,627,793
Capital assets, Net	89,273,311	88,934,105	3,689,233	3,859,762	92,962,544	92,793,867
Total assets	105,946,185	104,114,666	5,224,975	5,306,994	111,171,160	109,421,660
Long-term debt outstanding	3,534,245	3,659,347	0	0	3,534,245	3,659,347
Other liabilities	3,467,927	3,285,213	0	11,599	3,467,927	3,296,812
Total liabilities	7,002,172	6,944,560	0	11,599	7,002,172	6,956,159
Net assets						
Invested in capital assets, net of related debt	87,276,214	86,828,997	3,689,233	3,859,762	90,965,447	90,688,759
Restricted	1,737,138	3,598,319	0	0	1,737,138	3,598,319
Unrestricted	9,930,661	6,742,790	1,535,742	1,435,633	11,466,403	8,178,423
Total net assets	<u>\$98,944,013</u>	<u>\$97,170,106</u>	<u>\$5,224,975</u>	<u>\$5,295,395</u>	<u>\$104,168,988</u>	<u>\$102,465,501</u>

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## CITY OF WICKLIFFE, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2011

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,627,517	\$1,617,487	\$2,075,895	\$1,492,056	\$3,703,412	\$3,109,543
Operating Grants and Contributions	843,406	880,877	0	0	843,406	880,877
Capital Grants and Contributions	118,006	335,644	0	0	118,006	335,644
General revenues:			0	0	0	
Property Taxes	2,434,459	2,760,435	0	0	2,434,459	2,760,435
Municipal Income Taxes	14,075,672	10,541,282	0	0	14,075,672	10,541,282
Other Local Taxes	203,472	215,152	0	0	203,472	215,152
Grants and Entitlements	2,506,773	2,950,150	0	0	2,506,773	2,950,150
Investment Earnings	18,649	22,398	0	0	18,649	22,398
Miscellaneous	123,584	185,819	0	0	123,584	185,819
Total revenues	<u>21,951,538</u>	<u>19,509,244</u>	<u>2,075,895</u>	<u>1,492,056</u>	<u>24,027,433</u>	<u>21,001,300</u>
Program Expenses:						
Security of Persons and Property	6,793,902	7,374,628	0	0	6,793,902	7,374,628
Public Health and Welfare Services	398,704	447,636	0	0	398,704	447,636
Leisure Time Activities	778,060	781,998	0	0	778,060	781,998
Community Environment	241,369	255,932	0	0	241,369	255,932
Basic Utility Services	1,335,319	1,432,046	0	0	1,335,319	1,432,046
Transportation	6,012,955	5,345,822	0	0	6,012,955	5,345,822
General Government	4,525,753	4,765,354	0	0	4,525,753	4,765,354
Interest and Fiscal Charges	91,569	224,326	0	0	91,569	224,326
Sewer	0	0	2,146,315	1,465,238	2,146,315	1,465,238
Total expenses	<u>20,177,631</u>	<u>20,627,742</u>	<u>2,146,315</u>	<u>1,465,238</u>	<u>22,323,946</u>	<u>22,092,980</u>
Total Change in Net Assets	1,773,907	(1,118,498)	(70,420)	26,818	1,703,487	(1,091,680)
Beginning Net Assets	<u>97,170,106</u>	<u>98,288,604</u>	<u>5,295,395</u>	<u>5,268,577</u>	<u>102,465,501</u>	<u>103,557,181</u>
Ending Net Assets	<u>\$98,944,013</u>	<u>\$97,170,106</u>	<u>\$5,224,975</u>	<u>\$5,295,395</u>	<u>\$104,168,988</u>	<u>\$102,465,501</u>

### Governmental Activities

Net assets of the City's governmental activities increased by \$1,773,907. The primary influencing factor was the 33.5% increase in income tax receipts which more than offset revenue decreases in property taxes, other local taxes, grants and entitlements etc. At the same time, expenses declined by 2.2% compared to 2010.

## CITY OF WICKLIFFE, OHIO

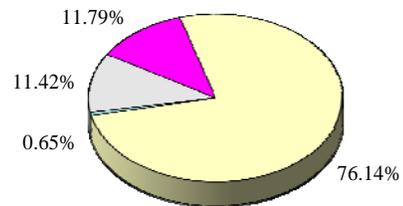
**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

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

Property taxes and income taxes made up 14.14% and 54% respectively of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating 76.14% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
General Shared Revenues	\$2,506,773	11.42%
Program Revenues	2,588,929	11.79%
General Tax Revenues	16,713,603	76.14%
General Other	142,233	0.65%
Total Revenue	<u>\$21,951,538</u>	<u>100.00%</u>



### **Business-Type Activities**

Net assets of the business-type activities decreased by \$70,420. The only business-type activity the City operates is the Sewer Fund. Sewer charges, calculated as a function of metered sewer flow, can vary considerably from one year to the next while revenue is a function of water consumption. In 2011 expenses increased at a higher rate than revenue as a result of probable infiltration caused by a much higher than normal amount of rainfall.

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

The City's governmental funds reported a combined fund balance of \$11,852,403, which is an increase from last year's balance of \$10,413,112. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Fund Balance December 31, 2010	Increase (Decrease)
General	\$10,482,973	\$7,211,813	\$3,271,160
Debt Service	113,117	112,122	995
Capital Projects	404,398	2,326,824	(1,922,426)
Other Governmental	851,915	762,353	89,562
Total	<u>\$11,852,403</u>	<u>\$10,413,112</u>	<u>\$1,439,291</u>

## **CITY OF WICKLIFFE, OHIO**

### **Management's Discussion and Analysis For the Year Ended December 31, 2011**

**Unaudited**

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

	<u>2011</u> <u>Revenues</u>	<u>2010</u> <u>Revenues</u>	<u>Increase</u> <u>(Decrease)</u>
Taxes	\$13,043,927	\$10,195,435	\$2,848,492
Intergovernmental Revenue	2,399,573	2,192,175	207,398
Charges for Services	313,113	315,578	(2,465)
Licenses and Permits	466,069	381,493	84,576
Fines and Forfeitures	132,170	144,965	(12,795)
Investment Earnings	18,311	24,124	(5,813)
All Other Revenue	165,506	221,916	(56,410)
Total	<u>\$16,538,669</u>	<u>\$13,475,686</u>	<u>\$3,062,983</u>

General Fund revenues in 2011 increased by 22.7% compared to revenues in fiscal year 2010. Tax revenues showed the most significant increases. These increases can be attributed primarily to employment and net profit taxes paid by our city's largest employer.

	<u>2011</u> <u>Expenditures</u>	<u>2010</u> <u>Expenditures</u>	<u>Increase</u> <u>(Decrease)</u>
Security of Persons and Property	\$6,054,328	\$5,860,105	\$194,223
Public Health and Welfare Services	9,186	9,033	153
Leisure Time Activities	245,084	223,048	22,036
Community Environment	228,750	201,741	27,009
Basic Utility Services	972,193	909,096	63,097
Transportation	1,263,990	1,076,941	187,049
General Government	4,307,465	4,011,642	295,823
Total	<u>\$13,080,996</u>	<u>\$12,291,606</u>	<u>\$789,390</u>

General Fund expenditures increased approximately 6.4% compared to the prior year, primarily due to a 2.5% contract wage increase which was extended to non-bargaining employees as well. A 14.1% increase in the total cost of employee healthcare benefits was the second largest contributing factor.

### **GENERAL FUND BUDGET INFORMATION**

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

During the course of fiscal year 2011 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$12.9 million did not change over the original budget estimates of \$12.9 million. The General Fund had an adequate fund balance to cover expenditures.

**CITY OF WICKLIFFE, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2011 the City had \$93,412,544 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$89,273,311 was related to governmental activities and \$3,689,233 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$19,066,338	\$19,002,788	\$63,550
Buildings	10,277,659	9,006,932	1,270,727
Improvements Other Than Buildings	4,102,212	1,816,469	2,285,743
Machinery and Equipment	8,579,608	8,341,438	238,170
Infrastructure	78,027,404	79,126,689	(1,099,285)
Less: Accumulated Depreciation	(30,779,910)	(28,360,211)	(2,419,699)
Totals	\$89,273,311	\$88,934,105	\$339,206

	Business-Type Activities		Increase (Decrease)
	2011	2010	
Utility Structures in Service	\$11,570,120	\$11,570,120	\$0
Less: Accumulated Depreciation	(7,880,887)	(7,710,358)	(170,529)
Totals	\$3,689,233	\$3,859,762	(\$170,529)

The primary decrease occurred in infrastructure. Additional information on the City's capital assets can be found in Note 10.

**Debt**

The City had \$1.9 million dollars in general obligation bonds outstanding at December 31, 2011, \$105,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

	2011	2010
Governmental Activities:		
General Obligation Bonds	\$1,925,000	\$2,025,000
OPWC Loans Payable	72,097	80,108
Compensated Absences	1,537,148	1,554,539
Total Governmental Activities	\$3,534,245	\$3,659,647

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

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

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State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Wickliffe lies, is limited to ten mills. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

### **ECONOMIC FACTORS**

Once again the City of Wickliffe has managed to maintain a strong financial position despite the current challenging economic environment. Increased income tax collections in 2011 were a major factor in maintaining that position. The City has been fortunate to have a strong commercial/industrial tax base that has continued to grow even in these tough economic times.

In spite of a strong financial position, the City has approached each new budget as an opportunity to reduce expenditures without sacrificing basic City services and 2011 was no exception. However, continuing reductions in State funding are a reality that we continue to address by using the funds available in the most efficient manner possible.

In addition to dealing with balancing the annual operating budget, the Mayor and Administration have worked with City Council on a capital plan to maintain and improve City buildings, parks and infrastructure. During 2011 just under \$3 million in improvements were completed to Jindra park including new ball diamonds and drainage improvements as well as replacement of the old Jindra pool, pool house and restrooms. Also in 2011, a three year renovation project was begun to improve the exterior of the City Hall building, a.k.a. Coulby Mansion. This project will include a new roof, terra cotta repair and window replacement. An additional building was purchased to improve working conditions for the Service Department. Lastly, major road reconstruction and waterline replacement projects were begun for both Worden and Lloyd Roads with completion dates in 2012 and 2013 respectively. All of the above will be completed by leveraging Ohio Public Works Commission grants and without taking on any long-term debt or increasing taxes.

### **REQUESTS FOR INFORMATION**

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

**CITY OF WICKLIFFE, OHIO**

**Statement of Net Assets**  
**December 31, 2011**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 7,243,982	\$ 872,191	\$ 8,116,173
Cash and Cash Equivalents with Fiscal Agent	966	0	966
Investments	3,500,000	0	3,500,000
Receivables:			
Taxes	4,340,506	0	4,340,506
Accounts	40,707	663,551	704,258
Intergovernmental	1,351,392	0	1,351,392
Interest	781	0	781
Special Assessments	82,227	0	82,227
Inventory of Supplies at Cost	101,032	0	101,032
Prepaid Items	11,281	0	11,281
Capital Assets:			
Capital Assets Not Being Depreciated	19,066,338	0	19,066,338
Capital Assets Being Depreciated, Net	70,206,973	3,689,233	73,896,206
<b>Total Assets</b>	<b>105,946,185</b>	<b>5,224,975</b>	<b>111,171,160</b>
<b>Liabilities:</b>			
Accounts Payable	591,715	0	591,715
Accrued Wages and Benefits	744,184	0	744,184
Matured Bonds & Interest Payable	966	0	966
Unearned Revenue	2,123,898	0	2,123,898
Accrued Interest Payable	7,164	0	7,164
Long-Term Liabilities:			
Due Within One Year	231,858	0	231,858
Due in More Than One Year	3,302,387	0	3,302,387
<b>Total Liabilities</b>	<b>7,002,172</b>	<b>0</b>	<b>7,002,172</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	87,276,214	3,689,233	90,965,447
Restricted For:			
Capital Projects	584,973	0	584,973
Debt Service	136,701	0	136,701
Other Purposes	1,015,464	0	1,015,464
Unrestricted	9,930,661	1,535,742	11,466,403
<b>Total Net Assets</b>	<b>\$ 98,944,013</b>	<b>\$ 5,224,975</b>	<b>\$ 104,168,988</b>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2011**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 6,793,902	\$ 444,130	\$ 24,093	\$ 0
Public Health and Welfare Services	398,704	13,440	23,186	0
Leisure Time Activities	778,060	345,580	120,807	0
Community Environment	241,369	218,747	0	0
Basic Utility Services	1,335,319	315,898	0	69,890
Transportation	6,012,955	0	675,320	48,116
General Government	4,525,753	289,722	0	0
Interest and Fiscal Charges	91,569	0	0	0
<b>Total Governmental Activities</b>	<u>20,177,631</u>	<u>1,627,517</u>	<u>843,406</u>	<u>118,006</u>
<b>Business-Type Activities:</b>				
Sewer	2,146,315	2,075,895	0	0
<b>Total Business-Type Activities</b>	<u>2,146,315</u>	<u>2,075,895</u>	<u>0</u>	<u>0</u>
<b>Totals</b>	<u>\$ 22,323,946</u>	<u>\$ 3,703,412</u>	<u>\$ 843,406</u>	<u>\$ 118,006</u>

**General Revenues**

- Property Taxes
- Municipal Income Taxes
- Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Total General Revenues
  
- Change in Net Assets
  
- Net Assets Beginning of Year
- Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,325,679)	\$ 0	\$ (6,325,679)
(362,078)	0	(362,078)
(311,673)	0	(311,673)
(22,622)	0	(22,622)
(949,531)	0	(949,531)
(5,289,519)	0	(5,289,519)
(4,236,031)	0	(4,236,031)
(91,569)	0	(91,569)
<u>(17,588,702)</u>	<u>0</u>	<u>(17,588,702)</u>
0	(70,420)	(70,420)
<u>0</u>	<u>(70,420)</u>	<u>(70,420)</u>
<u>(17,588,702)</u>	<u>(70,420)</u>	<u>(17,659,122)</u>
2,434,459	0	2,434,459
14,075,672	0	14,075,672
203,472	0	203,472
2,506,773	0	2,506,773
18,649	0	18,649
123,584	0	123,584
<u>19,362,609</u>	<u>0</u>	<u>19,362,609</u>
1,773,907	(70,420)	1,703,487
<u>97,170,106</u>	<u>5,295,395</u>	<u>102,465,501</u>
<u>\$ 98,944,013</u>	<u>\$ 5,224,975</u>	<u>\$ 104,168,988</u>

**CITY OF WICKLIFFE, OHIO**

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**Balance Sheet**  
**Governmental Funds**  
**December 31, 2011**

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	General	Debt Service	Capital Projects
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 5,408,529	\$ 113,117	\$ 966,888
Cash and Cash Equivalents with Fiscal Agent	0	966	0
Investments	3,500,000	0	0
Receivables:			
Taxes	3,392,126	182,607	589,053
Accounts	40,707	0	0
Intergovernmental	978,532	12,333	39,784
Interest	781	0	0
Special Assessments	0	0	45,572
Inventory of Supplies, at Cost	101,032	0	0
Prepaid Items	11,281	0	0
<b>Total Assets</b>	<b>\$ 13,432,988</b>	<b>\$ 309,023</b>	<b>\$ 1,641,297</b>
<b>Liabilities:</b>			
Accounts Payable	27,582	0	562,490
Accrued Wages and Benefits Payable	739,106	0	0
Matured Bonds and Interest Payable	0	966	0
Deferred Revenue	2,183,327	194,940	674,409
<b>Total Liabilities</b>	<b>2,950,015</b>	<b>195,906</b>	<b>1,236,899</b>
<b>Fund Balances:</b>			
Nonspendable	112,313	0	0
Restricted	0	113,117	0
Committed	4,496	0	404,398
Assigned	25,126	0	0
Unassigned	10,341,038	0	0
<b>Total Fund Balances</b>	<b>10,482,973</b>	<b>113,117</b>	<b>404,398</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 13,432,988</b>	<b>\$ 309,023</b>	<b>\$ 1,641,297</b>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 755,448	\$ 7,243,982
0	966
0	3,500,000
176,720	4,340,506
0	40,707
320,743	1,351,392
0	781
36,655	82,227
0	101,032
0	11,281
<u>\$ 1,289,566</u>	<u>\$ 16,672,874</u>
1,643	591,715
5,078	744,184
0	966
<u>430,930</u>	<u>3,483,606</u>
<u>437,651</u>	<u>4,820,471</u>
0	112,313
368,458	481,575
483,457	892,351
0	25,126
0	10,341,038
<u>851,915</u>	<u>11,852,403</u>
<u>\$ 1,289,566</u>	<u>\$ 16,672,874</u>

**CITY OF WICKLIFFE, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2011***

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<b>Total Governmental Fund Balances</b>	\$ 11,852,403
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	89,273,311
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,359,708
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,541,409)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<u><u>\$ 98,944,013</u></u>

See accompanying notes to the basic financial statements

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**CITY OF WICKLIFFE, OHIO**

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**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2011**

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	General	Debt Service	Capital Projects
<b>Revenues:</b>			
Property Taxes	\$ 1,362,635	\$ 192,855	\$ 700,533
Municipal Income Tax	11,477,820	0	2,605,785
Other Local Taxes	203,472	0	0
State Levied Shared Taxes	2,182,486	0	0
Intergovernmental Revenues	217,087	0	412,413
Charges for Services	313,113	0	0
Licenses and Permits	466,069	0	0
Investment Earnings	18,311	0	0
Special Assessments	0	0	1,496
Fines and Forfeitures	132,170	0	0
All Other Revenue	165,506	0	0
<b>Total Revenue</b>	<b>16,538,669</b>	<b>192,855</b>	<b>3,720,227</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	6,054,328	0	0
Public Health and Welfare Services	9,186	0	0
Leisure Time Activities	245,084	0	0
Community Environment	228,750	0	0
Basic Utility Services	972,193	0	0
Transportation	1,263,990	0	0
General Government	4,307,465	0	0
Capital Outlay	0	0	5,641,653
Debt Service:			
Principal Retirement	0	100,000	8,011
Interest & Fiscal Charges	0	91,860	0
<b>Total Expenditures</b>	<b>13,080,996</b>	<b>191,860</b>	<b>5,649,664</b>
Excess (Deficiency) of Revenues Over Expenditures	3,457,673	995	(1,929,437)

**CITY OF WICKLIFFE, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 210,884	\$ 2,466,907
0	14,083,605
0	203,472
633,555	2,816,041
151,901	781,401
249,883	562,996
0	466,069
0	18,311
335,070	336,566
0	132,170
48,067	213,573
<hr/> 1,629,360	<hr/> 22,081,111

204,358	6,258,686
35,921	45,107
532,976	778,060
0	228,750
321,160	1,293,353
603,014	1,867,004
51,897	4,359,362
0	5,641,653
0	108,011
0	91,860
<hr/> 1,749,326	<hr/> 20,671,846

(119,966) 1,409,265

(Continued)

**CITY OF WICKLIFFE, OHIO**

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**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2011**

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	General	Debt Service	Capital Projects
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	0	0	710
Transfers In	0	0	6,301
Transfers Out	(221,515)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>(221,515)</u>	<u>0</u>	<u>7,011</u>
Net Change in Fund Balances	3,236,158	995	(1,922,426)
<b>Fund Balances at Beginning of Year</b>	7,217,499	112,122	2,326,824
Increase in Inventory Reserve	29,316	0	0
<b>Fund Balances End of Year</b>	<u>\$ 10,482,973</u>	<u>\$ 113,117</u>	<u>\$ 404,398</u>

See accompanying notes to the basic financial statements

***CITY OF WICKLIFFE, OHIO***

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Other Governmental Funds	Total Governmental Funds
0	710
215,214	221,515
0	(221,515)
<u>215,214</u>	<u>710</u>
95,248	1,409,975
756,667	10,413,112
0	29,316
<u>\$ 851,915</u>	<u>\$ 11,852,403</u>

## **CITY OF WICKLIFFE, OHIO**

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### ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For the Year Ended December 31, 2011***

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 1,409,975
<b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	2,602,431
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.	(2,263,225)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(130,283)
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	108,011
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	291
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>46,707</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>	<b><u>\$ 1,773,907</u></b>

See accompanying notes to the basic financial statements

## CITY OF WICKLIFFE, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 1,559,400	\$ 1,559,400	\$ 1,371,608	\$ (187,792)
Municipal Income Tax	8,283,880	8,283,880	10,854,026	2,570,146
Other Local Taxes	206,800	206,800	211,542	4,742
State Levied Shared Taxes	1,597,850	1,597,850	2,270,942	673,092
Intergovernmental Revenue	191,100	191,100	217,087	25,987
Charges for Services	349,500	349,500	311,397	(38,103)
Licenses and Permits	393,300	393,300	466,069	72,769
Investment Earnings	34,600	34,600	26,720	(7,880)
Fines and Forfeitures	148,450	148,450	131,254	(17,196)
All Other Revenues	169,700	169,700	168,624	(1,076)
Total Revenues	<u>12,934,580</u>	<u>12,934,580</u>	<u>16,029,269</u>	<u>3,094,689</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	6,168,271	6,168,271	6,061,528	106,743
Public Health and Welfare Services	10,000	10,000	9,386	614
Leisure Time Activities	262,157	262,157	245,534	16,623
Community Environment	245,439	245,439	206,343	39,096
Basic Utility Services	979,100	979,100	972,338	6,762
Transportation	1,274,432	1,274,432	1,262,368	12,064
General Government	4,491,895	4,491,895	4,372,859	119,036
Total Expenditures	<u>13,431,294</u>	<u>13,431,294</u>	<u>13,130,356</u>	<u>300,938</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(496,714)	(496,714)	2,898,913	3,395,627
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(238,325)	(238,325)	(242,515)	(4,190)
Advances Out	(1,200,000)	(1,200,000)	0	1,200,000
Total Other Financing Sources (Uses):	<u>(1,438,325)</u>	<u>(1,438,325)</u>	<u>(242,515)</u>	<u>1,195,810</u>
Net Change In Fund Balance	(1,935,039)	(1,935,039)	2,656,398	4,591,437
Fund Balance at Beginning of Year	5,630,894	5,630,894	5,630,894	0
Prior Year Encumbrances	14,899	14,899	14,899	0
Fund Balance at End of Year	<u>\$ 3,710,754</u>	<u>\$ 3,710,754</u>	<u>\$ 8,302,191</u>	<u>\$ 4,591,437</u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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***Statement of Net Assets  
Proprietary Funds  
December 31, 2011***

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	Business-Type Activities Enterprise Fund Sewer
<b>Assets:</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 872,191
Receivables:	
Accounts	<u>663,551</u>
<i>Total Current Assets</i>	1,535,742
<i>Non Current Assets:</i>	
Capital Assets, Net	<u>3,689,233</u>
<b>Total Assets</b>	<u>5,224,975</u>
<b>Liabilities:</b>	
<b>Total Liabilities</b>	<u>0</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,689,233
Unrestricted	<u>1,535,742</u>
<b>Total Net Assets</b>	<u>\$ 5,224,975</u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

---

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

---

	Business-Type Activities Enterprise Fund <u>Sewer</u>
<b>Operating Revenues:</b>	
Charges for Services	\$ 2,075,895
<b>Total Operating Revenues</b>	<u>2,075,895</u>
<b>Operating Expenses:</b>	
Contractual Services	1,975,786
Depreciation	170,529
<b>Total Operating Expenses</b>	<u>2,146,315</u>
Operating Loss	(70,420)
Net Assets Beginning of Year	<u>5,295,395</u>
Net Assets End of Year	<u>\$ 5,224,975</u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

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	Business-Type Activities Enterprise Funds <u>Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,756,653
Cash Payments for Goods and Services	<u>(1,987,385)</u>
Net Cash Used for Operating Activities	<u>(230,732)</u>
Net Decrease in Cash and Cash Equivalents	(230,732)
Cash and Cash Equivalents at Beginning of Year	<u>1,102,923</u>
Cash and Cash Equivalents at End of Year	<u><u>\$872,191</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$70,420)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	170,529
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(319,242)
Decrease in Accounts Payable	<u>(11,599)</u>
Total Adjustments	<u>(160,312)</u>
Net Cash Used for Operating Activities	<u><u>(\$230,732)</u></u>

See accompanying notes to the basic financial statements

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types, and the cash flows of the proprietary fund. The financial statements are presented as of December 31, 2011 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

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

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

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

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Wickliffe did not contribute to NOPEC during 2011. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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

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

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

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

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

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

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

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

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

## **CITY OF WICKLIFFE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

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

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2011 but which are not intended to finance 2011 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

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

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

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

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

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control for all funds involving operations is at the object level within each department. Certain funds are appropriated at the minimum level of budgetary control (personal services) as required by Ohio Revised Code section 5705.38 (c) due to the restricted nature of the use of these funds. Budgetary modifications may only be made by ordinance of the City Council.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2011.

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

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

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

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

**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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

**E. Budgetary Process (Continued)**

**5. Budgetary Basis of Accounting**

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

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

Net Change In Fund Balance	General Fund
GAAP Basis (as reported)	\$3,236,158
Increase (Decrease):	
Accrued Revenues at December 31, 2011 received during 2012	(2,780,997)
Accrued Revenues at December 31, 2010 received during 2011	2,271,617
Accrued Expenditures at December 31, 2011 paid during 2012	766,688
Accrued Expenditures at December 31, 2010 paid during 2011	(794,501)
2010 Prepays for 2011	16,820
2011 Prepays for 2012	(11,281)
Encumbrances Outstanding	(49,684)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>1,578</u>
Budget Basis	<u><u>\$2,656,398</u></u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled certificates of deposit with original maturities of three months or less and STAR Ohio to be cash equivalents. See Note 5, "Pooled Cash, Cash Equivalents and Investments."

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

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. Certificates of deposit with original maturities of more than three months are reported as investments in the basic financial statements. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 5 "Pooled Cash, Cash Equivalents and Investments." The City allocates all interest on pooled investments to the General Fund.

The City has invested funds in the STAR Ohio during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

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

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

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

## **CITY OF WICKLIFFE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000. The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

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

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

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

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

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

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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

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

**3. Depreciation**

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

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

**K. Long-Term Obligations**

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

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

**L. Compensated Absences**

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

##### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal grants for security of persons and property and mandatory fines for various court programs.

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

##### **N. Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City has no formal policy authorizing a body or official to assign amounts for specific purposes.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

##### **N. Fund Balances** (Continued)

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

##### **O. Pensions**

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

##### **P. Interfund Activity**

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

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

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

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

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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

**R. Operating Revenues and Expenses**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

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

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

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

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

Delinquent Income Tax Revenue	\$134,957
Delinquent Property Tax Revenue	238,211
Shared Revenues	903,974
Interest Revenues	338
Special Assessments	82,228
	<u>\$1,359,708</u>

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

Compensated Absences Payable	(\$1,537,148)
General Obligation Bonds Payable	(1,925,000)
OPWC Loans Payable	(72,097)
Accrued Interest on Long-Term Debt	(7,164)
	<u>(\$3,541,409)</u>

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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

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

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

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

Capital Outlay	\$5,022,130
Depreciation Expense	<u>(2,419,699)</u>
	\$2,602,431

*Governmental revenues not reported in the funds:*

Decrease in Delinquent Income Tax Revenue	(\$7,933)
Decrease in Delinquent Property Tax	(32,448)
Decrease in Shared Revenue	(164,098)
Increase in Interest Revenue	338
Increase in Special Assesments	<u>73,858</u>
	(\$130,283)

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

Decrease in Compensated Absences Payable	\$17,391
Increase in supplies inventory	<u>29,316</u>
	\$46,707

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## CITY OF WICKLIFFE, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

#### NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$101,032	\$0	\$0	\$0	\$101,032
Prepaid Items	11,281	0	0	0	11,281
Total Nonspendable	<u>112,313</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>112,313</u>
Restricted:					
Debt Service Payments	0	113,117	0	0	113,117
State Highway Improvements	0	0	0	9,959	9,959
City Highway Improvements	0	0	0	162,651	162,651
Weed Control	0	0	0	62,777	62,777
Street Lighting	0	0	0	32,206	32,206
Police Pension	0	0	0	8,906	8,906
Fire Pension	0	0	0	8,906	8,906
Law Enforcement Trust	0	0	0	83,053	83,053
Total Restricted	<u>0</u>	<u>113,117</u>	<u>0</u>	<u>368,458</u>	<u>481,575</u>
Committed:					
Litter Control	4,496	0	0	0	4,496
Capital Projects	0	0	404,398	0	404,398
Laketran	0	0	0	6,947	6,947
Senior Center	0	0	0	234,491	234,491
Insurance	0	0	0	369	369
Swimming Pool	0	0	0	27,221	27,221
Golf Course	0	0	0	71,049	71,049
Special Projects	0	0	0	35,815	35,815
Police, Fire and Disaster	0	0	0	5,691	5,691
Deposits	0	0	0	101,874	101,874
Total Committed	<u>4,496</u>	<u>0</u>	<u>404,398</u>	<u>483,457</u>	<u>892,351</u>
Assigned	25,126	0	0	0	25,126
Unassigned	10,341,038	0	0	0	10,341,038
Total Fund Balances	<u>\$10,482,973</u>	<u>\$113,117</u>	<u>\$404,398</u>	<u>\$851,915</u>	<u>\$11,852,403</u>

**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE**

For 2011 the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions. While the application of this new standard did not have an effect on total prior year fund balances, it did result in the reclassification of funds as detailed below:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance					
at December 31, 20011	\$7,211,813	\$112,122	\$2,326,824	\$762,353	\$10,413,112
Fund Reclassification	5,686	0	0	(5,686)	0
Fund Balance, as restated	<u>\$7,217,499</u>	<u>\$112,122</u>	<u>\$2,326,824</u>	<u>\$756,667</u>	<u>\$10,413,112</u>

**NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Investment earnings of \$5,139 earned by other funds was credited to the General Fund as required by state statute.

**A. Deposits**

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

At year end the carrying amount of the City's deposits was \$8,402,139 and the bank balance was \$9,200,592. Federal depository insurance covered \$500,000 of the bank balance and \$8,700,592 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$8,700,592</u>
Total Balance	<u><u>\$8,700,592</u></u>

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**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2011 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$3,215,000	AAAm <sup>1</sup>	\$3,215,000	0

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

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

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

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

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

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$8,117,139	\$3,500,000
Certificates of Deposit (with maturities of more than 3 months)	3,500,000	(3,500,000)
Investments:		
STAR Ohio	(3,215,000)	3,215,000
Per Footnote	<u>\$8,402,139</u>	<u>\$3,215,000</u>

\* Includes Cash with Fiscal Agent.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 6 - TAXES**

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2006. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Tangible personal property tax revenues received in 2011 (other than public utility property) represent the collection of 2011 taxes. Tangible personal property taxes received in 2011 were levied after October 1, 2010, on the true value as of January 1, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue.

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

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

The full tax rate for all City operations for the year ended December 31, 2011, was \$8.02 per \$1,000 of assessed value. The assessed value upon which the 2011 property tax receipts were based was \$318,474,260. This amount constitutes \$311,229,900 in real property assessed value and \$7,244,360 in public utility assessed value.

**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 6 – TAXES (Continued)**

**A. Property Taxes (Continued)**

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .802% (8.02 mills) of assessed value.

**B. Income Tax**

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

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

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2011, consisted of taxes, interest, accounts receivable, interfund and intergovernmental receivables arising from shared revenues.

**NOTE 8 - TRANSFERS**

The following is a summary of transfers for all funds for 2011:

	<u>Transfers Out:</u>	
<u>Transfers In:</u>	<u>General Fund</u>	<u>Total</u>
Capital Projects Fund	\$6,301	\$6,301
Other Governmental Funds	<u>215,214</u>	<u>215,214</u>
	<u>\$221,515</u>	<u>\$221,515</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

**CITY OF WICKLIFFE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2011:

*Historical Cost:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$19,002,788	\$63,550	\$0	\$19,066,338
<i>Capital assets being depreciated:</i>				
Buildings	9,006,932	1,270,727	0	10,277,659
Improvements Other Than Buildings	1,816,469	2,285,743	0	4,102,212
Machinery and Equipment	8,341,438	238,170	0	8,579,608
Infrastructure	79,126,689	1,163,940	(2,263,225)	78,027,404
Total Cost	<u>\$117,294,316</u>	<u>\$5,022,130</u>	<u>(\$2,263,225)</u>	<u>\$120,053,221</u>

*Accumulated Depreciation:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings	(\$2,547,293)	(\$185,129)	\$0	(\$2,732,422)
Improvements Other Than Buildings	(838,173)	(147,608)	0	(985,781)
Machinery and Equipment	(5,520,951)	(609,818)	0	(6,130,769)
Infrastructure	(19,453,794)	(1,477,144)	0	(20,930,938)
Total Depreciation	<u>(\$28,360,211)</u>	<u>(\$2,419,699) *</u>	<u>\$0</u>	<u>(\$30,779,910)</u>
<i>Net Value:</i>	<u>\$88,934,105</u>			<u>\$89,273,311</u>

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**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 9 - CAPITAL ASSETS (continued)**

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

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

Security of Persons and Property	\$327,814
Leisure Time Activities	321,598
Transportation	1,741,694
General Government	<u>28,593</u>
Total Depreciation Expense	<u><u>\$2,419,699</u></u>

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

Summary by Category at December 31, 2011:

***Historical Cost:***

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<b><i>Capital assets being depreciated:</i></b>				
Utility Structures in Service	<u>\$11,570,120</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,570,120</u>
Total Cost	<u><u>\$11,570,120</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$11,570,120</u></u>

***Accumulated Depreciation:***

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Utility Structures in Service	<u>(\$7,710,358)</u>	<u>(\$170,529)</u>	<u>\$0</u>	<u>(\$7,880,887)</u>
Total Depreciation	<u><u>(\$7,710,358)</u></u>	<u><u>(\$170,529)</u></u>	<u><u>\$0</u></u>	<u><u>(\$7,880,887)</u></u>

<b><i>Net Value:</i></b>	<u><u>\$3,859,762</u></u>	<u><u>\$3,689,233</u></u>
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## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS**

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$471,596, \$463,528 and \$460,538, respectively, which were equal to the required contributions for each year.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$463,570, \$458,976 and \$456,085 for police and \$376,369, \$391,804 and \$383,253 for firefighters, respectively, which were equal to the required contributions for each year.

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS**

##### **A. Ohio Public Employees Retirement System (“OPERS”)**

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)**

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

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$137,742, \$168,305 and \$193,261, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)**

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$160,467, \$158,876 and \$157,876 for police and \$105,854, \$110,195 and \$107,790 for firefighters, respectively, which were equal to the required contributions for each year.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 12 – COMPENSATED ABSENCES**

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

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

At December 31, 2011, the City's accumulated, unpaid compensated absences amounted to \$1,537,148, which is recorded as a liability of the Governmental Activities.

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**CITY OF WICKLIFFE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 13 - LONG-TERM DEBT**

Long-Term debt of the City at December 31, 2011 was as follows:

Year Issued	Final Maturity	Balance December 31, 2010	Additions	(Reductions)	Balance December 31, 2011	Amounts Due Within One Year
Governmental Activities:						
General Obligation Bond:						
2006 Green Ridge Golf Course	2025	\$2,025,000	\$0	(\$100,000)	\$1,925,000	\$105,000
OPWC Loan:						
2010 Empire Road Waterline	2016	80,108	0	(8,011)	72,097	8,011
Compensated Absences		1,554,539	1,537,148	(1,554,539)	1,537,148	118,847
Total Governmental Long-Term Debt		<u>\$3,645,611</u>	<u>\$1,537,148</u>	<u>(\$1,662,550)</u>	<u>\$3,534,245</u>	<u>\$231,858</u>

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2011, follows:

Years	General Obligation Bond Payable		OPWC Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$105,000	\$85,962	\$8,011	\$0	\$113,011	\$85,962
2013	110,000	81,894	16,022	0	126,022	81,894
2014	115,000	77,494	16,022	0	131,022	77,494
2015	115,000	72,894	16,021	0	131,021	72,894
2016	120,000	68,294	16,021	0	136,021	68,294
2017-2021	690,000	259,900	0	0	690,000	259,900
2022-2025	670,000	85,750	0	0	670,000	85,750
Totals	<u>\$1,925,000</u>	<u>\$732,188</u>	<u>\$72,097</u>	<u>\$0</u>	<u>\$1,997,097</u>	<u>\$732,188</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 14 - RISK MANAGEMENT**

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

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

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Comprehensive General Liability	\$6,000,000	\$0
Law Enforcement Professional Liability	6,000,000	10,000
Public Officials Errors and Omissions	6,000,000	10,000
Property	26,840,550	1,000
Bond/Crime	50,000	0
Boiler and Machinery	26,840,550	1,000
Automobile Liability	6,000,000	1,000

The City provides major medical health insurance coverage for its employees through United Health Care.

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

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

#### **NOTE 15 - CONTINGENCIES**

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

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Fax - (216) 436-2411

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

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, Lake County, (the City) as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2013. We noted the City implemented Governmental Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

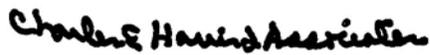
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
June 26, 2013

## **SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending December 31, 2010 included no material citations or recommendations.

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# Dave Yost • Auditor of State

**CITY OF WICKLIFFE**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 13, 2013**