



Dave Yost • Auditor of State

**WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY**

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**WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Willoughby-Eastlake City School District
Lake County
32500 Chardon Road
Willoughby Hills, Ohio 44094

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake City School District, Lake County, Ohio, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake City School District, Lake County, Ohio, as of June 30, 2017, 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.

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*, and schedules of net pension liabilities and pension contributions 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.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2018

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Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The discussion and analysis of the Willoughby-Eastlake City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position decreased \$1,697,753, which represents a 2 percent decrease from 2016.
- Capital assets increased \$12,953,204 during fiscal year 2017.
- During the fiscal year, outstanding debt decreased from \$165,065,000 to \$163,855,000 due to principal payments made by the School District.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Willoughby-Eastlake City School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Willoughby-Eastlake City School District, the general fund and building fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all (non-fiduciary) assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and operation of non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and building fund.

Governmental Funds Most of the School District'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 School District'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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits and warehouse service programs. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 21.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 24 and 25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	\$ 207,702,843	\$ 219,861,601
Capital Assets	61,779,815	48,826,611
<i>Total Assets</i>	269,482,658	268,688,212
Deferred Outflows of Resources		
Pension	32,881,205	14,093,095
Liabilities		
Other Liabilities	11,481,202	12,877,157
Long-Term Liabilities:		
Due Within One Year	4,157,207	4,061,978
Due in More Than One Year		
Net Pension Liability	164,733,513	132,746,979
Other Amounts	177,440,259	179,272,876
<i>Total Liabilities</i>	357,812,181	328,958,990
Deferred Inflows of Resources		
Property Taxes and Other	56,139,570	56,090,077
Pension	743,830	8,366,205
<i>Total Deferred Inflows of Resources</i>	56,883,400	64,456,282
Net Position		
Net Investment in Capital Assets	5,717,088	5,577,683
Restricted	16,949,875	15,918,387
Unrestricted	(134,998,681)	(132,130,035)
<i>Total Net Position</i>	\$ (112,331,718)	\$ (110,633,965)

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

Willoughby-Eastlake City School District
Lake County, Ohio
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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 23 percent of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and construction in progress. Net investment in capital assets was \$5,717,088 at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District’s net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District’s net position, \$16,949,875 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$134,998,681, which was primarily caused by GASB 68.

Current and other assets decreased and capital assets increased during fiscal year 2017 as cash and investments were used for the ongoing construction and improvement projects throughout the School District.

Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
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(Unaudited)

The changes in deferred outflows and inflows related to pension and the net pension liability are caused by the accruals required by GASB 68.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 3,263,278	\$ 3,632,580
Operating Grants, Contributions and Interest	10,193,283	9,987,983
<i>Total Program Revenues</i>	<u>13,456,561</u>	<u>13,620,563</u>
<i>General Revenues:</i>		
Property Taxes	69,799,325	68,456,974
Grants and Entitlements Not Restricted	25,242,578	25,564,015
Other	3,690,329	1,751,253
<i>Total General Revenues</i>	<u>98,732,232</u>	<u>95,772,242</u>
<i>Total Revenues</i>	<u>112,188,793</u>	<u>109,392,805</u>
Program Expenses		
<i>Instruction:</i>		
Regular	42,467,326	37,865,853
Special	12,813,274	11,217,828
Vocational	1,694,204	1,570,607
Adult/Continuing	1,133,578	1,065,676
Student Intervention Services	3,244,599	3,099,347
Other	67,150	188,775
<i>Support Services:</i>		
Pupils	7,175,108	6,660,850
Instructional Staff	3,014,815	2,609,465
Board of Education	25,440	18,294
Administration	8,557,545	7,557,646
Fiscal	2,914,497	2,936,324
Business	1,071,285	1,443,314
Operation and Maintenance of Plant	7,162,062	7,390,738
Pupil Transportation	8,563,011	9,102,490
Central	1,291,716	1,640,567
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	2,697,524	2,617,667
Community Services	817,790	655,266
Other	57,261	0
Extracurricular Activities	1,664,477	1,739,969
<i>Debt Service:</i>		
Interest and Fiscal Charges	7,453,884	2,648,619
Issuance Costs	0	961,023
<i>Total Expenses</i>	<u>113,886,546</u>	<u>102,990,318</u>
<i>Increase (Decrease) in Net Position</i>	(1,697,753)	6,402,487
<i>Net Position at Beginning of Year</i>	<u>(110,633,965)</u>	<u>(117,036,452)</u>
<i>Net Position at End of Year</i>	<u>\$ (112,331,718)</u>	<u>\$ (110,633,965)</u>

Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Other general revenue increased due to the receipt of insurance recoveries that reimbursed the School District for damages due to a fire at the Board of Education building.

The increases in regular instruction, special education and support services administration expenses were primarily due to increased salaries and benefits expense. The School District also began making debt service payments on debt that was issued in fiscal year 2016, which increased interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 42,467,326	37,865,853	\$ 41,403,741	\$ 36,518,777
Special	12,813,274	11,217,828	7,440,418	6,075,759
Vocational	1,694,204	1,570,607	1,456,494	1,234,316
Adult/Continuing	1,133,578	1,065,676	193,410	(197)
Student Intervention Services	3,244,599	3,099,347	3,244,599	3,099,347
Other	67,150	188,775	20,143	88,969
Support Services:				
Pupils	7,175,108	6,660,850	7,175,108	6,657,871
Instructional Staff	3,014,815	2,609,465	2,722,555	2,457,750
Board of Education	25,440	18,294	25,440	18,294
Administration	8,557,545	7,557,646	7,965,894	7,147,655
Fiscal	2,914,497	2,936,324	2,914,497	2,936,324
Business	1,071,285	1,443,314	903,700	1,443,314
Operation and Maintenance of Plant	7,162,062	7,390,738	7,161,861	7,390,738
Pupil Transportation	8,563,011	9,102,490	7,814,038	8,036,016
Central	1,291,716	1,640,567	1,270,116	1,618,967
Operation of Non-Instructional Services:				
Food Service Operations	2,697,524	2,617,667	471,317	301,871
Community Services	817,790	655,266	51,471	2,289
Other	57,261	0	57,261	0
Extracurricular Activities	1,664,477	1,739,969	1,326,535	1,370,361
Debt Service:				
Interest and Fiscal Charges	7,453,884	2,648,619	6,811,387	2,010,311
Issuance Costs	0	961,023	0	961,023
<i>Total Expenses</i>	\$ 113,886,546	\$ 102,990,318	\$ 100,429,985	\$ 89,369,755

Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The dependence upon general revenues for governmental activities is apparent. Over 88 percent of governmental activities are supported through taxes and other general revenues; such revenues are 88 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2017 was an increase of \$2,925,863, primarily from insurance proceeds received in 2017 but not spent by fiscal year end.

The building fund's net change in fund balance for fiscal year 2017 was a decrease of \$13,350,153. This was due to increased capital outlay for the new school buildings projects during the fiscal year. The debt proceeds were received in prior fiscal years.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2017, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue of \$94,635,350 was \$297,190 less than the final budget basis revenue of \$94,932,540. For the general fund, original budget basis revenue of \$92,860,850 was \$2,071,690 lower than the final budget basis revenue. The majority of this difference was due to an underestimation of property tax revenue.

Final expenditure appropriations of \$96,536,840 were \$1,361,828 higher than the actual expenditures of \$95,175,012, as a result of conservative budgeting.

Original expenditure appropriations were \$1,007,020 lower than final expenditure appropriations with most expenditures originally estimated lower.

Actual net other financing sources and uses were \$1,775,288 lower than the final budgeted amounts. This was primarily caused by an overestimation of advances received from other funds.

Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$61,779,815 invested in capital assets, net of depreciation. Table 4 shows fiscal year 2017 balances compared with 2016.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	\$ 934,224	\$ 934,224
Construction in Progress	11,368,458	5,217,105
Buildings and Improvements	47,814,412	41,371,154
Furniture and Fixtures	879,657	611,063
Vehicles	783,064	693,065
<i>Totals</i>	<u>\$ 61,779,815</u>	<u>\$ 48,826,611</u>

The \$12,953,204 increase in capital assets was attributable to additional purchases exceeding current year depreciation and disposals, primarily related to the Northern Career Institute, School of Innovation and the Phase I and II facilities projects. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2017, the School District had \$163,855,000 in debt outstanding. See Notes 14 and 15 for additional details. Table 5 summarizes notes, bonds, and certificates of participation outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2017	2016
QSCB Tax Anticipation Notes	\$ 8,625,000	\$ 8,625,000
QSCB Certificates of Participation	4,320,000	4,320,000
LTGO Conservation Improvement Bonds	7,680,000	8,255,000
School Improvement Bonds	115,250,000	115,750,000
Tax Exempt Certificates of Participation	9,785,000	9,785,000
Certificates of Participation	18,195,000	18,330,000
<i>Total</i>	<u>\$ 163,855,000</u>	<u>\$ 165,065,000</u>

Willoughby-Eastlake City School District
Lake County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Current Issues

The Board of Education and administration have implemented fiscal management disciplines that utilize a variety of formal plans to ensure financial stability. They are working within the five-year financial forecast, the five-year capital repair and renovation plan, and a five-year enrollment projection analysis. The School District projects it has the necessary revenue base to support current and future program levels throughout the five year forecast reporting period.

The downturn in the economy over the last several years has put pressure on both state and local school district budgets. Despite the downturn the local tax base has since stabilized, and the School District expects flat to very modest increases in property tax revenue.

As currently written, the state funding formula requires that community (charter) schools receive their funding through monthly deductions from school district funding allocations. For fiscal year 2017, the State deducted \$1,225,887 from the School District's funding and redirected it to the various local community (charter) schools.

Just as there have been revenue pressures, the School District has also had to contend with rising costs. One of the more significant cost increases the School District has had to contend with, outside of unfunded state mandates, has been health care. The School District, like all other employers, has been impacted by the continuing national trend of rapidly escalating employee benefit costs due to the Affordable Care Act. In fiscal year 2017, for example, the School District will be responsible for making a \$31,887 payment to the IRS.

The current fiscal plan recognizes the following open issues that must be addressed within the next five years:

- Judicial or legislative action on school funding reform
- Funding of the School District technology plan
- Development and funding of a technology replacement schedule
- Funding the educational improvement plan
- Updating the five-year forecast.

The School District has committed itself to a fiscal discipline based on long-term plans as well as commitment to full disclosure of financial information and utilization of the highest standards of financial reporting. The School District's commitment to improve fiscal management has led to many budgeting, reporting and internal control enhancements and improvements. The School District received the Auditor of State award for exemplary financial reporting in accordance with GAAP.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bill Parkinson, Treasurer, Willoughby-Eastlake City School District, 32500 Chardon Rd., Willoughby Hills, OH 44094, or by email at bill.parkinson@weschools.org.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 28,451,671
Cash and Investments Held with Trustee	5,570,380
Cash and Investments in Segregated Accounts	108,225,099
Receivables:	
Accrued Interest	323,071
Accounts	272,926
Intergovernmental	1,000,096
Property Taxes	63,859,600
Nondepreciable Capital Assets	12,302,682
Depreciable Capital Assets (Net)	49,477,133
<i>Total Assets</i>	269,482,658
Deferred Outflows of Resources	
Pension	32,881,205
Liabilities	
Accounts Payable	211,822
Accrued Wages and Benefits	7,251,299
Contracts Payable	133,029
Intergovernmental Payable	1,990,986
Retainage Payable	456,005
Matured Compensated Absences Payable	21,690
Accrued Interest Payable	1,034,167
Claims Payable	382,204
Long Term Liabilities:	
Due Within One Year	4,157,207
Due In More Than One Year:	
Net Pension Liability (See Note 11)	164,733,513
Other Amonts Due in More Than One Year	177,440,259
<i>Total Liabilities</i>	357,812,181
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	56,139,570
Pension	743,830
<i>Total Deferred Inflows of Resources</i>	56,883,400
Net Position	
Net Investment in Capital Assets	5,717,088
Restricted For:	
Capital Outlay	2,557,103
Debt Service	12,929,649
Other Purposes	1,463,123
Unrestricted	(134,998,681)
<i>Total Net Position</i>	\$ (112,331,718)

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 42,467,326	\$ 992,264	\$ 71,321	\$ (41,403,741)
Special	12,813,274	251,423	5,121,433	(7,440,418)
Vocational	1,694,204	16,980	220,730	(1,456,494)
Adult/Continuing	1,133,578	597,564	342,604	(193,410)
Student Intervention Services	3,244,599	0	0	(3,244,599)
Other	67,150	13,373	33,634	(20,143)
Support Services:				
Pupils	7,175,108	0	0	(7,175,108)
Instructional Staff	3,014,815	0	292,260	(2,722,555)
Board of Education	25,440	0	0	(25,440)
Administration	8,557,545	208,537	383,114	(7,965,894)
Fiscal	2,914,497	0	0	(2,914,497)
Business	1,071,285	0	167,585	(903,700)
Operation and Maintenance of Plant	7,162,062	201	0	(7,161,861)
Pupil Transportation	8,563,011	11,633	737,340	(7,814,038)
Central	1,291,716	0	21,600	(1,270,116)
Operation of Non-Instructional Services:				
Food Service Operations	2,697,524	817,505	1,408,702	(471,317)
Community Services	817,790	23,336	742,983	(51,471)
Other	57,261	0	0	(57,261)
Extracurricular Activities	1,664,477	330,462	7,480	(1,326,535)
Debt Service:				
Interest and Fiscal Charges	7,453,884	0	642,497	(6,811,387)
Total	\$ 113,886,546	\$ 3,263,278	\$ 10,193,283	(100,429,985)

General Revenues

Property Taxes Levied for:

General Purposes	62,277,418
Debt Service	5,783,312
Capital Outlay	1,738,595
Grants and Entitlements Not Restricted to Specific Programs	25,242,578
Gain on Sale of Capital Assets	141,017
Insurance Recoveries	2,521,676
Investment Earnings	215,348
Miscellaneous	812,288
Total General Revenues	98,732,232
 <i>Change in Net Position</i>	 (1,697,753)
 <i>Net Position Beginning of Year</i>	 (110,633,965)
<i>Net Position End of Year</i>	<u><u>\$ (112,331,718)</u></u>

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 17,522,698	\$ 0	\$ 6,315,172	\$ 23,837,870
Cash and Investments Held with Trustee	0	300,092	5,270,288	5,570,380
Cash and Investments in Segregated Accounts	0	103,496,812	4,728,287	108,225,099
Receivables:				
Accrued Interest	56,272	266,799	0	323,071
Accounts	268,822	0	4,104	272,926
Interfund	2,171,830	0	0	2,171,830
Intergovernmental	107,229	0	892,867	1,000,096
Property Taxes	56,867,945	0	6,991,655	63,859,600
<i>Total Assets</i>	<u>\$ 76,994,796</u>	<u>\$ 104,063,703</u>	<u>\$ 24,202,373</u>	<u>\$ 205,260,872</u>
Liabilities				
Accounts Payable	\$ 16,186	\$ 0	\$ 195,636	\$ 211,822
Accrued Wages and Benefits	6,790,268	0	461,031	7,251,299
Contracts Payable	0	133,029	0	133,029
Intergovernmental Payable	1,867,144	0	123,842	1,990,986
Retainage Payable	0	456,005	0	456,005
Matured Compensated Absences Payable	21,690	0	0	21,690
Interfund Payable	0	0	2,126,330	2,126,330
<i>Total Liabilities</i>	<u>8,695,288</u>	<u>589,034</u>	<u>2,906,839</u>	<u>12,191,161</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	49,997,311	0	6,142,259	56,139,570
Unavailable Revenue	1,824,043	0	550,282	2,374,325
<i>Total Deferred Inflows of Resources</i>	<u>51,821,354</u>	<u>0</u>	<u>6,692,541</u>	<u>58,513,895</u>
Fund Balances				
Nonspendable	5,928	0	0	5,928
Restricted	0	103,474,669	15,029,518	118,504,187
Committed	78,127	0	0	78,127
Assigned	7,332,657	0	0	7,332,657
Unassigned	9,061,442	0	(426,525)	8,634,917
<i>Total Fund Balances</i>	<u>16,478,154</u>	<u>103,474,669</u>	<u>14,602,993</u>	<u>134,555,816</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 76,994,796</u>	<u>\$ 104,063,703</u>	<u>\$ 24,202,373</u>	<u>\$ 205,260,872</u>

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		\$ 134,555,816
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		61,779,815
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 356,172	
Charges and Other Fees	253,919	
Property Taxes	1,764,234	2,374,325
 An internal service fund is used by management to charge the costs of insurance and other services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		 4,186,097
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		 (1,034,167)
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	32,881,205	
Deferred Inflows - Pension	(743,830)	
Net Pension Liability	(164,733,513)	(132,596,138)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(122,930,000)	
Tax Anticipation Notes	(8,625,000)	
Bond Premium	(5,345,545)	
Certificates of Participation	(32,300,000)	
Early Retirement Incentive	(1,823,979)	
Healthcare Termination Benefits	(1,771,955)	
Compensated Absences	(8,800,987)	(181,597,466)
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ (112,331,718)</u></u>

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 63,605,711	\$ 0	\$ 7,583,994	\$ 71,189,705
Intergovernmental	28,336,968	0	7,112,898	35,449,866
Investment Income	262,218	(62,373)	15,503	215,348
Tuition and Fees	755,873	0	797,199	1,553,072
Extracurricular Activities	274,679	0	169,795	444,474
Rentals	255,243	0	0	255,243
Charges for Services	147,391	0	817,506	964,897
Contributions and Donations	101,884	0	17,500	119,384
Miscellaneous	817,235	50,000	49,457	916,692
<i>Total Revenues</i>	<u>94,557,202</u>	<u>(12,373)</u>	<u>16,563,852</u>	<u>111,108,681</u>
Expenditures				
Current:				
Instruction:				
Regular	39,000,874	0	19,993	39,020,867
Special	9,843,313	0	2,159,636	12,002,949
Vocational	1,608,647	0	10,472	1,619,119
Adult Education	0	0	1,097,405	1,097,405
Student Intervention Services	2,989,615	0	35,821	3,025,436
Other	76,134	0	198	76,332
Support Services:				
Pupils	6,913,958	0	0	6,913,958
Instructional Staff	2,454,362	0	386,003	2,840,365
Board of Education	24,794	0	0	24,794
Administration	7,590,681	0	625,214	8,215,895
Fiscal	2,880,291	15,559	102,707	2,998,557
Business	1,056,818	0	0	1,056,818
Operation and Maintenance of Plant	7,058,862	16,040	66	7,074,968
Pupil Transportation	7,833,280	0	199,062	8,032,342
Central	1,530,711	0	1,684	1,532,395
Extracurricular Activities	1,376,256	0	143,168	1,519,424
Operation of Non-Instructional Services:				
Food Service Operations	5,205	0	2,538,197	2,543,402
Community Services	0	0	822,292	822,292
Other	57,261	0	0	57,261
Capital Outlay	1,380,816	12,878,607	0	14,259,423
Debt Service:				
Principal Retirement	185,000	0	1,025,000	1,210,000
Interest and Fiscal Charges	319,779	427,574	7,066,585	7,813,938
<i>Total Expenditures</i>	<u>94,186,657</u>	<u>13,337,780</u>	<u>16,233,503</u>	<u>123,757,940</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>370,545</u>	<u>(13,350,153)</u>	<u>330,349</u>	<u>(12,649,259)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	33,642	0	109,938	143,580
Insurance Recoveries	2,521,676	0	0	2,521,676
Transfers In	0	0	3,789,241	3,789,241
Transfers Out	0	0	(3,789,241)	(3,789,241)
<i>Total Other Financing Sources (Uses)</i>	<u>2,555,318</u>	<u>0</u>	<u>109,938</u>	<u>2,665,256</u>
<i>Net Change in Fund Balance</i>	2,925,863	(13,350,153)	440,287	(9,984,003)
<i>Fund Balances Beginning of Year</i>	<u>13,552,291</u>	<u>116,824,822</u>	<u>14,162,706</u>	<u>144,539,819</u>
<i>Fund Balances End of Year</i>	<u>\$ 16,478,154</u>	<u>\$ 103,474,669</u>	<u>\$ 14,602,993</u>	<u>\$ 134,555,816</u>

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$	(9,984,003)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital Asset Additions	\$ 15,031,166	
Current Year Depreciation	<u>(2,075,399)</u>	12,955,767
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(2,563)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(1,214,612)	
Excess Costs	(143,670)	
Charges and Other Fees	(72,656)	
Intergovernmental	<u>(151,643)</u>	(1,582,581)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,210,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		8,248,465
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(13,824,514)
In the statement of activities, interest is accrued on outstanding long-term debt and premium and gain/loss on refunding are amortized over the term of the debt, whereas in governmental funds, an interest expenditure is reported when debt is issued.		
Accrued Interest Payable	202,832	
Amortization of Premium on Bonds	<u>157,222</u>	360,054
The internal service fund used by management to charge the costs of insurance and other services to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		551,456
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(293,399)	
Healthcare Termination Benefits	168,452	
Early Retirement Incentive	<u>495,113</u>	<u>370,166</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(1,697,753)</u>

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 61,735,410	\$ 63,923,460	\$ 63,923,457	\$ (3)
Intergovernmental	28,016,500	27,579,370	27,604,960	25,590
Investment Income	275,000	275,000	252,624	(22,376)
Tuition and Fees	1,041,580	932,120	774,633	(157,487)
Extracurricular Activities	142,500	156,770	156,749	(21)
Rentals	471,500	255,250	255,243	(7)
Charges for Services	193,600	128,080	124,055	(4,025)
Contributions and Donations	0	1,150	1,150	0
Miscellaneous	984,760	1,681,340	1,542,479	(138,861)
Total Revenues	92,860,850	94,932,540	94,635,350	(297,190)
Expenditures				
Current:				
Instruction:				
Regular	38,704,899	39,159,431	38,356,663	802,768
Special	9,459,024	10,135,994	10,130,746	5,248
Vocational	1,933,387	1,499,848	1,499,246	602
Student Intervention Services	2,441,928	2,945,378	2,945,076	302
Other	167,172	162,402	162,038	364
Support Services:				
Pupils	6,398,371	6,891,002	6,871,164	19,838
Instructional Staff	2,837,494	2,500,005	2,474,778	25,227
Board of Education	25,164	29,424	29,437	(13)
Administration	7,498,285	7,615,786	7,421,584	194,202
Fiscal	2,281,323	3,081,284	2,911,116	170,168
Business	970,394	1,119,129	1,099,494	19,635
Operation and Maintenance of Plant	7,085,881	7,731,685	7,711,347	20,338
Pupil Transportation	8,912,911	8,597,511	8,592,182	5,329
Central	3,816,642	1,650,012	1,578,465	71,547
Extracurricular Activities	1,291,567	1,480,237	1,454,765	25,472
Operation of Non-Instructional Services:				
Community Services	770	770	0	770
Other	0	26,160	26,158	2
Capital Outlay	1,199,828	1,406,002	1,405,974	28
Debt Service:				
Principal Retirement	185,000	185,000	185,000	0
Interest and Fiscal Charges	319,780	319,780	319,779	1
Total Expenditures	95,529,820	96,536,840	95,175,012	1,361,828
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(2,668,970)</i>	<i>(1,604,300)</i>	<i>(539,662)</i>	<i>1,064,638</i>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	20,000	33,650	33,642	(8)
Insurance Recoveries	0	2,521,680	2,521,676	(4)
Refund of Prior Year Expenditures	76,000	285,630	285,624	(6)
Refund of Prior Year Receipts	(100)	(100)	0	100
Advances In	400,000	2,772,500	997,130	(1,775,370)
Transfers In	0	754,140	0	(754,140)
Advances Out	(400,000)	(2,274,390)	(2,274,390)	0
Transfers Out	(1,400,000)	(2,154,140)	(1,400,000)	754,140
Total Other Financing Sources (Uses)	(1,304,100)	1,938,970	163,682	(1,775,288)
Net Change in Fund Balance	(3,973,070)	334,670	(375,980)	(710,650)
Fund Balance Beginning of Year	13,416,966	13,416,966	13,416,966	0
Prior Year Encumbrances Appropriated	1,889,729	1,889,729	1,889,729	0
Fund Balance End of Year	\$ 11,333,625	\$ 15,641,365	\$ 14,930,715	\$ (710,650)

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	Governmental Activities - Internal Service Funds
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 4,613,801
Liabilities	
<i>Current Liabilities</i>	
Interfund Payable	45,500
Claims Payable	382,204
<i>Total Current Liabilities</i>	427,704
Net Position	
Unrestricted	\$ 4,186,097

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for Services	\$ 9,390,755
Other	19,945
<i>Total Operating Revenues</i>	9,410,700
Operating Expenses	
Fringe Benefits	94,519
Purchased Services	999,300
Materials and Supplies	417,774
Claims	7,275,591
Other	72,060
<i>Total Operating Expenses</i>	8,859,244
<i>Operating Income</i>	551,456
<i>Net Position Beginning of Year</i>	3,634,641
<i>Net Position End of Year</i>	\$ 4,186,097

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Governmental Activities - Internal Service Funds</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 9,390,755
Other Cash Receipts	19,945
Cash Paid for Goods and Services	(1,417,074)
Cash Paid for Employee Benefits	(94,519)
Cash Paid for Claims	(7,365,636)
Other Cash Payments	(72,060)
<i>Net Cash Provided By Operating Activities</i>	<u>461,411</u>
Cash Flows From Non-Capital Financing Activities	
Advances from Other Funds	79,910
Advances to Other Funds	(69,910)
<i>Net Cash Provided By Non-Capital Financing Activities</i>	<u>10,000</u>
<i>Net Increase in Cash and Investments</i>	471,411
<i>Cash and Investments, Beginning of Year</i>	<u>4,142,390</u>
<i>Cash and Investments, End of Year</i>	<u><u>\$ 4,613,801</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 551,456
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	(90,045)
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 461,411</u></u>

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 136,383	\$ 223,288
Liabilities		
Accounts Payable	0	\$ 6,132
Undistributed Monies	0	4,492
Due to Students	0	212,664
<i>Total Liabilities</i>	0	\$ 223,288
Net Position		
Held in Trust for Scholarships	\$ 136,383	

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 143
Miscellaneous	3,510
Investment Earnings	749
<i>Total Additions</i>	4,402
 Deductions	
Payments in Accordance with Trust Agreements	4,490
<i>Change in Net Position</i>	(88)
<i>Net Position Beginning of Year</i>	136,471
<i>Net Position End of Year</i>	\$ 136,383

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

Willoughby-Eastlake City School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member board and provides educational services as mandated by State and federal agencies. The Board controls the School District’s 13 instructional facilities, staffed by non-certified employees and certified full-time teaching and support personnel who provide services to students and other community members.

The School District is located in Lake County, Ohio and includes the cities of Willoughby, Eastlake, Willoughby Hills and Willowick and the villages of Lakeline, Timberlake, and Waite Hill.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Willoughby-Eastlake City School District, this includes general operations, food service and student related activities of the School District.

Non-Public Schools – Within the School District boundaries, there are various non-public schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed by the School District on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. These transactions are reported as a governmental activity on the financial statements of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in two jointly governed organizations and a related organization. These organizations are the Northwest Ohio Computer Association (NWOCA), the Ohio Schools Council and the Willoughby-Eastlake Public Library. These organizations are discussed in Notes 17 and 18 to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District'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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limitations. 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 School District.

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

Fund Accounting

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

Willoughby-Eastlake City School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Building Fund The building fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the School District being financed through debt proceeds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary funds are internal service funds.

Internal Service Funds The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District utilizes internal service funds to account for the operation of the School District's self-insurance program, for employee medical, surgical, prescription drug and dental benefits and warehouse services.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and high school reunions.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Willoughby-Eastlake City School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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. Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Willoughby-Eastlake City School District
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For the Fiscal Year Ended June 30, 2017

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate appropriations to the function and object levels within each fund. The budgetary statement is presented beyond the legal level of control for information purposes only.

Willoughby-Eastlake City School District
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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and investments.”

During fiscal year 2017, investments were limited to federal securities, corporate bonds, commercial paper, certificates of deposit, money market funds and STAR Ohio.

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings (including fair market value adjustments for investments). Interest receipts credited to the General Fund during fiscal year 2017 was \$262,218, which includes \$97,906 assigned from other School District funds. Negative investment earnings may result from adjustments related to fair market value changes of investments.

Willoughby-Eastlake City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and investments.” Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

Capital Assets

The School District’s only capital assets are general capital assets.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using appropriate price-level index to deflate the cost to acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 99 years
Furniture and Equipment	10 - 15 years
Vehicles	5 - 15 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. When applicable, these amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

Pensions

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2017, none of the School District’s net position was restricted by enabling legislation.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable

Willoughby-Eastlake City School District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs and warehouse shipments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

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Notes to the Basic Financial Statements
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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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

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.

Implementation of New Accounting Policies

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

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GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 3 – Fund Balance

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

	General	Building	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	\$ 5,928	\$ 0	\$ 0	\$ 5,928
Restricted for:				
Debt Service	0	0	13,815,321	13,815,321
Capital Outlay	0	103,474,669	67,417	103,542,086
State Funded Programs	0	0	130,306	130,306
Federally Funded Programs	0	0	764,829	764,829
Extracurricular Activities	0	0	190,120	190,120
Other Purposes	0	0	61,525	61,525
Total Restricted	<u>0</u>	<u>103,474,669</u>	<u>15,029,518</u>	<u>118,504,187</u>
Committed for:				
Termination Benefits	<u>78,127</u>	<u>0</u>	<u>0</u>	<u>78,127</u>
Assigned for:				
Public School Support	314,540	0	0	314,540
Encumbrances:				
Instruction	290,063	0	0	290,063
Support Services	1,787,153	0	0	1,787,153
Extracurricular	20,397	0	0	20,397
Operations of Non-Instructional Services	2,087	0	0	2,087
Capital Outlay	25,157	0	0	25,157
Subsequent Year Appropriations	4,893,260	0	0	4,893,260
Total Assigned	<u>7,332,657</u>	<u>0</u>	<u>0</u>	<u>7,332,657</u>
Unassigned	9,061,442	0	(426,525)	8,634,917
<i>Total Fund Balance</i>	<u><u>\$ 16,478,154</u></u>	<u><u>\$ 103,474,669</u></u>	<u><u>\$ 14,602,993</u></u>	<u><u>\$ 134,555,816</u></u>

Willoughby-Eastlake City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The following funds had a deficit fund balance as of June 30, 2017:

Other Governmental Funds:	
Title I	\$ 41,859
Improving Teacher Quality	3,894
Preschool Grant	3
Food Service	380,769

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and will provide transfers when cash is required, not when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented on the budgetary basis for the general fund. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a component of assigned, committed or restricted fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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

GAAP Basis	\$ 2,925,863
Net Adjustment for Revenue Accruals	1,683,892
Net Adjustment for Expenditure Accruals	(3,084,710)
Funds Budgeted Elsewhere	226,672
Adjustment for Encumbrances	<u>(2,127,697)</u>
Budget Basis	<u>\$ (375,980)</u>

**As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed funds, special trust, uniform school supplies, special services, community education, rotary services, public school support, summer school, miscellaneous enterprise activities, and termination benefits.

Willoughby-Eastlake City School District
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Notes to the Basic Financial Statements
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Note 5 - Deposits and Investments

State statute classifies monies held by the School District into three categories.

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

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. 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;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and,

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8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2017, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the School District's deposits was \$6,924,902, which includes \$3,814 of cash and gift cards on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$12,791,688 of the School District's bank balance of \$12,541,688 was exposed to custodial credit risk as described above, while \$250,000 was covered by FDIC. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Funds Held by Trustee

Huntington National Bank acts as a trustee for the School District. Huntington National Bank held on account as of June 30, 2017, \$5,270,288. This money is held in trustee accounts in a sinking fund for the repayment of bonds on March 1, 2021. Collateral is held on direct deposit with the Federal Reserve.

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Huntington National Bank also holds, as a trustee, \$300,092 in a “Certificate Fund.” During 2015 and 2016, the School District entered into agreements to issue Certificates of Participation (See Note 15). As part of these agreements, there will be deposited, in the Certificate Fund, amounts transferred from the Project Fund pursuant to the terms of the Lease and the Assignment. These funds will be used solely and exclusively for the payment of Certificate Payments as they become due, except as otherwise provided in the Trust Agreement.

Investments

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

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the School District’s investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

As of June 30, 2017, the School District had the following investments and maturities:

Investment Type	Ratings by		Investment Maturities			Percent of Total
	S&P Goblal Ratings	Measurement Amount	12 Months or Less	12 to 36 Months	More Than 36 Months	
Federal Farm Credit Bank	Aaa	\$ 18,589,665	\$ 0	\$ 18,222,169	\$ 367,496	14.30%
Federal National Mortgage Association	Aaa	42,266,070	8,477,560	32,309,880	1,478,630	32.48%
Federal Home Loan Bank	Aaa	13,305,246	2,254,568	11,050,678	0	10.22%
Federal Home Loan Mortgage	Aaa	9,239,272	1,991,560	3,270,422	3,977,290	7.10%
Federal Agricultural Mortgage Corpoation	Aaa	3,272,252	0	2,022,020	1,250,232	2.51%
Private Export Funding Corporation	Aaa	9,702,420	0	6,486,536	3,215,884	7.46%
Tennessee Valley Authority	Aaa	6,509,830	5,312,260	0	1,197,570	5.00%
Commercial Paper	A-1	23,908,080	23,908,080	0	0	18.38%
Negotiable Certificates of Deposit	N/A	1,735,750	249,194	1,486,556	0	1.33%
Federated Money Market	Aaa	1,478,510	1,478,510	0	0	1.14%
STAR Ohio	AAAm	104,444	104,444	0	0	0.08%
Total Investments		\$ 130,111,539	\$ 43,776,176	\$ 74,848,261	\$ 11,487,102	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District’s recurring fair value measurements as of June 30, 2017. As discussed further in Note 2, STAR Ohio is reported at its net asset value (NAV). All other investments of the School District are valued using quoted market prices (Level 1 inputs).

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Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer.

Credit Risk The federal securities and Federated money market were all rated Aaa and AA+ by Moody's Investor Services and Standard & Poor's (S&P) Global Ratings, respectively. Investments underlying the commercial paper were rated P-1 and A-1 by Moody's Investor Services and S&P Global Ratings, respectively. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 days and carries a rating of AAAM by S&P Global Ratings. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lake County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, bond retirement and permanent improvement funds was \$5,330,733, \$501,297, and \$153,989, respectively. The amount available for advance at June 30, 2016, in the general, bond retirement and permanent improvement funds was \$5,726,280, \$850,465, and \$156,255, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Willoughby-Eastlake City School District
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Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 1,449,887,620	95%	\$ 1,447,640,790	94%
Public Utility Personal Property	81,484,070	5%	99,470,360	6%
 Total Assessed Values	 \$ 1,531,371,690	 100%	 \$ 1,547,111,150	 100%
 Tax rate per \$1,000 of assessed valuation	 \$ 64.27		 \$ 64.48	

Note 7 - Receivables

Receivables at June 30, 2017, consisted of property taxes, accrued interest, interfund, accounts (customer services and student fees) and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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Notes to the Basic Financial Statements
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Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 934,224	\$ 0	\$ 0	\$ 934,224
Construction in Progress	5,217,105	13,549,653	(7,398,300)	11,368,458
<i>Total Capital Assets Not Being Depreciated</i>	6,151,329	13,549,653	(7,398,300)	12,302,682
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	61,134,013	8,142,188	0	69,276,201
Furniture and Equipment	1,977,105	407,706	(56,381)	2,328,430
Vehicles	5,270,717	329,919	(329,985)	5,270,651
<i>Total Capital Assets Being Depreciated</i>	68,381,835	8,879,813	(386,366)	76,875,282
<i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(19,762,859)	(1,698,930)	0	(21,461,789)
Furniture and Equipment	(1,366,042)	(136,549)	53,818	(1,448,773)
Vehicles	(4,577,652)	(239,920)	329,985	(4,487,587)
<i>Total Accumulated Depreciation</i>	(25,706,553)	(2,075,399) *	383,803	(27,398,149)
<i>Total Capital Assets Being Depreciated, Net</i>	42,675,282	6,804,414	(2,563)	49,477,133
<i>Governmental Activities Capital Assets, Net</i>	\$ 48,826,611	\$ 20,354,067	\$ (7,400,863)	\$ 61,779,815

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,177,215
Adult Continuing	1,230
Support Services:	
Pupils	60,294
Administration	5,969
Business	10,755
Operation and Maintenance of Plant	395,426
Pupil Transportation	305,617
Central	9,468
Operation of Non-Instructional Services:	
Food Service Operations	23,514
Extracurricular Activities	85,911
<i>Total Depreciation Expense</i>	\$ 2,075,399

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Note 9 – Interfund Transactions

Interfund Transfers

Interfund transfers at June 30, 2017 consisted of a transfer from the permanent improvement fund in the amount of \$3,789,241 to the debt service fund for the payment of capital related debt.

Interfund Balances

Interfund balances at June 30, 2017 consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General
Nonmajor Capital Projects Funds:	
Permanent Improvement	\$ 1,852,500
Nonmajor Special Revenue Funds:	
Food service	250,400
Improving Teacher Quality	16,500
Title VI-B	3,400
Title I	30
IDEA	2,000
Public Preschool	1,500
Nonmajor Proprietary Funds:	
Internal Service	45,500
Total	\$ 2,171,830

The primary purpose of the interfund balance is to cover costs in the fund where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net position.

Note 10 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the School District was part of a group purchasing consortium of public school districts in Northeast Ohio. The consortium placed coverage through the Catlin Indemnity Company. The company carried the property insurance (which includes inland marine, earthquake, and crime), the fleet insurance and covered the boilers and machinery.

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The School District contracted with Catlin Indemnity Company for liability coverage with limits of liability of \$1,000,000 per claim and \$2,000,000 aggregate to insure the School District, the board members, all administrators, certified and classified employees and volunteers. Additionally, the School District purchased an umbrella policy for additional \$10,000,000 coverage.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The School District pays a premium to the Ohio Bureau of Workers' Compensation based on a rate per \$100 of payroll. This rate itself based upon average costs for all school districts in Ohio. The School District rates are modified based on the actual accident history. The School District participates in the Ohio Bureau of Workers' Compensation's retrospective rating program. The program is a paid loss retro with the School District paying reduced premium and then reimbursing the Ohio Bureau of Workers' Compensation for actual claims costs over a number years. Employer's Risk Solutions Company provides cost control and actuarial service to the School District.

Employee Medical Benefits

The School District provides medical, surgical, prescription drug and dental benefits to its employees on a self-insured basis. A third party, Medical Mutual, reviews all claims which are then paid by the School District. A premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The School District maintains stop-loss coverage for its insurance program. Aggregate stop-loss is maintained at \$7,778,761 for the one year period ending June 30, 2017.

The claims liability of \$382,204 reported in the internal service fund at June 30, 2017 is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount for the last two fiscal years are listed as follows:

		Balance	Current	Claims	Balance
		<u>Beginning of Year</u>	<u>Year Claims</u>	<u>Payments</u>	<u>End of Year</u>
2016	\$	600,128	\$ 7,610,997	\$ 7,738,876	\$ 472,249
2017	\$	472,249	\$ 7,275,591	\$ 7,365,636	\$ 382,204

Note 11 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was \$1,934,098 for fiscal year 2017. Of this amount, \$53,454 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$6,314,367 for fiscal year 2017. Of this amount, \$1,225,600 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 133,483,556	\$ 31,249,957	\$ 164,733,513
Proportion of the Net Pension Liability:			
Current Measurement Date	0.39877961%	0.42696580%	
Prior Measurement Date	0.38995379%	0.43769250%	
Change in Proportionate Share	0.00882582%	-0.01072670%	
 Pension Expense	 \$ 10,717,998	 \$ 3,106,516	 \$ 13,824,514

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 5,393,376	\$ 421,490	\$ 5,814,866
Net Difference between Projected and Actual Earnings on Pension Plan Investments	11,082,721	2,577,668	13,660,389
Changes of Assumptions	0	2,086,105	2,086,105
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	2,864,984	206,396	3,071,380
School District Contributions Subsequent to the Measurement Date	6,314,367	1,934,098	8,248,465
Total Deferred Outflows of Resources	<u>\$ 25,655,448</u>	<u>\$ 7,225,757</u>	<u>\$ 32,881,205</u>

Deferred Inflows of Resources

Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 0</u>	<u>\$ 743,830</u>	<u>\$ 743,830</u>
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\$8,248,465 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 3,396,878	\$ 1,095,950	\$ 4,492,828
2019	3,396,875	1,094,094	4,490,969
2020	7,649,630	1,616,810	9,266,440
2021	4,897,698	740,975	5,638,673
	<u>\$ 19,341,081</u>	<u>\$ 4,547,829</u>	<u>\$ 23,888,910</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 41,372,995	\$ 31,249,957	\$ 22,776,553

Actuarial Assumptions – STRS

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

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

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

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

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

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

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 177,388,799	\$ 133,483,556	\$ 96,446,895

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

Note 12 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$231,864.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$293,566. The full amount has been contributed for fiscal year 2015.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

Note 13 - Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 22 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and a quarter days per month. Upon retirement, an employee is paid for 30 percent of accumulated sick days up to a maximum of 260 accumulated sick days.

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Early Retirement Incentive and Health Care Termination Benefit Payable

Classified Employees

A retiree receives severance pay at the per diem rate for the actual number of unused sick leave days credited to the employee at the actual time of retirement. The number of unused sick days paid will be thirty percent of a maximum of 260 days plus converted personal days. Payment is made in one lump sum within 60 days of the effective date of retirement. The rate of pay is that of the highest daily rate of the employee's highest year in the preceding ten years. Any employee who is currently eligible for retirement with SERS may receive a retirement incentive bonus if certain qualifications are met. The eligible employee receives \$5,000 if he/she retires in accordance with program guidelines by July 1 of their first year of eligibility. Eligible employees who choose not to retire in their first year of eligibility but retire by July 1 of their second year receive an incentive of \$2,500. An employee who chooses to retire after the second year will not be eligible to receive any retirement bonus. The incentive bonus will be made in two payments beginning January of the next two succeeding years with 60 percent paid on the first payment and 40 percent in the second payment.

Certified Employees

A retiree receives severance pay at the per diem rate for the actual number of unused sick leave days credited to the employee at the actual time of retirement. The number of unused sick days paid will be thirty percent of the maximum of 260 days plus converted personal days. An early retirement incentive of \$40,000 and a health reimbursement account (HRA) of \$30,000 is paid to those teachers who retire in their first year of eligibility for retirement. The incentive bonus is paid in equal installments in the five Januaries following the date of retirement and paid as a reimbursement upon the presentation of receipts for qualifying medical expenses.

Life Insurance

The School District provides life insurance in the amount of \$20,000 and \$50,000 to food service employees who work 10 to 20 hours and to other employees (excluding substitutes) who regularly work a minimum of 20 hours per week, respectively. Employees are also given the option to purchase additional term life insurance through a payroll deduction.

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Notes to the Basic Financial Statements
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Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

<i>Governmental Activities</i>	Balance 06/30/2016	Additions	Deductions	Balance 06/30/2017	Due Within One Year
<i>Long Term Debt:</i>					
QSCB Tax Anticipation Notes	\$ 8,625,000	\$ 0	\$ 0	\$ 8,625,000	\$ 0
2012 Conservation Improvement Bonds	7,045,000	0	(525,000)	6,520,000	535,000
2014 Conservation Improvement Bonds	1,210,000	0	(50,000)	1,160,000	75,000
2016 School Improvement Bonds	115,750,000	0	(500,000)	115,250,000	1,000,000
Premium	5,502,767	0	(157,222)	5,345,545	0
<i>Total Long Term Debt</i>	<u>138,132,767</u>	<u>0</u>	<u>(1,232,222)</u>	<u>136,900,545</u>	<u>1,610,000</u>
<i>Capital Leases:</i>					
QSCB Certificates of Participation, Series 2011	4,320,000	0	0	4,320,000	0
Tax Exempt Certificates of Participation, Series 2011	9,785,000	0	0	9,785,000	0
Certificates of Participation, Series 2013	6,230,000	0	(135,000)	6,095,000	135,000
Certificates of Participation, Series 2014	6,490,000	0	0	6,490,000	0
Certificates of Participation, Series 2015	5,610,000	0	0	5,610,000	0
<i>Total Capital Leases</i>	<u>32,435,000</u>	<u>0</u>	<u>(135,000)</u>	<u>32,300,000</u>	<u>135,000</u>
<i>Net Pension Liability:</i>					
STRS	107,771,821	25,711,735	0	133,483,556	0
SERS	24,975,158	6,274,799	0	31,249,957	0
<i>Total Net Pension Liability</i>	<u>132,746,979</u>	<u>31,986,534</u>	<u>0</u>	<u>164,733,513</u>	<u>0</u>
<i>Other Long Term Liabilities:</i>					
Early Retirement Incentive	2,319,092	706,625	(1,201,738)	1,823,979	856,674
Healthcare Termination Benefits	1,940,407	180,000	(348,452)	1,771,955	222,578
Compensated Absences	8,507,588	932,176	(638,777)	8,800,987	1,332,955
<i>Total Other Long Term Liabilities</i>	<u>12,767,087</u>	<u>1,818,801</u>	<u>(2,188,967)</u>	<u>12,396,921</u>	<u>2,412,207</u>
<i>Total Governmental Activities Long-Term Obligations</i>	<u>\$ 316,081,833</u>	<u>\$ 33,805,335</u>	<u>\$ (3,556,189)</u>	<u>\$ 346,330,979</u>	<u>\$ 4,157,207</u>

On March 22, 2011, the School District issued \$8,625,000 of Qualified School Construction Bonds (QSCB) tax anticipation notes with an interest rate of 5.294 percent. The proceeds will be used for various construction and improvement projects throughout the School District. The notes mature on March 1, 2021. The School District is required to make annual sinking fund payments of \$862,500 for nine consecutive years starting March 1, 2012.

On May 20, 2012 the School District issued \$8,589,000 in Limited Tax General Obligation Energy Conservation Improvement Bonds. The bonds were issued for a sixteen year period with final maturity at September 1, 2027. The bonds have a varying interest rate of 1.00 to 3.75 percent. The proceeds were used to make district-wide energy conservation improvements.

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On July 17, 2015 the School District issued \$1,300,000 in Limited Tax General Obligation Energy Conservation Improvement Bonds. The bonds were issued for a fifteen year period with final maturity at December 1, 2029. The bonds have a varying interest of 3.00 percent. The proceeds were used to make district-wide energy conservation improvements.

On March 9, 2016, the School District issued \$115,750,000 of general obligation school improvement bonds, which included serial and term in the amount of \$25,790,000 and \$89,960,000, respectively. The bonds were issued for the purpose of constructing, renovating, rehabilitating, and adding to furnishing, equipping and otherwise improving buildings and facilities for the School District's purposes. The bonds were issued for a thirty-five year period with final maturity at December 31, 2050.

These bonds were issued with a premium of \$5,502,767, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

The \$115,750,000 bond issue consists of serial and term bonds. The serial bonds were issued with a varying interest rate of 2.00-5.00 percent. The term bonds that mature in fiscal year 2034, with an interest rate of 3.25 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2032 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2033	\$2,765,000
2034	2,920,000

The term bonds that mature in fiscal year 2035, with an interest rate of 3.375 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2036 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2035	\$3,080,000
2036	3,250,000
2037	3,425,000

The term bonds that mature in fiscal year 2038, with an interest rate of 3.75 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2037 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

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<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2038	\$3,605,000
2039	3,810,000
2040	4,020,000
2041	4,240,000
2042	4,465,000

The term bonds that mature in fiscal year 2043, with an interest rate of 5.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2042 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2043	\$4,705,000
2044	5,010,000
2045	5,330,000
2046	5,670,000
2047	6,025,000

The term bonds that mature in fiscal year 2048, with an interest rate of 4.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2047 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2048	\$6,400,000
2049	6,730,000
2050	7,075,000
2051	7,435,000

The term bonds maturing after December 1, 2026 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2025.

Debt payments will be paid from the general and debt service funds. The early retirement incentive, healthcare termination benefits and compensated absences will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

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Principal and interest requirements to retire the debt outstanding at June 30, 2017 are as follows:

Fiscal Year	Limited Tax General Obligation		QSCB Tax		School		Total	
	Energy Conservation		Anticipation Notes		Improvement Bonds		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2018	\$ 610,000	\$ 195,456	\$ 0	\$ 456,607	\$ 1,000,000	\$ 4,579,719	\$ 1,610,000	\$ 5,231,782
2019	615,000	183,794	0	456,608	1,075,000	4,558,969	1,690,000	5,199,371
2020	635,000	170,519	0	456,607	1,155,000	4,536,669	1,790,000	5,163,795
2021	645,000	156,919	8,625,000	456,607	1,235,000	4,512,769	10,505,000	5,126,295
2022	660,000	143,044	0	0	1,315,000	4,487,269	1,975,000	4,630,313
2023-2027	3,530,000	454,641	0	0	8,080,000	21,723,495	11,610,000	22,178,136
2028-2032	985,000	26,756	0	0	11,430,000	19,785,357	12,415,000	19,812,113
2033-2037	0	0	0	0	15,440,000	17,340,485	15,440,000	17,340,485
2038-2042	0	0	0	0	20,140,000	14,181,751	20,140,000	14,181,751
2043-2047	0	0	0	0	26,740,000	9,035,500	26,740,000	9,035,500
2048-2051	0	0	0	0	27,640,000	2,280,200	27,640,000	2,280,200
	<u>\$ 7,680,000</u>	<u>\$ 1,331,129</u>	<u>\$ 8,625,000</u>	<u>\$ 1,826,429</u>	<u>\$115,250,000</u>	<u>\$ 107,022,183</u>	<u>\$ 131,555,000</u>	<u>\$110,179,741</u>

Note 15 – Capitalized Leases

2011 Certificates of Participation

During fiscal year 2011, the School District entered into a lease-purchase agreement in the amount of \$14,105,000 for various construction and improvement projects throughout the School District. The 2011 certificates of participation consist of \$4,320,000 (Series 2011A) federally taxable Qualified School Construction Bonds and \$9,785,000 (Series 2011B) tax exempt certificates. The School District is leasing the project site from the Ohio School Building Leasing Corporation. The Project consists of the construction, furnishing and equipping and lease and eventual acquisition of improvements to School District buildings and building sites, including the School District’s North High School, South High School and Edison Elementary School buildings and building sites and related improvements. The Leased Property includes the School District’s North High School, South High School and Edison Elementary School buildings and building sites. The land and existing improvements included in the leased property are owned by the School District and are leased to the corporation pursuant to the ground lease, with a term commencing on the closing date and ending date of March 1, 2046. A portion of the proceeds of the Series 2011 Certificates is expected to be used to pay costs of School District buildings and building sites not included in the Leased Property.

The Ohio School Building Leasing Corporation assigned The Huntington National Bank as Trustee, transferring rights, title and interest in the project to the Trustee. The School District is acting as an agent for the lessor, and is constructing the facilities from the proceeds provided by the lessor. The School District will make annual lease payments to The Huntington National Bank. Interest rates range between 5.0 percent and 6.544 percent. The current term of the leases ended on June 30, 2011, however the School District has the right to renew the Leases for successive one-year terms, each ending June 30, except the final Lease Term, which ends on March 1, 2041. The Ground Lease term ends March 1, 2046.

The School District is required to make annual sinking fund payments of \$864,000 for five consecutive years starting March 1, 2022 on the series 2011A certificates of participation. The payments will be held with the Trustee and will be used solely to pay the principal component of the base rent attributable to the series 2011A certificates when due.

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Title to the improvements on the Leased Property, and the right of possession of the Leased Property, will transfer to the School District at the end of the Ground Lease. The School District's obligation to pay lease payments does not constitute a debt of the School District within the meaning of any constitutional or statutory limitation. Certificate of Participation (COP's) payments will be made solely from amounts derived under the Lease, including lease payments.

As part of the two Certificate of Participation agreements, the agreements contain Mandatory Redemption, Optional Redemption, Extraordinary Optional/Mandatory Redemption, and Special Redemption options. Copies of these agreements can be obtained from the Treasurer of Willoughby-Eastlake City School District at 32500 Chardon Road, Willoughby Hills, OH 44094, or by email at bill.parkinson@weschools.org.

\$14,105,000 of capital assets acquired by the lease have been capitalized as buildings and improvements.

No principal payments were made. Payments will be made on the lease from the debt service fund.

2013 and 2014 Certificates of Participation

During fiscal year 2014, the School District entered into two lease-purchase agreements. The first agreement in the amount of \$6,780,000 is for construction, enlarging and other improvements, furnishing and equipping and lease and eventual acquisition of improvements to the School District's buildings and building sites. The Leased Property includes the School District's North High School, South High School and Edison Elementary School buildings and building sites. The land and existing improvements included in the leased property are owned by the School District and are leased to the corporation pursuant to the ground lease, with a term ending five years after the final renewal term of the lease. A portion of the proceeds is expected to be used to pay costs of the School District's buildings and building sites not included in the leased property. The second lease in the amount of \$6,490,000 is for acquisition, construction, enlarging and improvement, furnishing and equipping and lease and eventual acquisition of an office building and building site.

The School District is leasing the project sites from Ohio School Building Leasing Corporation ("Lessor"). The Ohio School Building Leasing Corporation assigned The Huntington National Bank as Trustee ("Trustee"), transferring rights, title and interest in the projects to the Trustee. The School District is acting as an agent for the Lessor, and is constructing the facilities from the proceeds provided by the Lessor. The School District will make annual lease payments to Huntington National Bank. Interest rates for the 2013 and 2014 Certificates of Participation range between 2.25 percent and 5.125 percent. The current term of the leases ended on June 30, 2014, however the School District has the right to renew the Leases for successive one-year terms, each ending June 30, except the final Lease Term, which ends on March 1, 2034. The Ground Lease term ends March 1, 2048.

Title to the improvements on the Leased Property, and the right of possession of the Leased Property, will transfer to the School District at the end of the Ground Lease. The School District's obligation to pay lease payments does not constitute a debt of the School District within the meaning of any constitutional or statutory limitation. Certificate of Participation (COP's) payments will be made solely from amounts derived under the Lease, including lease payments. Payments are made from the general fund.

As part of the two Certificate of Participation agreements, the agreements contain Optional Redemption, Mandatory Redemption and/or Special Redemption options. Copies of these agreements can be obtained from the Treasurer of Willoughby-Eastlake City School District at 32500 Chardon Road, Willoughby Hills, OH 44094, or by email at bill.parkinson@weschools.org.

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For the Fiscal Year Ended June 30, 2017

2015 Certificates of Participation

During fiscal year 2016, the School District entered into a lease-purchase agreement in the amount of \$5,610,000 for the acquisition of a commercial building and related building site for a new technical career school. The School District is leasing the project site from the Ohio School Building Leasing Corporation. The Project consists of the construction enlarging and other improvements, furnishing and equipping and lease and eventual acquisition of a commercial building and related building site. The Leased Property is the Euclid Avenue Property.

The School District is leasing the project site from Ohio School Building Leasing Corporation (“Lessor”). The Ohio School Building Leasing Corporation assigned The Huntington National Bank as Trustee (“Trustee”), transferring rights, title and interest in the projects to the Trustee. The School District is acting as an agent for the Lessor, and is constructing the facilities from the proceeds provided by the Lessor. The School District will make annual lease payments to Huntington National Bank. Interest rates for the 2015 Certificates of Participation range between 2.25 percent and 5.125 percent.

The term of the lease consists of a series of one-year terms, each ending on June 30, except the final lease term, which ends on the final lease payment date. The ground lease term ends five years after the final lease term. Clear title to and right of possession of the leased property will transfer to the School District upon the expiration of the ground lease term. The School District’s obligation to pay lease payments does not constitute a debt of the School District within the meaning of any constitutional or statutory limitation. Certificate payments will be made solely from amounts derived under the lease, including lease payments.

The Series 2015 Certificates maturing on or after March 1, 2021 are subject to prior redemption on any date, by and at the sole option of the Board, in whole or in part as selected by the Board (in whole multiples of \$5,000), on or after March 1, 2020, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date. Any Term Series 2015 Certificates are subject to mandatory sinking fund redemption. The Certificates are also subject to special redemption. The proceeds received from the sale of the Series 2015 Certificates will be used (a) to provide for the acquisition, construction, enlarging and other improvement, furnishing and equipping and lease and eventual acquisition of a school building and building site for a new technical career school, and (b) to pay costs relating to the sale of the Series 2015 Certificates.

The current Lease Term commenced as of July 1, 2016 and expires on June 30, 2017. Each renewal of the Lease will be for a renewal Lease Term (Renewal Term) beginning July 1 and ending June 30 of the subsequent year, except that the final Renewal Term will end on March 1, 2040.

Payments will be made on the lease from the debt service fund.

Willoughby-Eastlake City School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The following is a schedule of the future long term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017:

Year ending June 30,	
2018	\$ 1,641,568
2019	1,878,699
2020	2,123,324
2021	2,121,586
2022	2,117,711
2023-2027	14,597,360
2028-2032	10,500,957
2033-2037	11,491,601
2038-2042	8,389,257
2043	415,244
	<u>55,277,307</u>
Less amount representing interest	<u>22,977,307</u>
Present value of minimum lease payments	<u>\$ 32,300,000</u>

Note 16 - Set-Asides

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

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

	<u>Capital</u> <u>Improvements</u>
Set-Aside Restricted Balance June 30, 2016	\$ 0
Current Year Set-Aside Requirement	1,394,038
Current Year Offsets	<u>(2,709,657)</u>
Total	<u>\$ (1,315,619)</u>
Set-Aside Balance Carried Forward to Fiscal Year 2018	<u>\$ 0</u>
Set-Aside Restricted Balance June 30, 2017	<u>\$ 0</u>

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

Willoughby-Eastlake City School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 17 – Jointly Governed Organizations

Northwest Ohio Computer Association

The School District is a participant in NWOCA (Northwest Ohio Computer Association). NWOCA is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2017, the School District paid \$53,476 to NWOCA for various services. Financial information can be obtained from Robin Pfund, who serves as Treasurer, 209 Nolan Parkway, Archbold, Ohio 43502.

The Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 200 school districts, educational service centers and joint vocational schools. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the board. In fiscal year 2017, the School District paid \$139,214 to the Council. Financial information can be obtained by contacting William Zelei, Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. There are approximately 150 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 18 – Related Organization

The Willoughby-Eastlake Public Library (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Willoughby-Eastlake City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Willoughby-Eastlake Public Library, Ms. Victoria Simmons, Fiscal Officer, at 35150 Lakeshore Blvd., Eastlake, Ohio 44095.

Willoughby-Eastlake City School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 19 – Significant Commitments

Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$2,152,161 for the general fund, \$14,598 for the building fund and \$161,551 for nonmajor governmental funds.

Contractual Commitments

At June 30, 2017, the School District had the following contractual commitments:

	Amount of Contract	Expenditures as of 6/30/2017	Amount Remaining
New High Schools	\$ 10,001,839	\$ 5,765,766	\$ 4,236,073

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

School District Funding

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2017 are finalized. As a result, the net impact of the FTE adjustments on the fiscal year 2017 financial statements was a receivable of, the School District.

Willoughby-Eastlake City School District
Lake County, Ohio

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

Note 21 – Subsequent Events

Purchase of Real Property

In December of 2017, the District purchased an office building located at 35353 Curtis Boulevard in Eastlake for a price of \$1,200,000. The property is to be used as the new District administration offices.

Insurance Settlement from Fire

In January of 2018, the District received and agreed to the final insurance proceeds associated with the fire at the District's administrative offices located at 37047 Ridge Road in Willoughby on March 14, 2017. The total insurance settlement received by the District was \$8,701,087.

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Willoughby-Eastlake City School District
Lake County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
School District's Proportion of the Net Pension Liability	0.39877961%	0.38995379%	0.38491924%	0.38491924%
School District's Proportionate Share of the Net Pension Liability	\$ 133,483,556	\$ 107,771,821	\$ 93,625,680	\$ 111,526,298
School District's Covered Payroll	\$ 41,947,143	\$ 41,219,850	\$ 38,997,438	\$ 37,928,138
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.22%	261.46%	240.08%	294.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
School District's Proportion of the Net Pension Liability	0.42696580%	0.43769250%	0.43083900%	0.43083900%
School District's Proportionate Share of the Net Pension Liability	\$ 31,249,957	\$ 24,975,158	\$ 21,804,516	\$ 25,620,613
School District's Covered Payroll	\$ 10,439,993	\$ 9,842,716	\$ 9,852,128	\$ 11,251,987
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	299.33%	253.74%	221.32%	227.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Willoughby-Eastlake City School District
Lake County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 6,314,367	\$ 5,872,600	\$ 5,770,779	\$ 5,069,667
Contributions in Relation to the Contractually Required Contribution	<u>(6,314,367)</u>	<u>(5,872,600)</u>	<u>(5,770,779)</u>	<u>(5,069,667)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 45,102,621	\$ 41,947,143	\$ 41,219,850	\$ 38,997,438
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 1,934,098	\$ 1,461,599	\$ 1,297,270	\$ 1,365,505
Contributions in Relation to the Contractually Required Contribution	<u>(1,934,098)</u>	<u>(1,461,599)</u>	<u>(1,297,270)</u>	<u>(1,365,505)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 13,814,986	\$ 10,439,993	\$ 9,842,716	\$ 9,852,128
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 4,930,658	\$ 5,714,742	\$ 5,582,155	\$ 5,783,819	\$ 5,471,210	\$ 5,581,680
<u>(4,930,658)</u>	<u>(5,714,742)</u>	<u>(5,582,155)</u>	<u>(5,783,819)</u>	<u>(5,471,210)</u>	<u>(5,581,680)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 37,928,138	\$ 43,959,554	\$ 42,939,654	\$ 44,490,915	\$ 42,086,231	\$ 42,936,000
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 1,557,275	\$ 2,039,231	\$ 1,731,881	\$ 1,968,459	\$ 1,418,233	\$ 1,942,314
<u>(1,557,275)</u>	<u>(2,039,231)</u>	<u>(1,731,881)</u>	<u>(1,968,459)</u>	<u>(1,418,233)</u>	<u>(1,942,314)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 11,251,987	\$ 15,161,569	\$ 13,777,892	\$ 14,538,102	\$ 14,412,937	\$ 19,779,165
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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**WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR	Federal	
<i>Pass Through Grantor</i>	CFDA	
<u>Program Title</u>	<u>Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$231,364
National School Lunch Program	10.555	1,021,343
National School Lunch Program - Non cash Assistance	10.555	<u>130,490</u>
Total - National School Lunch Program		<u>1,151,833</u>
Total - U.S. Department of Agriculture / Child Nutrition Cluster		<u>1,383,197</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Direct Programs:</i>		
<u>Student Financial Aid Cluster:</u>		
Federal Pell Grant Program	84.063	457,061
Federal Direct Student Loans	84.268	<u>881,890</u>
Total - Student Financial Aid Cluster		1,338,951
<i>Passed Through the Mentor Exempted Village School District:</i>		
Career and Technical Education - Basic Grants to States	84.048	4,415
<i>Passed Through the Lake County General Health District:</i>		
Carol M. White Physical Education Program	84.215F	4,620
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	68,748
		<u>833,019</u>
Total - Title I Grants to Local Educational Agencies		901,767
<u>Special Education Cluster:</u>		
Special Education--Grants to States	84.027	180,196
		<u>1,600,346</u>
Total - Special Education--Grants to States		1,780,542
Special Education--Preschool Grants	84.173	<u>40,337</u>
Total - Special Education Cluster		1,820,879
Improving Teacher Quality - State Grants	84.367	21,986
		<u>295,834</u>
Total - Improving Teacher Quality - State Grants		317,820
English Language Acquisition Grant (Title III)	84.365	18,144
School Safety National Activities	84.184	<u>47,427</u>
Total - U.S. Department of Education		<u>4,454,023</u>
U.S. DEPARTMENT OF LABOR		
<i>Passed Through the Lake County Department of Job and Family Services</i>		
<i>Employment and Training Services</i>		
Workforce Investment Act (WIA) Youth Activities	17.259	<u>120,249</u>
Total - U.S. Department of Labor		<u>120,249</u>
Total - Federal Financial Assistance		<u>\$5,957,469</u>

The accompanying notes are an integral part of this schedule.

**WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Willoughby-Eastlake City School District, Lake County, Ohio (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Willoughby-Eastlake City School District
Lake County
32500 Chardon Road
Willoughby Hills, Ohio 44094

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake City School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2018



Dave Yost • Auditor of State

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

Willoughby-Eastlake City School District
Lake County
32500 Chardon Road
Willoughby Hills, Ohio 44094

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Willoughby-Eastlake City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Willoughby-Eastlake City School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Willoughby-Eastlake City School District, Lake County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2018

**WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster, CFDA 84.063 and 84.268
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2018