



OHIO AUDITOR OF STATE  
**KEITH FABER**





**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

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**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2021, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards 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 relates 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 information

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2022, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 13, 2022

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# Wickliffe City School District

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

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Our discussion and analysis of the Wickliffe City School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### Financial Highlights

Key financial highlights for 2021 are as follows:

- For the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this statement resulted in the restatement of net position as of June 30, 2020 for governmental activities, nonmajor governmental fund balance and total governmental fund balance. See Note 3 for additional information regarding the restatement.
- In total, net position decreased \$5,192,150. Net position of governmental activities decreased \$5,076,851 and net position of business-type activities decreased \$115,299 from 2020.
- The District has been ambitiously planning the new educational Wickliffe Campus to house students in a Preschool through 12th-grade facility, which will replace the aging school buildings. As a result of the planning of the new educational Wickliffe Campus, the fund balance of the Building Fund decreased \$2,809,350 from 2020.

### Using These Basic Financial Statements

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

### Report Components

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis provide information about the cash activities of the District as a whole.

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

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

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## **Basis of Accounting**

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

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

## **Reporting the District as a Whole**

### ***The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis***

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the District did financially during fiscal year 2021, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the cash balances and investments of the governmental and business-type activities of the District at fiscal year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases, or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, the District is divided into two distinct kinds of activities:

*Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

*Business-type Activities* – These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service, rotary fund, adult education fund, and special enterprise operations are reported as business-type activities.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

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## **Reporting the District's Most Significant Funds**

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

### ***Governmental Funds***

Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental fund include the General Fund, Bond Retirement Fund and Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. The relationship (or differences) between governmental activities (reported in the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis) and governmental funds is reconciled in the financial statements.

### ***Proprietary Funds***

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

### ***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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. The District does not have any fiduciary funds.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

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## The District as a Whole

The Statement of Net Position – Cash Basis provides the perspective of the District as a whole. The table below provides a summary of the District’s net position for fiscal years 2021 and 2020.

**Table 1**  
**Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>Restated 2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>Restated 2020</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ 66,525,356	\$ 71,602,207	\$ (66,243)	\$ 49,056	\$ 66,459,113	\$ 71,651,263
Total assets	<u>66,525,356</u>	<u>71,602,207</u>	<u>(66,243)</u>	<u>49,056</u>	<u>66,459,113</u>	<u>71,651,263</u>
Net position:						
Restricted for:						
Capital projects	58,403,460	61,347,358	-	-	58,403,460	61,347,358
Debt service	2,048,230	3,866,068	-	-	2,048,230	3,866,068
Other purposes	667,488	578,864	-	-	667,488	578,864
Unrestricted	<u>5,406,178</u>	<u>5,809,917</u>	<u>(66,243)</u>	<u>49,056</u>	<u>5,339,935</u>	<u>5,858,973</u>
Total net position	\$ <u>66,525,356</u>	\$ <u>71,602,207</u>	\$ <u>(66,243)</u>	\$ <u>49,056</u>	\$ <u>66,459,113</u>	\$ <u>71,651,263</u>

As noted earlier, net position may serve over time as a useful indicator of a District’s financial position. Total assets decreased by \$5,192,150 from 2020 to 2021. The decrease was due to costs associated with the new Wickliffe Campus and bond debt payments.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year and the prior year.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

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

	Governmental Activities		Business-Type Activities		Total	
	2021	Restated 2020	2021	2020	2021	Restated 2020
Cash receipts:						
Program cash receipts:						
Charges for services	\$ 286,350	\$ 398,415	\$ 1,155	\$ 147,682	\$ 287,505	\$ 546,097
Operating grants and contributions	<u>1,949,265</u>	<u>1,830,954</u>	<u>230,488</u>	<u>185,106</u>	<u>2,179,753</u>	<u>2,016,060</u>
Total program cash receipts	<u>2,235,615</u>	<u>2,229,369</u>	<u>231,643</u>	<u>332,788</u>	<u>2,467,258</u>	<u>2,562,157</u>
General cash receipts:						
Property taxes	17,774,776	16,194,305	-	-	17,774,776	16,194,305
Grants and entitlements	4,950,690	4,941,417	-	-	4,950,690	4,941,417
Issuance of notes	-	4,000,000	-	-	-	4,000,000
Issuance of bonds	-	59,895,000	-	-	-	59,895,000
Premium from issuance of bonds	-	3,211,088	-	-	-	3,211,088
Investment earnings	143,364	256,234	-	-	143,364	256,234
Miscellaneous	<u>451,367</u>	<u>899,629</u>	<u>-</u>	<u>-</u>	<u>451,367</u>	<u>899,629</u>
Total general cash receipts	<u>23,320,197</u>	<u>89,397,673</u>	<u>-</u>	<u>-</u>	<u>23,320,197</u>	<u>89,397,673</u>
Transfers	<u>-</u>	<u>(68,784)</u>	<u>-</u>	<u>68,784</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>25,555,812</u>	<u>91,558,258</u>	<u>231,643</u>	<u>401,572</u>	<u>25,787,455</u>	<u>91,959,830</u>
Cash disbursements:						
Program cash disbursements:						
Instruction:						
Regular education	7,698,577	7,546,143	-	-	7,698,577	7,546,143
Special education	4,025,091	4,131,028	-	-	4,025,091	4,131,028
Vocational education	703	86,418	-	-	703	86,418
Other	969,458	898,146	-	-	969,458	898,146
Support services:						
Pupil	1,408,122	1,441,605	-	-	1,408,122	1,441,605
Instructional staff	1,056,231	1,203,196	-	-	1,056,231	1,203,196
Board of Education	95,260	163,418	-	-	95,260	163,418
Administration	1,665,708	1,660,297	-	-	1,665,708	1,660,297
Fiscal	564,553	590,522	-	-	564,553	590,522
Business	188,062	189,958	-	-	188,062	189,958
Operation and maintenance – plant	1,745,798	1,697,242	-	-	1,745,798	1,697,242
Pupil transportation	1,542,402	1,399,849	-	-	1,542,402	1,399,849
Central services	344,913	437,216	-	-	344,913	437,216
Operations of non-instructional services	839,929	890,251	-	-	839,929	890,251
Extracurricular activities	543,739	489,974	-	-	543,739	489,974
Facilities acquisition and construction	3,202,225	440,174	-	-	3,202,225	440,174
Debt service	4,741,892	4,820,183	-	-	4,741,892	4,820,183
Food service	-	-	337,870	387,939	337,870	387,939
Rotary	-	-	-	3,368	-	3,368
Special enterprise fund	<u>-</u>	<u>-</u>	<u>9,072</u>	<u>74,360</u>	<u>9,072</u>	<u>74,360</u>
Total cash disbursements	<u>30,632,663</u>	<u>28,085,620</u>	<u>346,942</u>	<u>465,667</u>	<u>30,979,605</u>	<u>28,551,287</u>
Change in net position	(5,076,851)	63,472,638	(115,299)	(64,095)	(5,192,150)	63,408,543
Net positions beginning of year	<u>71,602,207</u>	<u>8,129,569</u>	<u>49,056</u>	<u>113,151</u>	<u>71,651,263</u>	<u>8,242,720</u>
Net position end of year	\$ <u>66,525,356</u>	\$ <u>71,602,207</u>	\$ <u>(66,243)</u>	\$ <u>49,056</u>	\$ <u>66,459,113</u>	\$ <u>71,651,263</u>

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

### Governmental Activities

Net position of the District’s governmental activities decreased \$5,076,851. Total governmental disbursements of \$30,632,663, were offset by program receipts of \$2,235,615 and general receipts of \$23,320,197. Program receipts supported 9 percent of the total governmental disbursements.

The primary sources of receipts for governmental activities were derived from property taxes.

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and grants off-setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2021. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

**Table 3  
Total Cost of Program Services from Governmental Activities**

	Total Cost of Services		Net (Cost) of Services	
	2021	Restated 2020	2021	Restated 2020
Program cash disbursements:				
Instruction:				
Regular education	\$ 7,698,577	\$ 7,546,143	\$ (7,482,846)	\$ (7,188,513)
Special education	4,025,091	4,131,028	(3,191,402)	(3,249,411)
Vocational education	703	86,418	(703)	(86,418)
Other	969,458	898,146	(969,458)	(898,146)
Support services:				
Pupil	1,408,122	1,441,605	(1,197,979)	(1,243,339)
Instructional staff	1,056,231	1,203,196	(867,524)	(1,203,196)
Board of Education	95,260	163,418	(95,260)	(163,418)
Administration	1,665,708	1,660,297	(1,665,708)	(1,660,297)
Fiscal	564,553	590,522	(564,553)	(590,522)
Business	188,062	189,958	(188,062)	(189,958)
Operation and maintenance - plant	1,745,798	1,697,242	(1,675,293)	(1,697,211)
Pupil transportation	1,542,402	1,399,849	(1,542,402)	(1,399,849)
Central services	344,913	437,216	(344,913)	(437,216)
Operations of non-instructional services	839,929	890,251	(193,531)	(201,990)
Extracurricular activities	543,739	489,974	(473,297)	(386,410)
Facilities acquisition and construction	3,202,225	440,174	(3,202,225)	(440,174)
Debt service:				
Principal retirement	2,530,000	4,000,000	(2,530,000)	(4,000,000)
Interest and fiscal charges	2,211,892	820,183	(2,211,892)	(820,183)
Total cash disbursements	\$ <u>30,632,663</u>	\$ <u>28,085,620</u>	\$ <u>(28,397,048)</u>	\$ <u>(25,856,251)</u>

The dependence upon tax receipts during fiscal year 2021 for governmental activities is apparent, as 92 percent of 2021 instruction activities are supported through taxes and other general receipts. The District’s taxpayers, as a whole, are by far the primary support for District’s students.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

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## ***Business-Type Activities***

Business-type activities include food service operation, rotary fund, adult education fund, and special enterprise fund. These programs had revenues of \$231,643 and disbursements of \$346,942 for fiscal year 2021. This resulted in a decrease to net position for the fiscal year of \$115,299.

## **The District's Funds**

Total governmental funds had receipts, including other financing sources, of \$25,726,144 and disbursements, including other financing uses, of \$30,802,995. The fund balance of the General Fund decreased \$358,758 as expenditures outpaced receipts. The fund balance of the Bond Retirement Fund decreased \$1,817,838 due to bond debt payments and fund balance of the Building Fund decreased \$2,809,350 primarily due to costs associated with the new Wickliffe Campus.

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

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Disbursement by Function:			
Instruction	\$ 12,377,093	\$ 12,323,856	0.43%
Support services	7,811,406	8,255,793	(5.38)
Operations of non-instructional services	28,661	27,379	4.68
Extracurricular activities	402,630	329,783	22.09
Facilities acquisition and construction	<u>11,778</u>	<u>147,507</u>	(92.02)
Total	\$ <u>20,631,568</u>	\$ <u>21,084,318</u>	

The most significant dollar change was in support services, which is the result of a decrease in instructional staff costs.

## **General Fund Budget Information**

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. Final disbursements, not including other financing uses, were budgeted at \$22,707,741 while actual disbursements, not including other financing uses, were \$20,911,175. The most significant variance from final budget to actual disbursements was regular instruction. The original and final budgeted disbursements remained the same.

The most significant variance from final budget to actual receipts was property taxes in the amount of \$1,106,148 over expected receipts, as the District was extremely conservative with its final estimate of the actual revenues for property taxes.

In summary, receipts were above final expectations. The District's actual receipts ended above budgeted expectations by \$1,828,927; although the actual fund balance decreased for fiscal year 2021.

## **Wickliffe City School District**

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

For the Fiscal Year Ended June 30, 2021

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### **Capital Assets**

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

### **Debt**

The District does not report liabilities for net pension liability, net OPEB liability, and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

### **Current Financial Related Activities**

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

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

The District relies heavily on its taxpayers to support its operations. The community support for the schools is strong. The District passed a levy and bond in November 2019. The levy and bond were presented as a package vote which sought to facilitate the construction of a pre-K through grade 12 building to replace the aging school buildings currently in use by the District.

Wickliffe City School District has not anticipated any growth in State revenue, due to expected cuts due to COVID. With the majority of the taxes for the District coming from local taxpayers, one can see the significant impact this growth would have on the District and ultimately, the residential taxpayers.

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

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lew Galante, Treasurer/CFO, at Wickliffe City School District, 2221 Rockefeller Road, Wickliffe, Ohio 44092 or by email at [Lew.Galante@wickliffeschools.org](mailto:Lew.Galante@wickliffeschools.org).



# Wickliffe City School District

## Statement of Net Position – Cash Basis

June 30, 2021

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	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
		Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ 66,525,356	\$ (66,243)	\$ 66,459,113
Net position:			
Restricted for:			
Capital projects	58,403,460	-	58,403,460
Debt service	2,048,230	-	2,048,230
Other purposes	667,488	-	667,488
Unrestricted	5,406,178	(66,243)	5,339,935
Total net position	\$ 66,525,356	\$ (66,243)	\$ 66,459,113

The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

## Statement of Activities – Cash Basis

For the Fiscal Year Ended June 30, 2021

	Cash Disbursements	Program Cash Receipts	
		Charges for Services	Operating Grants and Contributions
<b>Governmental activities:</b>			
Instruction:			
Regular education	\$ 7,698,577	\$ 30,550	\$ 185,181
Special education	4,025,091	178,254	655,435
Vocational	703	-	-
Other	969,458	-	-
Support services:			
Pupil	1,408,122	7,104	203,039
Instructional staff	1,056,231	-	188,707
Board of Education	95,260	-	-
Administration	1,665,708	-	-
Fiscal	564,553	-	-
Business	188,062	-	-
Operations and maintenance – plant	1,745,798	-	70,505
Pupil transportation	1,542,402	-	-
Central services	344,913	-	-
Operation of non-instructional services	839,929	-	646,398
Extracurricular activities	543,739	70,442	-
Facilities acquisition and construction	3,202,225	-	-
Debt service:			
Principal retirement	2,530,000	-	-
Interest and fiscal charges	2,211,892	-	-
Total governmental activities	<u>30,632,663</u>	<u>286,350</u>	<u>1,949,265</u>
<b>Business-type activities:</b>			
Food service	337,870	507	230,488
Special enterprise fund	9,072	648	-
Total business-type activities	<u>346,942</u>	<u>1,155</u>	<u>230,488</u>
Totals	<u>\$ 30,979,605</u>	<u>\$ 287,505</u>	<u>\$ 2,179,753</u>

General cash receipts:  
Property tax levies for:  
    General purpose  
    Grant and entitlements not restricted to  
    specific programs  
    Investment earnings  
    Miscellaneous  
Total general cash receipts

Change in net position

Net position at beginning of year, restated (see Note 3)

Net position at end of year

The accompanying notes are an integral part of these financial statements

Primary Government		
Governmental Activities	Business- Type Activities	Total
\$ (7,482,846)	\$ -	\$ (7,482,846)
(3,191,402)	-	(3,191,402)
(703)	-	(703)
(969,458)	-	(969,458)
(1,197,979)	-	(1,197,979)
(867,524)	-	(867,524)
(95,260)	-	(95,260)
(1,665,708)	-	(1,665,708)
(564,553)	-	(564,553)
(188,062)	-	(188,062)
(1,675,293)	-	(1,675,293)
(1,542,402)	-	(1,542,402)
(344,913)	-	(344,913)
(193,531)	-	(193,531)
(473,297)	-	(473,297)
(3,202,225)	-	(3,202,225)
(2,530,000)	-	(2,530,000)
(2,211,892)	-	(2,211,892)
<u>(28,397,048)</u>	<u>-</u>	<u>(28,397,048)</u>
-	(106,875)	(106,875)
-	(8,424)	(8,424)
<u>-</u>	<u>(115,299)</u>	<u>(115,299)</u>
<u>(28,397,048)</u>	<u>(115,299)</u>	<u>(28,512,347)</u>
17,774,776	-	17,774,776
4,950,690	-	4,950,690
143,364	-	143,364
451,367	-	451,367
<u>23,320,197</u>	<u>-</u>	<u>23,320,197</u>
(5,076,851)	(115,299)	(5,192,150)
<u>71,602,207</u>	<u>49,056</u>	<u>71,651,263</u>
\$ <u><u>66,525,356</u></u>	\$ <u><u>(66,243)</u></u>	\$ <u><u>66,459,113</u></u>

The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

## Balance Sheet – Cash Basis Governmental Funds

June 30, 2021

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 5,480,896	\$ 2,048,230	\$ 56,909,589	\$ 2,082,305	\$ 66,521,020
Fund balances:					
Restricted	\$ 11,000	\$ 2,048,230	\$ 56,909,589	\$ 2,150,359	\$ 61,119,178
Assigned	393,694	-	-	-	393,694
Unassigned	5,076,202	-	-	(68,054)	5,008,148
Total fund balances	\$ 5,480,896	\$ 2,048,230	\$ 56,909,589	\$ 2,082,305	\$ 66,521,020

The accompanying notes are an integral part of these financial statements

## Wickliffe City School District

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

June 30, 2021

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Total Governmental Fund Balances	\$ 66,521,020
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*Amounts Reported for Governmental Activities in the Statement of Net Position – Cash Basis are different because:*

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position – Cash Basis

4,336

*Net Position of Governmental Activities*

\$ 66,525,356

The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
Property taxes	\$ 14,682,561	\$ 2,957,419	\$ -	\$ 134,796	\$ 17,774,776
Investment earnings	30,333	-	111,537	1,494	143,364
Extracurricular activities	66,449	-	-	31,227	97,676
Classroom materials and fees	30,550	-	-	-	30,550
Tuition and fees	178,254	-	-	-	178,254
Miscellaneous	410,361	-	-	16,376	426,737
Intergovernmental	5,044,634	-	-	1,854,821	6,899,455
Total cash receipts	<u>20,443,142</u>	<u>2,957,419</u>	<u>111,537</u>	<u>2,038,714</u>	<u>25,550,812</u>
Cash disbursements:					
Instruction:					
Regular education	7,602,512	-	-	96,065	7,698,577
Special education	3,804,420	-	-	220,671	4,025,091
Vocational	703	-	-	-	703
Other	969,458	-	-	-	969,458
Support services:					
Pupils	1,051,653	-	-	356,469	1,408,122
Instructional staff	952,144	-	-	104,087	1,056,231
Board of Education	95,260	-	-	-	95,260
Administration	1,512,617	-	-	153,091	1,665,708
Fiscal	529,667	33,365	-	1,521	564,553
Business	188,062	-	-	-	188,062
Operations and maintenance – plant	1,594,688	-	-	151,110	1,745,798
Pupil transportation	1,542,402	-	-	-	1,542,402
Central services	344,913	-	-	-	344,913
Operations of non-instructional services	28,661	-	-	811,268	839,929
Extracurricular activities:					
Academic and subject oriented	35,016	-	-	7,168	42,184
Sports oriented	338,431	-	-	117,300	455,731
Co-curricular	29,183	-	-	16,641	45,824
Facilities acquisition and construction:					
Architecture and engineering services	-	-	2,920,887	-	2,920,887
Building improvement services	-	-	-	269,560	269,560
Other facilities acquisition and construction services	11,778	-	-	-	11,778
Debt service:					
Principal payments	-	2,530,000	-	-	2,530,000
Interest and fiscal charges	-	2,211,892	-	-	2,211,892
Total cash disbursements	<u>20,631,568</u>	<u>4,775,257</u>	<u>2,920,887</u>	<u>2,304,951</u>	<u>30,632,663</u>
Excess of receipts over (under) disbursements	<u>(188,426)</u>	<u>(1,817,838)</u>	<u>(2,809,350)</u>	<u>(266,237)</u>	<u>(5,081,851)</u>

The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Advances – in	-	-	-	170,332	170,332
Advances – out	(170,332)	-	-	-	(170,332)
Refund of prior year expenditures	-	-	-	5,000	5,000
Total other financing sources (uses)	<u>(170,332)</u>	<u>-</u>	<u>-</u>	<u>175,332</u>	<u>5,000</u>
Net change in fund balance	(358,758)	(1,817,838)	(2,809,350)	(90,905)	(5,076,851)
Fund balance at beginning of year, restated (see Note 3)	<u>5,839,654</u>	<u>3,866,068</u>	<u>59,718,939</u>	<u>2,173,210</u>	<u>71,597,871</u>
Fund balance at end of year	<u>\$ 5,480,896</u>	<u>\$ 2,048,230</u>	<u>\$ 56,909,589</u>	<u>\$ 2,082,305</u>	<u>\$ 66,521,020</u>

The accompanying notes are an integral part of these financial statements

## Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

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Net Changes in Fund Balances – Total Governmental Funds \$ (5,076,851)

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

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

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*Change in Net Position of Governmental Activities* \$ (5,076,851)

The accompanying notes are an integral part of these financial statements



# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Cash receipts:</b>				
Property taxes	\$ 15,336,431	\$ 13,576,413	\$ 14,682,561	\$ 1,106,148
Investment earnings	25,052	26,522	30,333	3,811
Extracurricular activities	54,060	57,234	65,457	8,223
Classroom materials and fees	25,231	26,712	30,550	3,838
Tuition and fees	147,218	155,861	178,254	22,393
Miscellaneous	333,864	353,465	404,249	50,784
Intergovernmental	4,166,301	4,410,904	5,044,634	633,730
Total cash receipts	<u>20,088,157</u>	<u>18,607,111</u>	<u>20,436,038</u>	<u>1,828,927</u>
<b>Cash disbursements:</b>				
<b>Instruction:</b>				
Regular	8,282,804	8,282,804	7,627,494	655,310
Special	4,170,086	4,170,086	3,840,162	329,924
Vocational	763	763	703	60
Other	1,062,326	1,062,326	978,278	84,048
<b>Supporting services:</b>				
Pupils	1,142,612	1,142,612	1,052,212	90,400
Instructional staff	1,067,129	1,067,129	982,701	84,428
Board of Education	120,851	120,851	111,290	9,561
Administration	1,647,743	1,647,743	1,517,379	130,364
Fiscal	575,472	575,472	529,942	45,530
Business	207,114	207,114	190,728	16,386
Operation and maintenance – plant	1,857,578	1,857,578	1,710,612	146,966
Pupil transportation	1,726,748	1,726,748	1,590,133	136,615
Central services	379,004	379,004	349,018	29,986
Operation of non-instructional services	35,627	35,627	32,808	2,819
<b>Extracurricular activities:</b>				
Academic subject oriented activities	19,897	19,897	18,323	1,574
Sports oriented	367,507	367,507	338,431	29,076
Co-curricular activities	31,690	31,690	29,183	2,507
<b>Facilities acquisition and construction:</b>				
Other facilities acquisition	-	-	-	-
and construction services	12,790	12,790	11,778	1,012
Total cash disbursements	<u>22,707,741</u>	<u>22,707,741</u>	<u>20,911,175</u>	<u>1,796,566</u>
Total (deficiency) excess of cash receipts over cash disbursements	<u>(2,619,584)</u>	<u>(4,100,630)</u>	<u>(475,137)</u>	<u>3,625,493</u>

(continued)

The accompanying notes are an integral part of these financial statements

## Wickliffe City School District

### Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund (continued)

For the Fiscal Year Ended June 30, 2021

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	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing uses:				
Advances – out	<u>(170,332)</u>	<u>(170,332)</u>	<u>(170,332)</u>	<u>-</u>
Net change in fund balance	(2,789,916)	(4,270,962)	(645,469)	3,625,493
Fund balance at beginning of year	<u>5,721,681</u>	<u>5,721,681</u>	<u>5,721,681</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,931,765</u>	<u>\$ 1,450,719</u>	<u>\$ 5,076,212</u>	<u>\$ 3,625,493</u>

The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

## Statement of Fund Net Position – Cash Basis Proprietary Funds

June 30, 2021

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	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
Assets:		
Current assets:	\$ (66,243)	\$ 4,336
Equity in pooled cash and cash equivalents	<u>(66,243)</u>	<u>4,336</u>
Total assets		
Net position:		
Unrestricted	<u>(66,243)</u>	<u>4,336</u>
Total net position	<u>\$ (66,243)</u>	<u>\$ 4,336</u>

The accompanying notes are an integral part of these financial statements

## Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2021

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
Operating cash receipts:		
Charges for services	\$ 507	\$ -
Miscellaneous	648	-
Intergovernmental	<u>230,488</u>	<u>-</u>
Total operating cash receipts	<u>231,643</u>	<u>-</u>
Operating cash disbursements:		
Salaries and wages	85,058	-
Fringe benefits	58,190	-
Contractual services	117,700	-
Materials and supplies	83,757	-
Other	<u>2,237</u>	<u>-</u>
Total operating cash disbursements	<u>346,942</u>	<u>-</u>
Change in net position	(115,299)	-
Total net position at beginning of year	<u>49,056</u>	<u>4,336</u>
Total net position at end of year	<u>\$ (66,243)</u>	<u>\$ 4,336</u>

The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

The Wickliffe City School District (the “District”) is located in Lake County in northeastern Ohio. The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District serves an area of approximately four square miles consisting of the corporate limits of the City of Wickliffe. The District employs 73 support employees and 125 certified employees who provide services to 1,305 pupils and other community members. The District currently operates three school buildings.

### ***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The District has no component units. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District.

There are various non-public schools within the District’s boundaries. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the District Treasurer, as directed by the non-public school. These transactions are reflected as a governmental activity of the District.

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

### ***Jointly Governed Organization, Public Entity Risk Pool and Related Organization***

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

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

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## **Note 2: Summary of Significant Accounting Policies**

As discussed further in Note 2 C, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

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

### **A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis and fund financial statements which provide a more detailed level of financial information.

#### *Government-wide Financial Statements*

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position – Cash Basis presents the cash balance of governmental and business-type activities of the District as a whole at fiscal year-end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each function or program of the District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

#### *Fund Financial Statements*

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

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

### **B. Fund Accounting**

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

#### *Governmental Funds*

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. Below are the District's major funds:

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

*Bond Retirement Fund* – The Bond Retirement Fund accounts for and reports property taxes restricted for the payment of bonds issued.

*Building Fund* – The Building Fund accounts for and reports bond and note proceeds restricted for the acquisition, construction, improvements and furnishings for the District.

The other governmental funds of the District account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

#### *Proprietary Funds*

The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

#### *Enterprise Funds*

Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services.

#### *Internal Service Fund*

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

#### *Fiduciary Funds*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The District has no fiduciary funds.

### **C. Basis of Accounting**

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

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



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

### ***D. Budgetary Process***

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board of Education.

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

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

To improve cash management cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Except for nonparticipating contracts, investments are reported at fair value. Nonparticipating investment contracts such as nonnegotiable certificates of deposits, commercial paper and repurchase agreements are reported at cost. The District has no nonparticipating contracts.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments balance exceeds the cumulative value of those investments subject to GASB Statement No. 31.

The gain/loss resulting from valuation will be reported within the investment earnings account on the Statement of Activities – Cash Basis and the Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$30,333, which includes \$9,858 assigned from other funds of the District.

### ***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

### ***G. Inventory and Prepaid Items***

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

### ***H. Capital Assets***

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

### ***I. Interfund Receivables/Payables***

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

### ***J. Employer Contributions to Cost-Sharing Pension Plans***

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment health care benefits.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

The District's cash basis financial statements do not report liabilities for net pension liability, net OPEB liability, and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception unless the cash was provided to the District to make the purchases. Lease payments are reported when paid. These items are not reflected as liabilities on the accompanying financial statements.

### ***L. Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

### ***M. Net Position***

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

### ***N. Fund Balance Reserves***

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

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

*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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

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

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

*Unassigned:* Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

### **O. Interfund Activity**

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

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

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 3: New Accounting Pronouncements

### Newly Adopted Accounting Pronouncements

For fiscal year ended June 30, 2021, the District implemented the following Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. GASB Implementation Guide No. 2019-2, *Fiduciary Activities*, issued in June 2019, provides guidance to address issues related to accounting and financial reporting for fiduciary activities in accordance with the requirements of GASB Statement No. 84. These changes were incorporated in the District's financial statements and are required to be applied to the District's financial statements retroactively.

The implementation of GASB Statement No. 84 had the following effect on beginning net position and beginning fund balances as reported as of June 30, 2020.

Government-wide net position:

	<u>Governmental Activities</u>	<u>Total</u>
Net position at June 30, 2020	\$ 71,543,704	\$ 71,592,760
GASB 84 fund reclassification	<u>58,503</u>	<u>58,503</u>
Restated net position at June 30, 2020	\$ <u><u>71,602,207</u></u>	\$ <u><u>71,651,263</u></u>

Governmental funds fund balances:

	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance at June 30, 2020	\$ 2,114,707	\$ 71,539,368
GASB 84 fund reclassification	<u>58,503</u>	<u>58,503</u>
Restated fund balance at June 30, 2020	\$ <u><u>2,173,210</u></u>	\$ <u><u>71,597,871</u></u>

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. This change was incorporated into the District's financial statements; however, there was no effect on beginning net position/fund balance.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## **Note 3: New Accounting Pronouncements (continued)**

### *Newly Issued Accounting Pronouncements, Not Yet Adopted*

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2021. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020 to address accounting and financial reporting implications that result from global reference rate reform. The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The District has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

GASB Implementation Guide No. 2019-1, *Implementation Guide Update-2019*, and GASB Implementation Guide No. 2019-3, *Leases*, effective dates were also deferred as a result of GASB Statement No. 95. The effective date of these implementation guides are reporting periods beginning after June 15, 2020 and June 15, 2021, respectively. The District has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

## Note 4: Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Community activities	\$ -	\$ -	\$ -	\$ 1,468	\$ 1,468
Student activities	-	-	-	46,900	46,900
Auxiliary services	-	-	-	92,129	92,129
Data communications	-	-	-	5,400	5,400
Elementary and secondary school emergency relief	-	-	-	183	183
COVID relief	-	-	-	2,243	2,243
Debt payments	-	2,048,230	-	-	2,048,230
Title I	-	-	-	95,007	95,007
Special education	-	-	-	48,987	48,987
English proficiency	-	-	-	6,566	6,566
Improving teacher quality	-	-	-	10,110	10,110
Student wellness	-	-	-	246,486	246,486
Other purposes	11,000	-	-	101,009	112,009
Capital improvements	-	-	56,909,589	1,493,871	58,403,460
Total restricted	<u>11,000</u>	<u>2,048,230</u>	<u>56,909,589</u>	<u>2,150,359</u>	<u>61,119,178</u>
Assigned to:					
Encumbrances	306,665	-	-	-	306,665
Other purposes	<u>87,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,029</u>
Total assigned	<u>393,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,694</u>
Unassigned	<u>5,076,202</u>	<u>-</u>	<u>-</u>	<u>(68,054)</u>	<u>5,008,148</u>
Total fund balances	\$ <u>5,480,896</u>	\$ <u>2,048,230</u>	\$ <u>56,909,589</u>	\$ <u>2,082,305</u>	\$ <u>66,521,020</u>

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## **Note 5: Deposits and Investments**

Monies held by the District are classified by State statutes into three categories.

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

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

Interim 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.

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
8. Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short-selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held 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 District Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

## **Cash on Hand**

At fiscal year-end, the District had \$790 in undeposited cash on hand which is included on the basic financial statements of the District as part of "equity in pooled cash and cash equivalents."

## **Deposits**

*Custodial credit risk* is the risk that in the event of bank failure, the District's deposits may not be returned to it.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 5: Deposits and Investments (continued)

### Deposits (continued)

The 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 the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the carrying amount of the District's deposits was \$2,239,308 and the bank balance was \$2,589,794. At year-end, none of the District's total bank balance was exposed to custodial credit risk as the deposits were covered under FDIC and OPCS.

### Investments

Investments are reported as fair value. At June 30, 2021, the District had the following investments:

	Fair Value	Maturity	
		Six months or less	More than six months
Money market mutual fund	\$ 2,963,209	\$ 2,963,209	\$ -
Negotiable certificates of deposit	4,789,361	2,024,757	2,764,604
U.S. treasury notes	149,760	-	149,760
Commercial paper	26,840,166	18,133,207	8,706,959
Municipal bonds	3,570,456	-	3,570,456
Federal National Mortgage Association	4,608,712	-	4,608,712
Federal Farm Credit Bank	13,875,272	2,000,290	11,874,982
Federal Home Loan Mortgage Corp.	7,043,647	-	7,043,647
Federal Home Loan Bank	378,432	-	378,432
Total	\$ <u>64,219,015</u>	\$ <u>25,121,463</u>	\$ <u>39,097,552</u>

The entire balance of the negotiable certificates of deposit is covered by FDIC insurance.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 5: Deposits and Investments (continued)

### Investments (continued)

The District has the following recurring fair value measurements at June 30, 2021:

- Money market mutual fund is valued at amortized cost, which approximates fair value. This is considered a Level 1 investment.
- All other investments are measured based on Level 2 inputs, using a matrix or model pricing method.

**Interest Rate Risk** arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The District's investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a remaining life greater than five years.

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

**Credit Risk** is risk that in the event of bank failure, the District's deposits may not be returned to it. The District's investment policy requires that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. The District's investment in the money market mutual fund and the negotiable certificate of deposit are unrated. All other investments carry a rating of A-1/AAA or above by Standard and Poor's.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The District's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. At June 30, 2021, the District's investments greater than five percent are as follows:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Negotiable certificates of deposit	7.46%
Commercial paper	41.79%
Municipal bonds	5.56%
Federal National Mortgage Association	7.18%
Federal Farm Credit Bank	21.61%
Federal Home Loan Mortgage Corp.	10.97%

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 6: Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax receipts received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 are levied after April 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by state law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020 and were collected in 2020 with real property taxes. Public utility property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second-Half Collections		2021 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 267,145,490	95.30%	\$ 267,390,460	95.20%
Public Utility Personal	<u>13,177,050</u>	<u>4.70%</u>	<u>13,479,460</u>	<u>4.80%</u>
	<u>\$ 280,322,540</u>	<u>100.00%</u>	<u>\$ 280,869,920</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 94.58		\$ 94.58	

The Lake County Treasurer collects property taxes on behalf of all taxing districts in the county, including Wickliffe City School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the county by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## **Note 7: Interfund Activity**

At June 30, 2021, the General Fund had an unpaid interfund cash advance, in the amount of \$170,332, for a short-term loan made to nonmajor special revenue funds. This is expected to be repaid within one year.

## **Note 8: Risk Management**

### **A. Property and Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District contracted with Love Insurance Agency, for property, fleet, liability, crime, general liability, and errors and omissions coverage. Coverages provided with Love Insurance Agency are as follows:

	<u>Coverage</u>
Buildings and Contents	\$ 69,160,938
Flood/Earthquake per occurrence	1,000,000
Crime Coverage	100,000
Automobile Liability	5,000,000
Uninsured Motorists	1,000,000
General Liability:	
Per Occurrence	5,000,000
Total per year	7,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a reduction in insurance coverage from the prior year.

### **B. Employee Medical Coverage**

The District has elected to provide medical coverage through premium payment to the Lake County Council of Governments Health Care Benefits Self Insurance Program. The District paid \$2,566,636 in premiums during fiscal year 2021.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

### **C. Worker's Compensation**

For fiscal year 2021, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. Comp Management provides administrative, cost control, and actuarial services to the Plan.

## **Note 9: Defined Benefit Pension Plans**

### **A. Net Pension Liability**

Pensions are a component of exchange transactions — between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee — on a deferred-payment basis — as part of the total compensation package offered by an employer for employee services each financial period.

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

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

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

**A. Net Pension Liability (continued)**

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.

**B. Plan Description – School Employees Retirement System (SERS)**

Plan Description – District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, Medicare Part B premium reimbursements, and lump sum death benefits. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or before 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 Age 60 with 25 years of service credit

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

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

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

### ***B. Plan Description – School Employees Retirement System (SERS) (continued)***

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was the full 14.0 percent while the funding for the Health Care Fund was 0.0 percent.

The District's contractually required contribution to SERS was \$332,578 for fiscal year 2021.

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

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be viewed by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 888-227-7877.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14.00 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12 percent of the 14 percent member rate goes to the DC Plan and 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the CO Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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, 2021, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$1,195,663 for fiscal year 2021.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

### D. Net Pension Liability

The net pension liability was measured as of June 30, 2020 for SERS and STRS, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 for SERS and STRS, respectively. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.086446%	0.070330%	
Proportion of the net pension liability current measurement date	<u>0.082555%</u>	<u>0.068766%</u>	
Change in proportionate share	<u>(0.003891%)</u>	<u>(0.001564%)</u>	
Proportionate share of the net pension liability	\$ 5,460,329	\$ 16,638,804	\$ 22,099,133

### E. Actuarial Assumptions – SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2130.

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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Valuation date	June 30, 2020
Actuarial cost method	Entry age normal (level percent of payroll)
Actuarial Assumptions:	
Investment rate of return	7.5 percent, net of investments expense
COLA or Ad Hoc COLA	2.5 percent, on or after April, 1 2018, COLA's for future retirees will be delayed for three years following commencement.
Future salary increases, including inflation	3.50 percent to 18.20 percent
Inflation	3.00 percent

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

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

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 the 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:

<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
Cash	2.00%	1.85%
US equity	22.50	5.75
International equity	22.50	6.50
Fixed income	19.00	2.85
Private equity	12.00	7.60
Real assets	17.00	6.60
Multi-asset strategy	5.00	6.65
Total	<u>100.00%</u>	

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

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

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

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
School District’s proportionate share of the net pension liability	\$ 7,479,983	\$ 5,460,329	\$ 3,765,800

### F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increase	3.00 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Cost-of-living adjustments (COLA)	0.00 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rate between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio’s 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity	28.00%	7.35%
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	<u>100.00%</u>	

\*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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

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

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
School District’s proportionate share of the net pension liability	\$ 23,690,760	\$ 16,638,804	\$ 10,662,859

**G. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. At times members of the Board of Education have elected Social Security. The Board’s liability is 6.2 percent of wages paid.

**Note 10: OPEB Plans**

**A. Net OPEB Liability**

OPEB is a component of exchange transactions — between an employer and its employees — of salaries and benefits for employee services. OPEB are provided to an employee — on a deferred-payment basis — as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates annually.

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

## Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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### **Note 10: OPEB Plans (continued)**

#### **A. Net OPEB Liability (continued)**

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

#### **B. Plan Description – School Employees Retirement System (SERS)**

Health Care Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## **Note 10: OPEB Plans (continued)**

### ***B. Plan Description – School Employees Retirement System (SERS) (continued)***

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year ended June 30, 2021, 0.0 percent of covered payroll was made to health care. Active employee members do not contribute to the Health Care Plan. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year ended June 30, 2021, this amount was \$23,000. 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 ended June 30, 2021, the District’s surcharge obligation was \$49,998.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District’s contractually required contribution to SERS was \$49,998 for fiscal year 2021.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial 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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 10: OPEB Plans (continued)

### D. Net OPEB Liability (Asset)

The net OPEB liability (asset) were measured as of June 30, 2020, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net OPEB liability/asset prior measurement date	0.087987%	0.070330%	
Proportion of net OPEB liability/asset current measurement date	<u>0.085521%</u>	<u>0.068766%</u>	
Change in proportionate share	<u>(0.002466%)</u>	<u>(0.001564%)</u>	
Proportionate share of the net OPEB liability	\$ 1,858,647	\$ -	\$ 1,858,647
Proportionate share of the net OPEB (asset)	\$ -	\$ (1,208,552)	\$ (1,208,552)

### E. Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 10: OPEB Plans (continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Wage inflation	3.00 percent
Projected salary increases	3.50 percent to 18.20 percent, including inflation
Investment rate of return	7.50 percent
Municipal bond index rate:	
Measurement date	2.45 percent
Prior measurement date	3.13 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	2.63 percent
Prior Measurement date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back 5-years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 10: OPEB Plans (continued)

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	2.00%	1.85%
US equity	22.50	5.75
International equity	22.50	6.50
Fixed income	19.00	2.85
Private equity	12.00	7.60
Real assets	17.00	6.60
Multi-asset strategy	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 10: OPEB Plans (continued)

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

**Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS’ net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what SERS’ net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u> <u>(1.63%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(2.63%)</u>	<u>1% Increase</u> <u>(3.63%)</u>
School District’s proportionate share of the net OPEB liability	\$ 2,274,938	\$ 1,858,647	\$ 1,527,696

  

	<u>1% Decrease</u> <u>(6.00-3.75%)</u>	<u>Current</u> <u>Trend Rate</u> <u>(7.25-4.75%)</u>	<u>1% Increase</u> <u>(8.00-5.75%)</u>
School District’s proportionate share of the net OPEB liability	\$ 1,463,543	\$ 1,858,647	\$ 2,387,002

### F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020 actuarial valuation are presented below:

Salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll increases	3 percent	
Investment rate of return	7.45 percent, net of investment expenses, including inflation	
Discount rate of return	7.45 percent	
Health care cost trends	<u>Initial</u>	<u>Ultimate</u>
Medical		
Pre-Medicare	5.00%	4.00%
Medicare	(6.69%)	4.00%
Prescription drug		
Pre-Medicare	6.50%	4.00%
Medicare	11.87%	4.00%

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 10: OPEB Plans (continued)

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

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity	28.00%	7.35%
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00%</u>	

\*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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**Note 10: OPEB Plans (continued)**

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

**Sensitivity of the District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u> <u>(6.45%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.45%)</u>	<u>1% Increase</u> <u>(8.45%)</u>
School District’s proportionate share of the net OPEB (asset)	\$ (1,051,519)	\$ (1,208,552)	\$ (1,341,790)

  

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
School District’s proportionate share of the net OPEB (asset)	\$ (1,333,519)	\$ (1,208,552)	\$ (1,056,325)

**Benefit Term Changes Since the Prior Measurement Date** There was no change to the claims costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

## Note 11: Debt

### A. Long-term Bonds

The original issue date, maturity date, interest rate and original issuance amount for each of the City's bonds and loans follows:

	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
Governmental activities:				
General obligation bonds:				
School facility construction improvement bonds, series 2020A	2020	2057	3.00-5.00%	\$ 55,995,000
School facility construction improvement bonds, series 2020B	2020	2050	3.00-4.00%	\$ 3,900,000

Changes in long-term bonds during the year ended June 30, 2021, consisted of the following:

	<u>Balance 6/30/20</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/21</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
General obligation bonds:					
School facility construction improvement bonds, series 2020A	\$ 55,995,000	\$ -	\$ (2,400,000)	\$ 53,595,000	\$ 2,000,000
Premium on school facility construction improvement bonds	3,111,596	-	(84,097)	3,027,499	-
School facility construction improvement bonds, series 2020B	3,900,000	-	(130,000)	3,770,000	80,000
Premium on school facility construction improvement bonds	<u>99,492</u>	<u>-</u>	<u>(3,316)</u>	<u>96,176</u>	<u>-</u>
Total governmental activities	\$ <u>63,106,088</u>	\$ <u>-</u>	\$ <u>(2,617,413)</u>	\$ <u>60,488,675</u>	\$ <u>2,080,000</u>

In April 2020, the District issued \$55,995,000 in general obligation bonds for the purpose of constructing, adding to, renovating, remodeling, furnishing, equipping, and otherwise improving District buildings and facilities. The bonds are being retired from the Bond Retirement fund from a voted tax levy.

In May 2020, the District issued \$3,900,000 in general obligation bonds for the purpose of constructing, adding to, renovating, remodeling, furnishing, equipping, and otherwise improving District buildings and facilities and to retire outstanding notes issued for that purpose. The bonds are being retired from the Bond Retirement fund from a voted tax levy.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 11: Debt (continued)

### A. Long-term Bonds (continued)

Year	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2022	\$ 2,080,000	\$ 2,124,619
2023	785,000	2,068,144
2024	780,000	2,037,694
2025	810,000	2,003,119
2026	850,000	1,962,919
2027-2031	4,920,000	9,131,620
2032-2036	6,195,000	7,843,795
2037-2041	7,540,000	6,512,070
2042-2046	8,840,000	5,170,287
2047-2051	10,410,000	3,343,140
2052-2056	11,605,000	1,381,333
2057	<u>2,550,000</u>	<u>41,438</u>
Totals	\$ <u>57,365,000</u>	\$ <u>43,620,178</u>

### B. Lessee

The District entered into a lease purchase agreement to lease technology equipment commencing July 9, 2019 with first payment due in July 2020. Annual payments of \$89,036 are to be made with an interest rate of 2.88 percent with final payment due in July 2022. The future minimum lease payments are as follows for the fiscal years ending June 30:

	Lease Payment
2022	\$ 89,036
2023	89,036
Interest	<u>(7,408)</u>
Principal	\$ <u>170,663</u>

### C. Lessor

The District has entered into a lease agreement with T-Mobile Central, LLC (T-Mobile) where T-Mobile will use the District's property to access utilities commencing June 27, 2007 for five years with five successive five-year options to renew. In June 2017, the second five-year option was exercised. Commencing July 2010, T-Mobile subleased the property to Clear Wireless, LLC. Total revenue from the lease and sublease in fiscal year 2021 was \$31,720 and \$15,492, respectively. The base rent on the lease was \$1,800 per month, which increases by three percent annually on the anniversary of the commencement date. During fiscal year 2021 the rent on the lease was \$2,643 per month. Per the master lease agreement, the District is to receive additional rent in the amount of 50 percent of all payments received from each sublease. The base additional rent being received by the District from the sublease was \$713 per month and increases annually. During fiscal year 2021 the additional rent from the sublease was \$1,291 per month.



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 11: Debt (continued)

### C. Lessor (continued)

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

	<u>T-Mobile Lease</u>	<u>Clear Wireless Sublease</u>	<u>Total</u>
2022	\$ <u>32,672</u>	\$ <u>15,957</u>	\$ <u>48,629</u>

The District entered into a lease agreement with Lake County Health District for use of the School District's Family Resource Center commencing May 15, 2021 for one year with successive one-year options to renew. The rent on the lease is \$10,000 per year payable in monthly installments.

The District entered into a lease agreement with Crossroads Health for use of the School District's Family Resource Center commencing February 1, 2021 for one year with successive one-year options to renew. The rent on the lease is \$5,000 per year payable in monthly installments.

The District entered into a lease agreement with Signature Health for use of the School District's Family Resource Center during the 2019-2021 school year. The rent on the lease is \$5,000 per year payable in monthly installments.

## Note 12: Jointly Governed Organizations

### *Ohio Schools Council*

The Ohio Schools Council (the "Council") is a jointly governed organization among 254 school districts, JVS, ESC and DD boards. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each school district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Council.

The Council elects five of its Board of Directors members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors. The Board of Directors is the policy making authority of the Council. The Board of Directors meets monthly September through June. The Board of Directors appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board of Directors and Assembly and carrying out such other responsibilities as designated by the Board of Directors. The degree of control exercised by any school district is limited to its representation on the Board of Directors. In fiscal year 2021, the District paid \$37,100 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council Association at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

## Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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### **Note 12: Jointly Governed Organizations (continued)**

#### *Ohio Schools Council (continued)*

The District participates in the natural gas program. This program allows the District to purchase natural gas at reduced rates. Constellation Energy Services, Inc. is the natural gas supplier and program manager. There are currently 165 participants in the program. The participants make monthly payments based on estimated usage.

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

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

### **Note 13: Claims Servicing Pool**

#### *Lake County Council of Governments Health Care Benefits Self Insurance Program*

The District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a claims servicing pool comprised of twelve Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five-member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Financial information can be obtained from the Health Care Benefits Program of Lake County Schools Council, Madison Local Schools, 1956 Red Bird Road, Madison, Ohio 44057.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## **Note 14: Related Organizations**

### *Wickliffe Public Library*

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

## **Note 15: Contingencies**

### **A. Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2021, if applicable, cannot be determined at this time.

### **B. Litigation**

As of June 30, 2021, the District is not a defendant in legal proceedings that would, in the District's opinion, have a material effect on the basic financial statements.

### **C. School District Foundation Funding**

The District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the state, which can extend past the fiscal year end. Additional ODE adjustments for fiscal year 2021 have been finalized. FTE adjustment were not significant to the District.

## **Note 16: Set-Aside Calculations**

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

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## Note 16: Set-Aside Calculations (continued)

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

	Capital Improvements Reserve
Set-aside reserve balance as of June 30, 2020	\$ -
Current year set-aside requirements	225,024
Qualifying disbursements	<u>(483,628)</u>
Total	<u>(258,604)</u>
Set-aside reserve balance as of June 30, 2021	\$ <u><u>-</u></u>

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

## Note 17: Budgetary Basis of Accounting

The budgetary basis as provided by Ohio law is based upon accounting for certain transactions on the basis of cash receipts, disbursement, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding fiscal year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budgetary basis). There were no outstanding encumbrances at fiscal year-end (budgetary basis).

## Note 18: Compliance and Accountability

### A. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2021

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## **Note 18: Compliance and Accountability (continued)**

### **A. Compliance (continued)**

The District had negative cash balances in the following funds, indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 3315.20.

Food service fund	\$ 106,875
District managed student activity fund	68,054

Although the cash deficits were not corrected by year end, management has indicated that cash balances will be closely monitored to prevent future violations.

### **B. Accountability**

At June 30, 2021 the following funds had a negative fund balance:

Food service fund	\$ 106,875
District managed student activity fund	68,054

The General Fund has sufficient funds to support the deficit balances and will provide operating transfers to cover the deficit fund balances in the funds as needed.

## **Note 19: Asset Retirement Obligations**

Ohio Administrative Code Section 1301-7-9 requires a District classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$30,000 associated with the District’s underground storage tanks was estimated using “Means Sitework and Landscaping Costs Data”. The remaining useful life of these USTs is 0 years.

## **Note 20: COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the District received Elementary and Secondary School Emergency Relief (ESSER) as well as Coronavirus Aid, Relief, and Economic Security (CARES) Act funding totaling \$262,380. Of this amount, \$51,795 is allocated to be used by non-public schools. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal Assistance Listing</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$ 77,055
COVID-19 - School Breakfast Program		459
Total - School Breakfast Program		<u>77,514</u>
National School Lunch Program	10.555	145,635
COVID-19 -National School Lunch Program		2,678
National School Lunch Program - Non-Cash Assistance		43,360
Total - National School Lunch Program		<u>191,673</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster		<u><b>269,187</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States	84.027	34,696
		404,838
Total - Special Education Grants to States		<u>439,534</u>
Special Education Preschool Grants	84.173	5,228
Total - Special Education Cluster		<u>444,762</u>
Title I Grants to Local Educational Agencies	84.010	24,097
		146,441
Total - Title I Grants to Local Educational Agencies		<u>170,538</u>
Twenty-First Century Grant	84.287	4,732
		124,194
Total - Twenty-First Century Grant		<u>128,926</u>
Improving Teacher Quality State Grants	84.367	3,957
		54,175
Total - Improving Teacher Quality State Grants		<u>58,132</u>
Student Support and Academic Enrichment Program	84.424	6,765
		<u>6,765</u>
<u>Education Stabilization Fund:</u>		
COVID-19 Elementary and Secondary School Education Relief Fund I	84.425D	188,829
Total - Education Stabilization Fund		<u>188,829</u>
Total U.S. Department of Education		<u><b>997,952</b></u>
<b>U.S. DEPARTMENT OF TREASURY</b>		
<i>Passed Through Ohio Department of Education</i>		
COVID-19 Coronavirus Relief Fund	21.019	61,368
COVID-19 Coronavirus Relief Fund- Broadband Ohio Connectivity Grant		9,757
Total - Coronavirus Relief Fund		<u>71,125</u>
Total U.S. Department of Treasury		<u><b>71,125</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$1,338,264</b></u>

*The accompanying notes are an integral part of this schedule.*

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wickliffe City School District (the District) under programs of the federal government for the year ended June 30, 2021. 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 financial position 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - 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 E – 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.



# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wickliffe City School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 13, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

***District's Response to Finding***

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

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 13, 2022

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

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

To the Board of Education:

***Report on Compliance for each Major Federal Program***

We have audited Wickliffe 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 Wickliffe City School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

***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 programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, Wickliffe City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

***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 each 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 13, 2022

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Special Education Cluster AL 84.027 and 84.173</li> <li>➤ COVID-19 Elementary and Secondary School Emergency Relief Fund I, AL 84.425</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**FINDING NUMBER 2021-001**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Official's Response:** See Corrective Action Plan.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

# WICKLIFFE CITY SCHOOLS

2221 Rockefeller Road; Wickliffe, OH 44092

Phone: 440.943.6900 Fax: 440.943.7738 Web: wickliffeschools.org

Superintendent: Joseph Spiccia Treasurer: Lewis E. Galante

Board of Education: Katie Ball • Carl Marine • Donald J. Marn • Daniel J. Thomeier • Gail Willis

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## WICKLIFFE CITY SCHOOL DISTRICT LAKE COUNTY

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	<b>Noncompliance Finding – Ohio Rev. Code § 117.38:</b> The District does not prepare GAAP basis financial statements.	Not Corrected	At this time, Wickliffe City Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective. Repeated as 2021-001.

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LEARN.LEAD.SERVE

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## WICKLIFFE CITY SCHOOL DISTRICT LAKE COUNTY

### CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2021

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	At this time, Wickliffe City Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective.	N/A	Lewis Galante, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**WICKLIFFE CITY SCHOOL DISTRICT**

**LAKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/5/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)