



**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the Wickliffe City School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Wickliffe City School District, Lake County, Ohio, as of and for the year ended June 30, 2005 in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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We conducted our audit to opine on the District's financial statements. The Schedule of Federal Awards Receipts and Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. For the reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2005, or it changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Schedule of Federal Awards Receipts and Expenditures.

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

**Betty Montgomery**  
Auditor of State

June 21, 2006

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS  
AND FUND CASH BALANCES  
ALL FUND TYPES  
AS OF JUNE 30, 2005**

<b>Cash and Cash Equivalents</b>	<b><u>\$ 3,178,816</u></b>
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CASH BALANCES BY FUND TYPE

Governmental Fund Types:	
General Fund	\$ 1,765,696
Special Revenue Funds	404,462
Debt Service Funds	363,650
Capital Projects Funds	377,215
Proprietary Fund Types:	
Enterprise Funds	90,280
Internal Service Fund	8,822
Fiduciary Fund Types:	
Expendable Trust Fund	137,586
Non-Expendable Trust Fund	4,020
Agency Funds	<u>27,085</u>
<b>Total</b>	<b><u>\$ 3,178,816</u></b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005**

	Governmental Fund Types	
	General	Special Revenue
<b>Cash receipts:</b>		
Property tax and other local taxes	\$ 10,776,396	\$ -
Intergovernmental	3,457,219	1,008,382
Tuition	79,359	-
Earnings on investments	84,433	3,306
Food Services	-	-
Extracurricular Activities	-	133,256
Classroom Materials and Fees	51,932	-
Miscellaneous	144,648	42,231
Total cash receipts	14,593,987	1,187,175
<b>Cash disbursements:</b>		
Instruction		
Regular	6,543,378	93,785
Special	1,715,736	293,208
Vocational Education	120,790	-
Other Instruction	236,052	-
Supporting Services		
Pupils	586,544	323,100
Instructional Staff	397,550	90,927
Board of Education	106,485	-
Administration	1,176,325	108,197
Fiscal Services	448,798	-
Operation and Maintenance of Plant	1,688,021	1,476
Pupil Transportation	973,007	1,445
Central	222,990	22,704
Non-Instructional Services	12,949	517,410
Extracurricular Activities	188,165	115,439
Facilities Acquisition and Construction	47,537	-
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total cash disbursements	14,464,327	1,567,691
Total receipts over/(under) disbursements	129,660	(380,516)
<b>Other financing receipts and (disbursements):</b>		
Sale of Fixed Assets	127,564	-
Transfers-In	-	46,037
Transfers-Out	(411,663)	-
Advances-In	1,853,800	1,141,690
Advances-Out	(2,685,921)	(592,994)
Refund of Prior Year Expenditures	517,923	-
Refund of Prior Year Receipts	(1,402)	(4,349)
Total other financing receipts/(disbursements)	(599,699)	590,384
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(470,039)	209,868
Fund cash balances, July 1, 2004	2,235,735	194,594
<b>Fund cash balances, June 30, 2005</b>	<b>\$ 1,765,696</b>	<b>\$ 404,462</b>
 <b>Reserves for encumbrances, June 30, 2005</b>	 <b>\$ 634,306</b>	 <b>\$ 261,249</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Governmental Fund Types		Fiduciary Fund Type	Totals
Debt Service	Capital Fiduciary Fund	Expendable Trust	(Memorandum Only)
\$ 220,116	\$ -	\$ -	\$ 10,996,512
8,238	13,230	-	4,487,069
-	-	-	79,359
-	-	18,086	105,825
-	-	414	414
-	-	690	133,946
-	-	-	51,932
-	-	7,148	194,027
<u>228,354</u>	<u>13,230</u>	<u>26,338</u>	<u>16,049,084</u>
-	13,230	-	6,650,393
-	-	-	2,008,944
-	-	-	120,790
-	-	-	236,052
-	-	-	909,644
-	-	-	488,477
-	-	-	106,485
-	-	-	1,284,522
-	-	-	448,798
-	-	-	1,689,497
-	-	-	974,452
-	-	-	245,694
-	-	17,982	548,341
-	-	-	303,604
-	1,000	-	48,537
293,458	-	-	293,458
45,875	-	-	45,875
<u>339,333</u>	<u>14,230</u>	<u>17,982</u>	<u>16,403,563</u>
<u>(110,979)</u>	<u>(1,000)</u>	<u>8,356</u>	<u>(354,479)</u>
-	-	-	127,564
305,716	-	-	351,753
-	(23,551)	-	(435,214)
-	-	-	2,995,490
-	-	-	(3,278,915)
-	-	-	517,923
-	-	-	(5,751)
<u>305,716</u>	<u>(23,551)</u>	<u>-</u>	<u>272,850</u>
194,737	(24,551)	8,356	(81,629)
168,913	401,766	129,230	3,130,238
<u>\$ 363,650</u>	<u>\$ 377,215</u>	<u>\$ 137,586</u>	<u>\$ 3,048,609</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706</u>	<u>\$ 896,261</u>

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Expendable Trust	Agency	
<b>Operating cash receipts:</b>					
Tuition	\$ 7,175	\$ -	\$ -	\$ -	\$ 7,175
Food Services	187,555	-	-	-	187,555
Charges for Services	-	1,615,498	-	-	1,615,498
Extracurricular Activities	-	335	-	36,476	36,811
Earnings on Investments	-	-	230	969	1,199
Miscellaneous Receipts	55,140	-	-	5,489	60,629
Total operating cash receipts	<u>249,870</u>	<u>1,615,833</u>	<u>230</u>	<u>42,934</u>	<u>1,908,867</u>
<b>Operating cash disbursements:</b>					
Personal Services	165,133	193,416	-	-	358,549
Employees Retirement and Insurance	84,474	88,272	-	-	172,746
Purchased Services	6,207	80	-	53	6,340
Supplies and Materials	170,565	3,626	-	15,266	189,457
Capital Outlay	3,000	1,201	-	-	4,201
Other Expenditures	-	1,615,408	150	28,174	1,643,732
Total operating cash disbursements	<u>429,379</u>	<u>1,902,003</u>	<u>150</u>	<u>43,493</u>	<u>2,375,025</u>
Operating loss	(179,509)	(286,170)	80	(559)	(466,158)
<b>Non-operating cash receipts:</b>					
State Receipts	3,422	-	-	-	3,422
Federal Receipts	91,515	-	-	-	91,515
Miscellaneous	-	9,285	-	-	9,285
Total non-operating cash receipts	<u>94,937</u>	<u>9,285</u>	<u>-</u>	<u>-</u>	<u>104,222</u>
Excess of receipts over/(under) disbursements before interfund transfers and advances	<u>(84,572)</u>	<u>(276,885)</u>	<u>80</u>	<u>(559)</u>	<u>(361,936)</u>
Transfers-In	93,520	-	-	-	93,520
Transfers-Out	-	-	-	(10,059)	(10,059)
Advances-In	122,493	1,421,738	-	-	1,544,231
Advances-Out	(121,085)	(1,139,721)	-	-	(1,260,806)
Net disbursements over receipts	10,356	5,132	80	(10,618)	4,950
Fund cash balances, July 1, 2004	79,924	3,690	3,940	37,703	125,257
<b>Fund cash balances, June 30, 2005</b>	<u>\$ 90,280</u>	<u>\$ 8,822</u>	<u>\$ 4,020</u>	<u>\$ 27,085</u>	<u>\$ 130,207</u>
<b>Reserve for encumbrances, June 30, 2005</b>	<u>\$ 1,508</u>	<u>\$ 5,732</u>	<u>\$ 200</u>	<u>\$ 359</u>	<u>\$ 7,799</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS  
BUDGET AND ACTUAL COMPARISON  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Governmental Fund Types:</b>			
General Fund	\$ 13,286,847	\$ 15,239,474	\$ 1,952,627
Special Revenue Funds	1,649,801	1,233,212	(416,589)
Debt Service Funds	170,420	534,070	363,650
Capital Projects Funds	13,230	13,230	-
<b>Proprietary Fund Types:</b>			
Enterprise Funds	384,398	438,327	53,929
Internal Service Fund	1,904,049	1,625,118	(278,931)
<b>Fiduciary Fund Types:</b>			
Expendable Trust	-	26,338	26,338
Non-Expendable Trust	450	230	(220)
Agency Funds	6,150	42,934	36,784
<b>Total (Memorandum Only)</b>	<b>\$ 17,415,345</b>	<b>\$ 19,152,933</b>	<b>\$ 1,737,588</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005**

	Prior Year Carryover <u>Appropriations</u>	2005 <u>Appropriations</u>
<b>Governmental Fund Types:</b>		
General Fund	\$ 601,642	\$ 14,911,106
Special Revenue Funds	209,748	1,623,541
Debt Service Fund	-	339,333
Capital Projects Funds	-	37,781
<b>Proprietary Fund Type:</b>		
Enterprise Funds	9,771	421,116
Internal Service Funds	4,979	1,902,756
<b>Fiduciary Fund Types:</b>		
Expendable Trust	1,871	16,817
Non-Expendable Trust	200	150
Agency Funds	5,612	48,299
<b>Total (Memorandum Only)</b>	<u>\$ 833,823</u>	<u>\$ 19,300,899</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

<u>Total</u>	<u>Actual 2005 Disbursements</u>	<u>Encumbrances Outstanding at 6/30/2005</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 15,512,748	\$ 14,877,392	\$ 634,306	\$ 15,511,698	\$ 1,050
1,833,289	1,572,040	261,249	1,833,289	-
339,333	339,333	-	339,333	-
37,781	37,781	-	37,781	-
430,887	429,379	1,508	430,887	-
1,907,735	1,902,003	5,732	1,907,735	-
18,688	17,982	706	18,688	-
350	150	200	350	-
53,911	53,552	359	53,911	-
<u>\$ 20,134,722</u>	<u>\$ 19,229,612</u>	<u>\$ 904,060</u>	<u>\$ 20,133,672</u>	<u>\$ 1,050</u>

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**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. DESCRIPTION OF THE ENTITY**

Wickliffe City School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government 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. It is staffed by 98 support employees and 107 certificated employees who provide services to approximately 1,578 pupils and other community members.

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

**A. Reporting Entity**

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

Non-public Schools – Within the District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the District, as directed by the nonpublic school. These transactions are reflected as a governmental activity of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The District participates in three jointly governed organizations, a claims servicing pool and an insurance purchasing pool. These organizations are the East Shore Regional Transportation System, the East Shore Center, the Ohio Schools Council, the Lake County Council of Governments Health Care Benefits Program, and the Ohio School Boards' Association Workers' Compensation Group Rating Program which are presented in Note 9, 11 and 15 to the financial statements.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code § 117-2-3(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

**A. Basis of Presentation - Fund Accounting**

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).



**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation - Fund Accounting (Continued)**

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

Enterprise Fund – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund – Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the District to maintain corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds consist of non-expendable and expendable trust funds and agency funds.

**B. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Budgetary Process (Continued)**

Budget

A budget of estimated cash receipts and disbursements is submitted to the Lake County Auditor, as secretary of the Lake County Budget Commission, by January 15, for the period July 1 to June 30 of the following year.

Estimated Resources

The Lake County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30 the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2004, unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources at the fund, special cost center, function or object level of control.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

**C. Property, Plant, and Equipment**

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

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

**E. Cash and Investments**

The District maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal discount notes and certificates of deposit. All investments of the District had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute and Board resolution.

**F. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. RESTATEMENT OF CASH BALANCES**

The District restated the cash balances for the non-expendable trust fund and expendable trust due to a scholarship fund's principle no longer being restricted. Total cash balance for non-expendable trust at July 1, 2004 changed from \$5,165 to \$3,940. Total cash balance for expendable trust at July 1, 2004 changed from \$128,005 to \$129,230.

**4. CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**4. CASH AND INVESTMENTS (Continued)**

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

Protection of Districts deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**WICKLIFFE CITY SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**4. CASH AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the District had \$ 835 in un-deposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was negative \$1,087,315 and the bank balance was \$340,912. Of the bank balance, \$310,479 was covered by federal depository insurance and \$30,433 was covered by securities held by the pledging financial institution's trust department in the District's name, the remainder was covered by pooled collateral.

Investments: Repurchase agreements are uninsured and unregistered investments for which the securities are held by a counterparty, or by its trust department or agent but not in the name of the District. The financial institution maintains records identifying the District as the owner of the securities. At June 30 the District had a sweep repurchase agreement that was rated A+1/P1 by Standard & Poor's. STAR Ohio is an unclassified investment since it is not evidenced by securities which exist in physical or book entry form. STAR Ohio was rated AAAM by Standard & Poor's at June 30, 2005.

The carrying amount of cash and investments at June 30 was as follows:

Demand deposits	\$ (1,087,315)
STAR Ohio	1,680,599
Repurchase Agreement	<u>2,584,697</u>
<i>Total Investments</i>	4,265,296
Cash on Hand	<u>835</u>
<i>Total cash, deposits, and investments</i>	<u>\$3,178,816</u>

**5. PROPERTY TAXES**

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all nonexempt real property located in the District on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**5. PROPERTY TAXES (Continued)**

December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended June 30, 2005, was \$60.82 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$26.62 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$40.91 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2005, was \$60.82 per \$1,000 of assessed valuation.

Real Property Valuation	
Residential/Agricultural	\$229,684,850
Commercial/Industrial	70,129,550
Public Utility Tangible	8,779,460
General Tangible	<u>44,422,800</u>
<i>Total Valuation</i>	<u>\$353,016,660</u>

The Lake County Treasurer collects property tax on behalf of all taxing districts within the District. The Lake County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

**6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2005, the District contracted with Indiana Insurance Company for property, fleet, liability, inland marine, crime, general liability, errors & omissions and sexual misconduct & molestation liability coverage. Additionally, the District had an umbrella policy.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

***Property Coverage***

<b>Coverages</b>	<b>Limits</b>	<b>Premium</b>
Blanket Property Limit - 90% Coinsurance	\$47,087,426 total limit	\$38,324
Special Cause of Loss Form	\$2,500 deductible	Included
Agreed Value / Replacement Cost		Included
Blanket Business Income	\$250,000	Included
Blanket Extra Expense	\$500,000	Included
Ordinance or Law	Coverage A Included Coverage B \$250,000 per building Coverage C \$250,000 per building	Included
School Extension Ultra Plus Endorsement – 17-174	(see below)	Included
TRIA		\$1,422

***Property Coverage Extensions form 17-174***

Personal Effects/Prop of Others (Sublimits of \$ 10,000 – employees and \$2,500 – students will apply)	\$25,000	Valuable Papers	\$100,000
Property Off Premises	\$50,000	Accounts Receivable	\$100,000
Back-up of Sewers or Drains	\$25,000	Fire Protective Device Recharge	\$25,000
Arson Reward	\$25,000	Loss of Refrigeration	\$25,000
Pollution Clean-up & Removal	\$50,000	Glass Coverage	Part of bldg
Power Interruption-Direct Damage	\$25,000	Newly Acquired Property: Buildings Personal Property	180 days \$1,000,000 \$1,000,000
Foundations	Covered	Property in Transit	\$50,000
Lock Replacement	\$1,000	Glass Showcases	\$2,500
Fire Department Service Charge	\$25,000	Paved Surfaces	\$100,000
Fine Arts	\$25,000	Debris Removal (plus \$25,000 additional)	25,000
Outdoor Property– fences, lighting, antennae, signs, trees.	\$25,000	Outdoor Property– bleachers, playgrounds, scoreboards, grandstands, concession stands	\$100,000

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

***Inland Marine Coverage***

Coverages	Limits	Premium
Blanket Limits – Replacement Cost		\$1,875
Valuable Papers - \$500 deductible	\$200,000	\$496
Miscellaneous Property Floater – Mobile Equipment - \$500 deductible	\$50,000	\$200
Miscellaneous Property Floater – Mobile Radios - \$500 deductible	\$39,400	\$394
Miscellaneous Property Floater – Miscellaneous - \$500 deductible	\$10,000	\$50
<b>Miscellaneous School Property Floater - \$ 500 Deductible</b>	<b>Limits</b>	<b>\$625</b>
Band Uniforms	\$50,000	Included
Athletic Equipment	\$50,000	Included
Musical Instruments	\$50,000	Included
Cameras & Audio-Visual Equipment	\$50,000	Included
Fine Arts	\$50,000	Included
Signs	\$10,000	Included
Dwellings Under Construction – Vocational Class	\$100,000	Included
TRIA	N/A	\$24

***General Liability Coverages***

Specific Coverages	Limits	Premium
General Liability – General Aggregate <u>Per Location</u>	\$2,000,000	\$7,374
Products/Completed Operations Aggregate	\$2,000,000	Included
Personal & Advertising Injury	\$1,000,000	Included
General Liability – Each Occurrence	\$1,000,000	Included
Fire Damage Liability	\$300,000	Included
Medical Payments (excluding students)	\$15,000	Included
Sexual Misconduct	\$1,000,000/\$1,000,000	\$1,611
Innocent Party Defense	\$300,000	\$308
Employee Benefits Liability – \$1,000 deductible	\$1,000,000/\$3,000,000	\$440
■ School Leaders Errors & Omissions Liability – claims made basis - \$2,500 deductible – 2-1-03 retro date	\$1,000,000/\$1,000,000	\$4,196
General Liability Amendatory Endorsement	See below	Included
TRIA		\$71



**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

***General Liability Coverage Extensions:***

Who is an Insured Extended to Include	- Employees - Any Volunteer Worker - Student Groups	- Board Members - Parent Support Groups - Student Teachers
Bodily Injury extended to include	- Failure to render Covered Professional services - Mental Anguish, Shock, Fright	
School Broadcasting & Publication	- Personal Injury & Advertising Injury	
Medical Payments	- \$15,000. Limit	- Volunteer Workers Included
Additional Insureds	- automatically includes coverage for entities when the insured agrees to provide insurance by written contact, or agreement	
Fellow Employees	- waives the exclusion for all employees	
Supplementary Payments	- \$ 2,500 cost for Bail Bonds / \$300 a day loss earnings	
Non-Owned Aircraft	Exclusion grants coverage if no other Insurance is Available to insured	
Non-Owned Watercraft	Extends coverage to < 51'	
Corporal Punishment	Policy Limits Apply	

***School Leaders Errors & Omissions Liability:***

Who is an Insured Extended to Include	- Employees - Any Volunteer Worker	- Board Members - Student Teachers
Administrative Proceedings conducted by a governmental agency	- included	
Employment Related Practices	- Discrimination - Sexual Harassment - Wrongful Termination	
Suits involving Asbestos	- \$50,000. Limit, defense-only coverage	
Claims seeking injunctive relief or other non-monetary relief	- \$100,000. Limit, defense-only coverage	
Failure to educate claims	- included	
Budget dispute claims	- included	

***Sexual Misconduct & Molestation Liability Coverage:***

Who is an Insured Extended to Include	- Employees - Any Volunteer Worker	- Board Members - Student Teachers
Negligent employment, investigation, supervision or retention	- included	
Negligent handling of complaints	- included	
Innocent Party Defense (17-172)	- \$ 300,000 Limit	

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

***Business Auto***

Coverages	Limits	Premium
Auto Liability – Combined Single Limit	\$1,000,000	\$23,658
Medical Payments	\$5,000	Included
Uninsured Motorists	\$500,000	Included
Underinsured Motorists	\$500,000	Included
Comprehensive (ACV)	\$100 deductible	Included
Collision (ACV)	\$250 deductible	Included
Hired & Non-Owned Liability	\$1,000,000	Included
School Business Auto Extention Endorsement 16-17b	(see Below)	Included
TRIA		\$55

***Automobile Coverage Extensions (per form 16-67b):***

Who is an Insured Extended to Include	- Your Employees - Any Volunteer Worker - Any Corporate Entity more than 50% owned
Additional Insureds	Automatically includes coverage for entities when the insured agrees to provide insurance by written contract or agreement
Supplementary Payments	- \$2,500 cost Bail Bonds - \$ 300 a day loss earnings
Fellow Employees	- waives the exclusion for all employees
Hired Physical Damage	- \$50,000 limit - deductible waived for fire or lightning loss - \$ 500 per accident for lessor's loss of use
Towing & Labor	- \$ 50/disablement – cars & light trucks - \$150/disablement – medium trucks
Additional Transportation Expense	- \$ 50 per day; \$1,000 maximum
Rental Reimbursement	- \$1,000 per loss
Broadened Extra Expense	- covers expense of returning a stolen covered auto
Personal Effects	- \$600 coverage, if stolen with the vehicle
Airbag Coverage	- waives the mechanical breakdown for accidental discharge of an airbag
Broadened Sound Receiving/Reproducing Coverage	- exclusion waived for permanently installed equipment
Lease Gap Coverage	- covers gap between loan/lease amt. & ACV
Glass Repair Deductible Waiver	- waives deductible for glass repair
Bodily Injury extended to include	- Mental Anguish, Shock, Fright

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

***Bond***

Coverages	Limits	Premium
Public Employee Dishonesty Bond – Form O - \$1,000 deductible	\$5,000	\$159
Money and Securities @ Deductible = \$250 – Theft, Disappearance & Destruction	\$25,000 limit, Inside \$25,000 limit, Outside	\$70

***Umbrella Policy***

Retained Limit = \$10,000	Limits	Premium
Limits of Liability – Each Occurrence	\$3,000,000	\$8,408
Limits of Liability – Aggregate	\$3,000,000	Included
Excess Auto Liability Coverage – excludes excess UM/UIM	Included	Included
Excess Sexual Misconduct & Molestation Liability Coverage	Included	Included
Excess School Leaders Errors & Omissions Liability Coverage	Included	Included
TRIA		\$245

**(Exclusive of Options)**

<b>COVERAGE</b>	<b>PREMIUM</b>
Property Coverages (including Buildings, Personal Property, Business Income and Extra Expense)	\$38,324
Inland Marine Coverages	\$1,875
Bond and Crime Coverages	\$229
General Liability Coverages (including Commercial General Liability and Employee Benefits Liability)	\$7,814
School Liability Coverages (including School Leaders Errors & Omissions Liability and Sexual Misconduct & Molestation Liability)	\$6,115
Auto	\$23,658
Umbrella	\$8,270
<b>TOTAL excluding TRIA</b>	<b>\$83,626</b>
TRIA (total all lines)	\$1,696
<b>TOTAL including TRIA</b>	<b>\$85,322</b>

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2004.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Self-Insurance**

The District uses an internal service fund to record and report their self-funded health care insurance program. Premium rates are set based on an annual review process with the consortium insurance consultant. Employees of the District contribute to the monthly cost of the plans. Monthly contributions are placed in the internal service fund.

The claims liability of \$245,435 at June 30, 2005 was estimated by the third party administrator and is based on the requirements of GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2004	\$199,430	\$1,319,047	\$1,269,352	\$249,125
2005	\$249,125	\$1,586,765	\$1,590,455	\$245,435

**WORKERS' COMPENSATION**

The District pays the State Self Insurance and Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**7. RETIREMENT SYSTEMS**

Certified teachers employed by the District participate in the State Teachers Retirement System of Ohio (STRS). The District's official and all other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent of participants' gross salaries. SERS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent for of participants' gross salaries. The District has paid all contributions required through June 30, 2005.

**WICKLIFFE CITY SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**8. DEBT OBLIGATIONS**

The following is a description of the District bonds outstanding as of June 30, 2005:

	Principal Outstanding 7/1/04	Additions	Deletions	Principal Outstanding 6/30/05
<i>General Obligation Library Improvements:</i>				
1995 Issue, 5.46%	\$ 320,000	\$ -	\$ 100,000	\$ 220,000
1996 Issue, 5.50%	325,000	-	105,000	220,000
Energy Con. Improv. Bonds - 1997	265,373	-	88,458	176,915
<b>Total General Long-Term Obligations</b>	<b>\$910,373</b>	<b>\$0</b>	<b>\$293,458</b>	<b>\$616,915</b>

Library Improvement Bonds – 1995 & 1996

Proceeds from the outstanding library improvement bonds were used for an addition to the Wickliffe Public Library. The construction and improvements included additional collection space, meeting space and improved administrative offices. The bonds were issued in 1995 and 1996, respectively and will mature on December 1, 2006.

Energy Conservation Improvement Bonds – 1997

Proceeds from the outstanding energy conservation improvement bonds were used to improve energy efficiency within the school district. The project encompassed the removal and replacement of district boilers, retrofitting of lighting systems and replacement of cafeteria windows at the high school. The bonds were issued in 1997 and will mature on June 1, 2007.

Principal and interest requirements to retire the library improvements and energy conservation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2006	303,457	27,807	331,264
2007	313,458	11,026	324,484
<b>Total</b>	<b>\$ 616,915</b>	<b>\$ 38,833</b>	<b>\$ 655,748</b>

**9. JOINTLY GOVERNED ORGANIZATIONS**

**East Shore Regional Transportation System** – The East Shore Regional System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the District. In fiscal year 2005, the District paid \$397,189 to the transportation system. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

**WICKLIFFE CITY SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**East Shore Center** – The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendent of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Lake County Educational Service Center, 30 South Park Place, Painesville, Ohio 44077.

**Ohio Schools Council** – The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participating fee. The council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2005, the District paid \$1,269 to the Council. Financial information can be obtained by contacting the David A. Cottrell, the executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44101.

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

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

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

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

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**10. RELATED ORGANIZATION**

**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 Wickliffe City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Wickliffe Public Library, Rick Zalecky, Clerk/Treasurer, 1713 Lincoln Road, Wickliffe, OH 44092.

**11. CLAIMS SERVICING POOL**

The District participates in the Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool comprised of eleven 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. All participating members retain their risk and are completely responsible for paying their own claims. The HCBP acts solely as the claims servicing agent for the consortium.

**12. CONTINGENCIES**

**A. Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**B. Litigation**

As of June 30, 2005, the District was party to an appeal refused by the Industrial Commission of Ohio. The District settled the claim in the amount of \$1,500.

**13. SET ASIDE REQUIREMENTS**

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

**WICKLIFFE CITY SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**13. SET ASIDE REQUIREMENTS (Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005:

	Instructional Materials	Capital Maintenance
Balance June 30, 2004	(\$507,164)	\$ -
Required set-aside	222,898	222,898
Qualifying expenditures	(208,695)	(272,955)
Balance June 30, 2005	\$ (492,961)	\$ (50,057)
Balance carried forward to FY2006	\$ (492,961)	\$ -

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**14. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**15. INSURANCE PURCHASING POOL**

**Ohio School Board Association's Workers' Compensation Group Rating Program** – The School District participates in the Ohio School Board Association's (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of OSBA. The Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.



**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**Schedule of Federal Awards Receipts and Expenditures  
for the year ended June 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U. S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$3,112	\$0	\$3,112
National School Lunch Program	LL-P4 04	10.555	32,821	0	32,821	0
National School Lunch Program	LL-P4 05	10.555	53,671	0	53,671	0
Fruit and Vegetable Program	VG-S1 03	10.555	5,024	0	5,024	0
Subtotal National School Lunch Program			91,516	0	91,516	0
<b>Total U. S. Department of Agriculture - Nutrition Cluster</b>			91,516	3,112	91,516	3,112
<b>U. S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States		84.027	0	0	23,329	
Special Education-Grants to States	6BSA-05	84.027	39,257	0	35,426	0
Special Education-Grants to States	6BSD-05	84.027	11,293	0	15,509	0
Special Education-Grants to States	6BSF-04	84.027	42,412	0	38,170	0
Special Education-Grants to States	6BSF-05	84.027	134,999	0	374,941	0
Subtotal Special Education-Grants to States			227,961	0	487,375	0
Special Education-Preschool Grants	PGS1-04	84.173	0	0	1,018	0
Special Education-Preschool Grants	PGS1-05	84.173	11,000	0	10,000	0
Subtotal Special Education-Preschool Grants			11,000	0	11,018	0
<b>Total Special Education Cluster</b>			238,961	0	498,393	0
Title I Grants to Local Educational Agencies	C1S1-03	84.010	0	0	1,360	0
Title I Grants to Local Educational Agencies	C1S1-04	84.010	46,664	0	49,556	0
Title I Grants to Local Educational Agencies	C1S1-05	84.010	99,865	0	249,658	0
Total Title I Grants to Local Educational Agencies			146,529	0	300,574	0
Safe and Drug-Free Schools and Communities	DRS1-04	84.186	4,190	0	1,688	0
Safe and Drug-Free Schools and Communities	DRS1-05	84.186	2,814	0	5,798	0
Total Safe and Drug-Free Schools and Communities			7,004	0	7,486	0
State Grants for Innovative Programs	C2S1-04	84.298	2,600	0	3,054	0
State Grants for Innovative Programs	C2S1-05	84.298	8,812	0	7,994	0
Total State Grants for Innovative Programs			11,412	0	11,048	0
Goals 2000	G2SP-01	84.276	(52)	0	0	0
Education Technology State Grants	TJS1-04	84.318	777	0	0	0
Education Technology State Grants	TJS1-05	84.318	3,628	0	5,555	0
Total Education Technology State Grants			4,405	0	5,555	0
Advanced Placement Program	AVTF-05	84.330	520	0	520	0
Improving Teacher Quality State Grant	TRS1-04	84.367	6,354	0	4,059	0
Improving Teacher Quality State Grant	TRS1-05	84.367	68,908	0	61,731	0
Total Improving Teacher Quality State Grant			75,262	0	65,790	0
<b>Total U. S. Department of Education</b>			484,041	0	889,366	0
<b>Total Federal Assistance</b>			\$575,557	\$3,112	\$980,882	\$3,112

The accompanying notes to the Schedule of Federal Award Expenditures are an integral part of this schedule.

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

**NOTE C – NEGATIVE RECEIPTS**

The negative receipts for Goals 2000 CFDA #84.276 in the amount of \$52 represent the amount that was refunded to the State due to expiration of the period of availability.

CFDA – Catalog of Federal Domestic Assistance



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the Wickliffe City School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated June 21, 2006, wherein we noted the District's financial statements did not present fairly the financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 21, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated June 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

June 21, 2006



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Wickliffe City School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Wickliffe City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated June 21, 2006.

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



**Betty Montgomery**  
Auditor of State

June 21, 2006

WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY  
JUNE 30, 2005

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster – 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY  
JUNE 30, 2005**

**SCHEDULE OF FINDINGS  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2005-001</b>
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**Noncompliance Citation**

**Annual Financial Report**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Official's Response: The Board passed resolution 2005-7-108 indicating their desire to defer reporting financial statements that conform to generally accepted accounting principles for fiscal year ending June 30, 2005 due to the unfavorable financial condition of the District.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



**WICKLIFFE CITY SCHOOL DISTRICT  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Revised Code 117.39 – The District does not file GAAP financial statements	No	Not Corrected, Finding is repeated, See 2005-001





**Auditor of State  
Betty Montgomery**

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**WICKLIFFE CITY SCHOOL DISTRICT**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 13, 2006**