

# **Wickliffe City School District**

**Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019**

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# Wickliffe City School District

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2019

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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, 2019. 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 2019 are as follows:

- In total, net position decreased \$221,828. Net position of governmental activities decreased \$190,830 and net position of business-type activities decreased \$30,998 from 2018.
- Total general receipts accounted for \$20,386,352 in receipts or 89 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,491,426 or 11 percent of total receipts of \$22,877,778.
- The District had \$22,624,185 in disbursements related to governmental activities; \$2,048,403 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and grants and entitlements not restricted to specific programs) of \$20,384,952, net of transfers out of \$1,400, were inadequate to provide for these programs resulting in a decrease of net position from \$8,268,860 to \$8,078,030.
- The District had \$475,421 in disbursements related to business-type activities; \$443,023 of program specific charges for services, grants and contributions offset these disbursements. Total program receipts were inadequate to provide for these programs by \$32,398. After including transfers in of \$1,400, net position decreased from \$144,149 to \$113,151.
- The District's major governmental fund is the General Fund. The General Fund had \$21,085,113 in receipts and other financing sources and \$21,274,804 in disbursements and other financing uses. The General Fund's fund balance decreased \$189,691 from \$7,851,202 to \$7,661,511.

### 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.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2019

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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.

### **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 2019, 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 the 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.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2019

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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.

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

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

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

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

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2019

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### *Fiduciary Funds*

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are reported in an agency fund. The District’s fiduciary activities are reported in separate Statement of Fiduciary Net Position – Cash Basis on page 23 and Statement of Changes in Fiduciary Net Position – Cash Basis on page 24. These activities are excluded from the District’s other financial statements because the assets cannot be utilized by the District to finance its operations.

### **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 2019 and 2018.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ <u>8,078,030</u>	\$ <u>8,268,860</u>	\$ <u>113,151</u>	\$ <u>144,149</u>	\$ <u>8,191,181</u>	\$ <u>8,413,009</u>
Total assets	<u>8,078,030</u>	<u>8,268,860</u>	<u>113,151</u>	<u>144,149</u>	<u>8,191,181</u>	<u>8,413,009</u>
Net position:						
Restricted for:						
Capital projects	8,129	8,129	-	-	8,129	8,129
Other purposes	425,052	416,193	-	-	425,052	416,193
Unrestricted	<u>7,644,849</u>	<u>7,844,538</u>	<u>113,151</u>	<u>144,149</u>	<u>7,758,000</u>	<u>7,988,687</u>
Total net position	\$ <u>8,078,030</u>	\$ <u>8,268,860</u>	\$ <u>113,151</u>	\$ <u>144,149</u>	\$ <u>8,191,181</u>	\$ <u>8,413,009</u>

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

Total assets decreased by \$221,828 from 2018 to 2019. The decrease was primarily due to an increase in instruction costs.

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, 2019

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Cash receipts:						
Program cash receipts:						
Charges for services	\$ 267,786	\$ 472,851	\$ 188,980	\$ 195,481	\$ 456,766	\$ 668,332
Operating grants and contributions	<u>1,780,617</u>	<u>1,738,987</u>	<u>254,043</u>	<u>264,405</u>	<u>2,034,660</u>	<u>2,003,392</u>
Total program cash receipts	<u>2,048,403</u>	<u>2,211,838</u>	<u>443,023</u>	<u>459,886</u>	<u>2,491,426</u>	<u>2,671,724</u>
General cash receipts:						
Property taxes	14,359,843	14,645,429	-	-	14,359,843	14,645,429
Grants and entitlements	5,308,769	5,471,744	-	-	5,308,769	5,471,744
Investment earnings	180,059	29,656	-	-	180,059	29,656
Miscellaneous	<u>537,681</u>	<u>564,163</u>	<u>-</u>	<u>-</u>	<u>537,681</u>	<u>564,163</u>
Total general cash receipts	20,386,352	20,710,992	-	-	20,386,352	20,710,992
Transfers	<u>(1,400)</u>	<u>(4,934)</u>	<u>1,400</u>	<u>4,934</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>22,433,355</u>	<u>22,917,896</u>	<u>444,423</u>	<u>464,820</u>	<u>22,877,778</u>	<u>23,382,716</u>
Cash disbursements:						
Program cash disbursements:						
Instruction:						
Regular education	7,829,531	7,510,472	-	-	7,829,531	7,510,472
Special education	3,868,054	3,559,292	-	-	3,868,054	3,559,292
Vocational education	-	1,056	-	-	-	1,056
Other	819,852	935,831	-	-	819,852	935,831
Support services:						
Pupil	1,464,476	1,351,943	-	-	1,464,476	1,351,943
Instructional staff	1,292,488	1,388,592	-	-	1,292,488	1,388,592
Board of Education	132,752	240,273	-	-	132,752	240,273
Administration	1,672,394	1,434,927	-	-	1,672,394	1,434,927
Fiscal	605,034	597,676	-	-	605,034	597,676
Business	95,604	95,136	-	-	95,604	95,136
Operation and maintenance – plant	1,841,680	1,719,403	-	-	1,841,680	1,719,403
Pupil transportation	1,072,691	1,042,961	-	-	1,072,691	1,042,961
Central services	281,020	237,526	-	-	281,020	237,526
Operations of non-instructional services	813,202	864,901	-	-	813,202	864,901
Extracurricular activities	499,827	479,522	-	-	499,827	479,522
Facilities acquisition and construction	335,580	454,806	-	-	335,580	454,806
Food service	-	-	410,779	394,289	410,779	394,289
Rotary	-	-	1,400	5,112	1,400	5,112
Special enterprise fund	<u>-</u>	<u>-</u>	<u>63,242</u>	<u>67,747</u>	<u>63,242</u>	<u>67,747</u>
Total cash disbursements	<u>22,624,185</u>	<u>21,914,317</u>	<u>475,421</u>	<u>467,148</u>	<u>23,099,606</u>	<u>22,381,465</u>
Change in net position	(190,830)	1,003,579	(30,998)	(2,328)	(221,828)	1,001,251
Net positions beginning of year	<u>8,268,860</u>	<u>7,265,281</u>	<u>144,149</u>	<u>146,477</u>	<u>8,413,009</u>	<u>7,411,758</u>
Net position end of year	\$ <u>8,078,030</u>	\$ <u>8,268,860</u>	\$ <u>113,151</u>	\$ <u>144,149</u>	\$ <u>8,191,181</u>	\$ <u>8,413,009</u>

No assurance by a CPA is provided

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2019

## Governmental Activities

Net position of the District's governmental activities decreased \$190,830. Total governmental disbursements of \$22,624,185, were offset by program receipts of \$2,048,403 and general receipts of \$20,386,352. Program receipts supported 9 percent of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and grants and entitlements. These two receipt sources represent 88 percent of total governmental receipts. Property taxes support 63 percent of total disbursements while grants and entitlements supported 23 percent of total disbursements.

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 2019. 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	
	2019	2018	2019	2018
Program cash disbursements:				
Instruction:				
Regular education	\$ 7,829,531	\$ 7,510,472	\$ (7,549,546)	\$ (7,264,468)
Special education	3,868,054	3,559,292	(2,963,650)	(2,503,536)
Vocational education	-	1,056	-	(1,056)
Other	819,852	935,831	(819,852)	(935,831)
Support services:				
Pupil	1,464,476	1,351,943	(1,399,856)	(1,281,201)
Instructional staff	1,292,488	1,388,592	(1,292,488)	(1,388,592)
Board of Education	132,752	240,273	(132,752)	(240,273)
Administration	1,672,394	1,434,927	(1,672,394)	(1,434,927)
Fiscal	605,034	597,676	(605,034)	(597,676)
Business	95,604	95,136	(95,604)	(95,136)
Operation and maintenance - plant	1,841,680	1,719,403	(1,841,593)	(1,719,403)
Pupil transportation	1,072,691	1,042,961	(1,072,691)	(1,042,961)
Central services	281,020	237,526	(281,020)	(237,526)
Operations of non-instructional services	813,202	864,901	(113,574)	(138,262)
Extracurricular activities	499,827	479,522	(400,148)	(366,825)
Facilities acquisition and construction	335,580	454,806	(335,580)	(454,806)
Total cash disbursements	\$ <u>22,624,185</u>	\$ <u>21,914,317</u>	\$ <u>(20,575,782)</u>	\$ <u>(19,702,479)</u>

The dependence upon tax receipts during fiscal year 2019 for governmental activities is apparent, as 88 percent of 2019 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.

No assurance by a CPA is provided



# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2019

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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 and transfers of \$444,423 and disbursements of \$475,421 for fiscal year 2019. This resulted in a decrease to net position for the fiscal year of \$30,998.

## **The District's Funds**

Total governmental funds had receipts, including other financing sources, of \$23,014,902 and disbursements, including other financing uses, of \$23,205,732. The District's only major fund is the General Fund. The fund balance of the General Fund decreased \$189,691 due to an increase in instruction expenses.

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

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Disbursement by Function:			
Instruction	\$ 12,099,741	\$ 11,625,392	4.08%
Support services	8,004,275	7,719,680	3.69
Operations of non-instructional services	42,137	17,174	145.35
Extracurricular activities	339,414	329,624	2.97
Facilities acquisition and construction	<u>335,580</u>	<u>454,806</u>	(26.21)
Total	\$ <u>20,821,147</u>	\$ <u>20,146,676</u>	

The most significant dollar change was in instruction, which is the result of an increase in regular and special education 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 \$21,201,063 while actual disbursements, not including other financing uses, were \$21,201,057.

The most significant variance from final budget to actual receipts was in property taxes in the amount of \$4,645,939 over expected receipts, as the District was extremely conservative with its final estimate of the actual revenues for property taxes.

The original and final budgeted disbursements were mostly consistent with the most significant fluctuations in regular and special instruction.

In summary, receipts were above final expectations. The District's actual receipts ended above budgeted expectations by \$6,684,278; although the actual fund balance decreased by \$634,221 for fiscal year 2019.

# Wickliffe City School District

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

For the Fiscal Year Ended June 30, 2019

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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 continuing operating levy in November 2015 and started collecting on the increased levy in January 2016. The District has communicated to the community that they rely upon their support for the majority of its operations. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the District to come back to the voters to ask for additional support.

Wickliffe City School District has not anticipated any growth in State revenue. 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 Susan M. Haffey, Treasurer/CFO, at Wickliffe City School District, 2221 Rockefeller Road, Wickliffe, Ohio 44092 or by email at [Susan.Haffey@wickliffeschools.org](mailto:Susan.Haffey@wickliffeschools.org).

# Wickliffe City School District

## Statement of Net Position – Cash Basis

June 30, 2019

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	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
		Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>8,078,030</u>	\$ <u>113,151</u>	\$ <u>8,191,181</u>
Net position:			
Restricted for:			
Capital projects	8,129	-	8,129
Other purposes	425,052	-	425,052
Unrestricted	<u>7,644,849</u>	<u>113,151</u>	<u>7,758,000</u>
Total net position	\$ <u><u>8,078,030</u></u>	\$ <u><u>113,151</u></u>	\$ <u><u>8,191,181</u></u>

No assurance by a CPA is provided  
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, 2019

	Cash Disbursements	Program Cash Receipts	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular education	\$ 7,829,531	\$ 36,723	\$ 243,262
Special education	3,868,054	66,677	837,727
Other	819,852	-	-
Support services:			
Pupil	1,464,476	64,620	-
Instructional staff	1,292,488	-	-
Board of Education	132,752	-	-
Administration	1,672,394	-	-
Fiscal	605,034	-	-
Business	95,604	-	-
Operations and maintenance – plant	1,841,680	87	-
Pupil transportation	1,072,691	-	-
Central services	281,020	-	-
Operations and non-instructional services	813,202	-	699,628
Extracurricular activities	499,827	99,679	-
Facilities acquisition and construction	335,580	-	-
Total governmental activities	<u>22,624,185</u>	<u>267,786</u>	<u>1,780,617</u>
Business-type activities:			
Food service	410,779	124,664	254,043
Rotary	1,400	-	-
Special enterprise fund	63,242	64,316	-
Total business-type activities	<u>475,421</u>	<u>188,980</u>	<u>254,043</u>
Totals	\$ <u>23,099,606</u>	\$ <u>456,766</u>	\$ <u>2,034,660</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  
 Transfers  
 Total general cash receipts and transfers

Change in net position

Net position at beginning of year

Net position at end of year

No assurance by a CPA is provided  
 The accompanying notes are an integral part of these financial statements

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (7,549,546)	\$ -	\$ (7,549,546)
(2,963,650)	-	(2,963,650)
(819,852)	-	(819,852)
(1,399,856)	-	(1,399,856)
(1,292,488)	-	(1,292,488)
(132,752)	-	(132,752)
(1,672,394)	-	(1,672,394)
(605,034)	-	(605,034)
(95,604)	-	(95,604)
(1,841,593)	-	(1,841,593)
(1,072,691)	-	(1,072,691)
(281,020)	-	(281,020)
(113,574)	-	(113,574)
(400,148)	-	(400,148)
<u>(335,580)</u>	<u>-</u>	<u>(335,580)</u>
<u>(20,575,782)</u>	<u>-</u>	<u>(20,575,782)</u>
-	(32,072)	(32,072)
-	(1,400)	(1,400)
-	1,074	1,074
-	<u>(32,398)</u>	<u>(32,398)</u>
<u>(20,575,782)</u>	<u>(32,398)</u>	<u>(20,608,180)</u>
14,359,843	-	14,359,843
5,308,769	-	5,308,769
180,059	-	180,059
<u>537,681</u>	<u>-</u>	<u>537,681</u>
20,386,352	-	20,386,352
(1,400)	1,400	-
<u>20,384,952</u>	<u>1,400</u>	<u>20,386,352</u>
(190,830)	(30,998)	(221,828)
<u>8,268,860</u>	<u>144,149</u>	<u>8,413,009</u>
\$ <u>8,078,030</u>	\$ <u>113,151</u>	\$ <u>8,191,181</u>

# Wickliffe City School District

## Balance Sheet – Cash Basis Governmental Funds

June 30, 2019

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>7,661,511</u>	\$ <u>412,183</u>	\$ <u>8,073,694</u>
Fund balances:			
Restricted	\$ 11,000	\$ 422,181	\$ 433,181
Assigned	532,586	-	532,586
Unassigned	<u>7,117,925</u>	<u>(9,998)</u>	<u>7,107,927</u>
Total fund balances	\$ <u>7,661,511</u>	\$ <u>412,183</u>	\$ <u>8,073,694</u>

No assurance by a CPA is provided  
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, 2019

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Total Governmental Funds Balances \$ 8,073,694

*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* \$ 8,078,030

No assurance by a CPA is provided  
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, 2019

	General	Other Governmental Funds	Total Governmental Funds
Cash receipts:			
Property taxes	\$ 14,359,843	\$ -	\$ 14,359,843
Investment earnings	173,132	6,927	180,059
Extracurricular activities	146,312	57,975	204,287
Charge for service	-	87	87
Classroom materials and fees	36,723	-	36,723
Tuition and fees	66,677	-	66,677
Miscellaneous	480,916	16,777	497,693
Intergovernmental	5,461,033	1,628,353	7,089,386
Total cash receipts	<u>20,724,636</u>	<u>1,710,119</u>	<u>22,434,755</u>
Cash disbursements:			
Instruction:			
Regular education	7,723,875	105,656	7,829,531
Special education	3,556,152	311,902	3,868,054
Other	819,714	138	819,852
Support Services:			
Pupils	1,181,761	282,715	1,464,476
Instructional staff	1,280,215	12,273	1,292,488
Board of Education	132,752	-	132,752
Administration	1,521,720	150,674	1,672,394
Fiscal	605,034	-	605,034
Business	95,604	-	95,604
Operations and maintenance – plant	1,834,262	7,418	1,841,680
Pupil transportation	1,071,907	784	1,072,691
Central services	281,020	-	281,020
Operations of non-instructional services	42,137	771,065	813,202
Extracurricular activities:			
Academic and subject oriented	25,894	12,963	38,857
Sports oriented	287,410	147,450	434,860
Co-curricular	26,110	-	26,110
Facilities acquisition and construction:			
Site improvements services	29,612	-	29,612
Building improvement services	296,904	-	296,904
Other facilities acquisition and construction services	9,064	-	9,064
Total cash disbursements	<u>20,821,147</u>	<u>1,803,038</u>	<u>22,624,185</u>
Total deficiency of cash receipts over cash disbursements	<u>(96,511)</u>	<u>(92,919)</u>	<u>(189,430)</u>

(continued)

No assurance by a CPA is provided  
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, 2019

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):			
Advances – in	360,477	90,411	450,888
Advances – out	(322,998)	(127,890)	(450,888)
Transfers – in	-	129,259	129,259
Transfers – out	(130,659)	-	(130,659)
Total other financing sources (uses)	<u>(93,180)</u>	<u>91,780</u>	<u>(1,400)</u>
Net change in fund balance	(189,691)	(1,139)	(190,830)
Fund balance at beginning of year	<u>7,851,202</u>	<u>413,322</u>	<u>8,264,524</u>
Fund balance at end of year	\$ <u>7,661,511</u>	\$ <u>412,183</u>	\$ <u>8,073,694</u>

No assurance by a CPA is provided  
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, 2019

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Net Change in Fund Balances – Total Governmental Funds \$ (190,830)

*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.

-

*Change in Net Position of Governmental Activities* \$ (190,830)

No assurance by a CPA is provided  
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, 2019

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Cash receipts:				
Property taxes	\$ 13,949,029	\$ 9,713,904	\$ 14,359,843	\$ 4,645,939
Investment earnings	168,179	117,117	173,132	56,015
Extracurricular activities	96,671	67,320	99,518	32,198
Classroom materials and fees	35,672	24,842	36,723	11,881
Tuition and fees	64,769	45,105	66,677	21,572
Miscellaneous	449,842	313,263	463,090	149,827
Intergovernmental	5,304,801	3,694,187	5,461,033	1,766,846
Total cash receipts	<u>20,068,963</u>	<u>13,975,738</u>	<u>20,660,016</u>	<u>6,684,278</u>
Cash disbursements:				
Instruction:				
Regular	7,870,621	7,725,843	7,725,840	3
Special	3,709,359	3,641,126	3,641,125	1
Other	847,911	832,314	832,314	-
Supporting services:				
Pupils	1,151,860	1,130,671	1,130,671	-
Instructional staff	1,311,291	1,287,170	1,287,170	-
Board of Education	223,998	219,878	219,878	-
Administration	1,555,022	1,526,418	1,526,417	1
Fiscal	635,672	623,979	623,979	-
Business	97,455	95,662	95,662	-
Operation and maintenance – plant	1,894,875	1,860,020	1,860,019	1
Pupil transportation	1,132,835	1,111,996	1,111,996	-
Central services	310,296	304,588	304,588	-
Operation of non-instructional services	42,927	42,137	42,137	-
Extracurricular activities:				
Academic subject oriented activities	19,222	18,868	18,868	-
Sports oriented	292,796	287,410	287,410	-
Co-curricular activities	26,599	26,110	26,110	-
Facilities acquisition and construction:				
Site improvement services	88,109	86,488	86,488	-
Building improvement services	378,279	371,321	371,321	-
Other facilities acquisition and construction services	9,234	9,064	9,064	-
Total cash disbursements	<u>21,598,361</u>	<u>21,201,063</u>	<u>21,201,057</u>	<u>6</u>
Total (deficiency) excess of cash receipts over cash disbursements	<u>(1,529,398)</u>	<u>(7,225,325)</u>	<u>(541,041)</u>	<u>6,684,284</u>

(continued)

No assurance by a CPA is provided  
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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Advances – in	360,477	360,477	360,477	-
Advances – out	(322,998)	(322,998)	(322,998)	-
Transfers – out	(130,659)	(130,659)	(130,659)	-
Total other financing sources (uses)	<u>(93,180)</u>	<u>(93,180)</u>	<u>(93,180)</u>	<u>-</u>
Net change in fund balance	(1,622,578)	(7,318,505)	(634,221)	6,684,284
Fund balance at beginning of year	7,381,017	7,381,017	7,381,017	-
Prior year encumbrances	<u>371,129</u>	<u>371,129</u>	<u>371,129</u>	<u>-</u>
Fund balance at end of year	\$ <u>6,129,568</u>	\$ <u>433,641</u>	\$ <u>7,117,925</u>	\$ <u>6,684,284</u>

No assurance by a CPA is provided  
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, 2019

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	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ <u>113,151</u>	\$ <u>4,336</u>
Total assets	<u>113,151</u>	<u>4,336</u>
Net position:		
Unrestricted	<u>113,151</u>	<u>4,336</u>
Total net position	<u><u>\$ 113,151</u></u>	<u><u>\$ 4,336</u></u>

No assurance by a CPA is provided  
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, 2019

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Operating cash receipts:		
Charges for services	\$ 124,664	\$ -
Miscellaneous	64,316	-
Intergovernmental	<u>254,043</u>	<u>-</u>
Total operating cash receipts	<u>443,023</u>	<u>-</u>
Operating cash disbursements:		
Salaries and wages	114,297	-
Fringe benefits	93,574	-
Contractual services	102,760	-
Materials and supplies	<u>164,790</u>	<u>-</u>
Total operating cash disbursements	<u>475,421</u>	<u>-</u>
Operating loss before transfers and advances	<u>(32,398)</u>	<u>-</u>
Advances – in	232,587	-
Advances – out	(232,587)	-
Transfers – in	<u>1,400</u>	<u>-</u>
Change in net position	(30,998)	-
Total net position at beginning of year	<u>144,149</u>	<u>4,336</u>
Total net position at end of year	\$ <u><u>113,151</u></u>	\$ <u><u>4,336</u></u>

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

**Wickliffe City School District**

Statement of Fiduciary Net Position – Cash Basis  
Fiduciary Funds

June 30, 2019

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	<u>Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>3,611</u>	\$ <u>47,928</u>
Liabilities:		
Due to students	<u>-</u>	\$ <u>47,928</u>
Net position:		
Held in trust	\$ <u>3,611</u>	

**Wickliffe City School District**

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

For the Fiscal Year Ended June 30, 2019

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	<u>Trust Funds</u>
Operating revenues:	
Investment earnings	\$ 34
Net position at beginning of year	<u>3,577</u>
Net position at end of year	<u>\$ 3,611</u>



# Wickliffe City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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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 86 support employees and 126 certified employees who provide services to 1,373 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. For an Ohio School District, this includes general operations, food services, and student related activities of 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 Organizations, Public Entity Risk Pools and Related Organizations***

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, 2019

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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). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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, 2019

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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. The District's only major fund is the General Fund.

#### *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.

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, 2019

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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 four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and therefore, are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

### **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, 2019

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

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

All funds, except agency 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.

During 2019, the District invested in a money market mutual fund, negotiable certificates of deposit and federal agency securities (see Note 5). 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.

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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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 2019 amounted to \$173,132, which includes \$6,648 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. The District did not have any restricted assets at June 30, 2019.

### ***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, 2019

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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, 2019

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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, 2019

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

### P. Pensions/Other Postemployment Benefits (OPEB)

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

## Note 3: New Accounting Pronouncements

For fiscal year ended June 30, 2019, the District implemented the following Governmental Accounting Standards Board (GASB):

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Per GASB 83, certain asset retirement obligations now require the recording of a liability, and a corresponding deferred outflow on the face of the financial statements. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

## 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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Community activities	\$ -	\$ 2,017	\$ 2,017
Athletics	-	22,421	22,421
Auxiliary services	-	237,837	237,837
Title I	-	26,556	26,556
Special education	-	23,426	23,426
English proficiency	-	6,566	6,566
Improving teacher quality	-	5,863	5,863
Other purposes	11,000	89,366	100,366
Capital improvements	-	8,129	8,129
Total restricted	<u>11,000</u>	<u>422,181</u>	<u>433,181</u>

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## Note 4: Fund Balances (continued)

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assigned to:			
Other purposes	<u>532,586</u>	<u>-</u>	<u>532,586</u>
Unassigned	<u>7,117,925</u>	<u>(9,998)</u>	<u>7,107,927</u>
Total fund balances	\$ <u>7,661,511</u>	\$ <u>412,183</u>	\$ <u>8,073,694</u>

## 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;

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# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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

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;
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 \$719 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."

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## Note 5: Deposits and Investments (continued)

### Deposits

**Custodial Credit Risk** for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets.

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 and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by establishing and pledging to the Treasurer of State a single pool of collateral for the benefit of every public depositor. The total market value of the securities pledged must meet either of the following:

One hundred two percent of the total amount of all uninsured public deposits; or

An amount determined by rules adopted by the treasurer of state that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository.

At fiscal year-end, the District held a book balance of \$1,805,254 and a bank balance of \$1,885,590. Of the bank balance, \$613,585 was covered by federal depository insurance while the remaining \$1,272,005 was collateralized through the Ohio Pooled Collateral System.

### Investments

Investments are reported as fair value. At June 30, 2019, the District had the following investments:

	Fair Value	Maturity	
		Six months or less	More than six months
Money market mutual fund	\$ 43,092	\$ 43,092	\$ -
Negotiable certificates of deposit	6,095,094	1,617,536	4,477,558
Federal Home Loan Mortgage Corp. bonds	99,312	-	99,312
Federal National Mortgage Association notes	199,249	-	199,249
Total	\$ <u>6,436,747</u>	\$ <u>1,660,628</u>	\$ <u>4,776,119</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.

No assurance by a CPA is provided  
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# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## Note 5: Deposits and Investments (continued)

### Investments (continued)

The District has the following recurring fair value measurements at June 30, 2019:

- Money market mutual fund is valued at amortized cost, which approximates fair value. This is considered a Level 1 investment.
- Negotiable certificates of deposit and government securities 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. The government securities carry an "AA+" rating by Standard & 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, 2019, the District's investments greater than five percent are as follows:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Negotiable certificates of deposit	94.69%

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 are levied after April 1, 2018, on the assessed value as of January 1, 2018, 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 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and were collected in 2018 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 2019 taxes were collected are:

	2018 Second-Half Collections		2019 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 266,144,030	95.59%	\$ 266,814,590	95.56%
Public Utility Personal	<u>12,288,930</u>	<u>4.41%</u>	<u>12,406,600</u>	<u>4.44%</u>
	<u>\$ 278,432,960</u>	<u>100.00%</u>	<u>\$ 279,221,190</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 83.11		\$ 83.11	

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, 2019, are available to finance fiscal year 2019 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, 2019

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**Note 7: Interfund Activity**

Interfund transfers for the fiscal year ended June 30, 2019, consisted of the following, as reported on the fund statements.

<u>Transfer from</u>	<u>Transfer to</u>		
	<u>Other Governmental</u>	<u>Enterprise Funds</u>	<u>Total</u>
General Fund	\$ <u>129,259</u>	\$ <u>1,400</u>	\$ <u>130,659</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**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 2019, the District contracted with Ohio Casualty, a member of Liberty Mutual, for property, fleet, liability, inland marine, crime, general liability, errors and omissions, and sexual misconduct and molestation liability coverage. Additionally, the District has an umbrella policy. The District also has cyber coverage through Travelers Insurance Company. Coverages provided with Ohio Casualty and Travelers Insurance Company are as follows:

	<u>Coverage</u>
Buildings and Contents – replacement costs	\$ 57,141,086
Inland Marine	200,000
Crime Insurances	100,000
Automobile Liability	1,000,000
Uninsured Motorists	500,000
General Liability:	
Per Occurrence	1,000,000
Total per year	2,000,000
Cyber Liability	1,000,000

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 \$3,004,410 in premiums during fiscal year 2019.

No assurance by a CPA is provided

The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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

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

For fiscal year 2019, 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, 2019

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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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](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, 2019

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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, 2019, the allocation to pension, death benefits, and Medicare B was the full 13.5 percent while the funding for the Health Care Fund was 0.5 percent.

The District's contractually required contribution to SERS was \$370,207 for fiscal year 2019.

### ***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 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. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phase 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined 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 Combined 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 Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS 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 Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, 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 \$1,164,567 for fiscal year 2019.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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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, 2018 and July 1, 2018 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, 2018 and July 1, 2018 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	0.081126%	0.067619%	
Proportion of the net pension liability current measurement date	<u>0.087753%</u>	<u>0.068976%</u>	
Change in proportionate share	<u>0.006627%</u>	<u>0.001357%</u>	
Proportionate share of the net pension liability	\$ 5,025,788	\$ 15,166,344	\$ 20,192,132

### 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.

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, 2019

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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, 2018, are presented below:

Future salary increases, including inflation	3.50 percent to 18.20 percent, including inflation
COLA or Ad Hoc COLA	2.5 percent, on and after April 1, 2018 COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.5 percent net of investments expense
Actuarial cost method	Entry age normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged 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	1.00 %	0.50 %
US equity	22.50	4.75
International equity	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategy	10.00	3.00
Total	<u>100.00 %</u>	

No assurance by a CPA is provided  
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# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District’s proportionate share of the net pension liability	\$ 7,079,202	\$ 5,025,788	\$ 3,304,139

### F. Actuarial Assumptions – STRS

The total pension liability in the July 1, 2018 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
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Cost-of-living adjustments (COLA)	0.00 percent effective July 1, 2017
Payroll increase	3.00 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. Post-retirement disabled 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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

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

Actuarial assumptions used in the July 1, 2018, 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, 2018. 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, 2018. 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, 2018.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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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	\$ 22,148,449	\$ 15,166,344	\$ 9,256,940

### 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. As of June 30, 2019, two members of the Board of Education had 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, 2019

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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 Comprehensive Annual 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. Active employee members do not contribute to the Health Care Plan. 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, 2019

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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, 2019, 0.5 percent of covered payroll was made to health care. 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, 2019, this amount was \$23,700. 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, 2019, the District's surcharge obligation was \$42,040.

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 \$370,207 for fiscal year 2019.

### ***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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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, 2019, 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, 2019

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## Note 10: OPEB Plans (continued)

### D. Net OPEB Liability

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability 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 prior measurement date	0.081782%	0.067619%	
Proportion of net OPEB liability current measurement date	<u>0.087913%</u>	<u>0.068976%</u>	
Change in proportionate share	<u>0.006131%</u>	<u>0.001357%</u>	
Proportionate share of the net OPEB liability	\$ 2,438,950	\$ 1,108,379	\$ 3,547,329

### 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, 2019

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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, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

The long-term return expectation for the plan investments has been determined using a building block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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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	1.00 %	0.50 %
US equity	22.50	4.75
International equity	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategy	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 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 3.62 percent, as of June 30, 2018 (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, 2019

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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 (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what SERS’ net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u> <u>(2.70%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.70%)</u>	<u>1% Increase</u> <u>(4.70%)</u>
School District’s proportionate share of the net OPEB liability	\$ 2,959,474	\$ 2,438,950	\$ 2,026,792

  

	<u>1% Decrease</u> <u>(6.25-3.75%)</u>	<u>Current</u> <u>Trend Rate</u> <u>(7.25-4.75%)</u>	<u>1% Increase</u> <u>(8.25-5.75%)</u>
School District’s proportionate share of the net OPEB liability	\$ 1,967,785	\$ 2,438,950	\$ 3,026,856

### F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	7.45 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## Note 10: OPEB Plans (continued)

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

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, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 4.13 percent to 7.45 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

The subsidy multiplier for non-Medicare benefit recipients is 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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	1.00	2.25
Total	<u>100.00 %</u>	

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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

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

\*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.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2018. 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 not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2018 (i.e., municipal bond rate), was used to determine the present value of 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 blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2018.

**Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB 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 assumption. Also shown is the net OPEB liability 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 liability	\$ 949,985	\$ 1,108,379	\$ 1,241,502

  

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
School District’s proportionate share of the net OPEB liability	\$ 1,233,987	\$ 1,108,379	\$ 980,814

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements



# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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**Note 11: Leases**

**A. 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 2019 was \$29,899 and \$14,598, 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 2019 the rent on the lease was \$2,492 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 2019 the additional rent from the sublease was \$1,217 per month.

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

	T-Mobile <u>Lease</u>	Clear Wireless <u>Sublease</u>	<u>Total</u>
2020	\$ 30,796	\$ 15,036	\$ 45,832
2021	31,720	15,487	47,207
2022	<u>32,672</u>	<u>15,952</u>	<u>48,624</u>
	<u>\$ 95,188</u>	<u>\$ 46,475</u>	<u>\$ 141,663</u>

**B. Lessee**

The District entered into a lease purchase agreement to lease technology equipment commencing July 1, 2015 with first payment due in July 2016. Annual payments of \$201,680 are to be made with an interest rate of 2.59 percent with final payment due in July 2018. The District made the first payment in June 2016. This lease has expired as of June 30, 2019.

The District entered into a lease purchase agreement to lease technology equipment commencing July 1, 2016 with first payment due in July 2017. Annual payments of \$239,654 are to be made with an interest rate of 2.64 percent with final payment due in July 2019. The future minimum lease payments are as follows for the fiscal years ending June 30:

	<u>Lease Payment</u>
2020	\$ 239,654
Interest	<u>(6,164)</u>
Principal	<u>\$ 233,490</u>

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## **Note 12: Jointly Governed Organizations**

### *Ohio Schools Council*

The Ohio Schools Council (the “Council”) is a jointly governed organization among 249 school districts. 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 2019, the District paid \$39,278 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.

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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## **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.

## **Note 14: Related Organizations**

### *Wickliffe Public Library*

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

## **Note 15: Contingencies**

### **A. Grants**

The District 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, 2019, if applicable, cannot be determined at this time.

### **B. Litigation**

As of June 30, 2019, 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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## Note 15: Contingencies (continued)

### C. School District Foundation Funding

The District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2019, Foundation funding for the District; therefore, any financial statement impact is not determinable at this time. ODE and management believes this may result in either a receivable to or a liability of 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.

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, 2018	\$ -
Current year set-aside requirements	233,564
Qualifying disbursements	<u>(335,580)</u>
Total	<u>(102,016)</u>
Set-aside reserve balance as of June 30, 2019	\$ <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.

# Wickliffe City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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## 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). The encumbrances outstanding at fiscal year-end (budgetary basis) amounted to \$444,072 for the General Fund. Funds with separate legally adopted budgets amounted to \$99,514.

## Note 18: Significant Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classifications of fund balance. At year-end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 444,372
Other Governmental Funds	<u>258,576</u>
Total Governmental Funds	<u>\$ 702,948</u>

## Note 19: 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.

### B. Accountability

The Miscellaneous Federal Grant Fund had a negative fund balance at June 30, 2019 of \$9,998. The deficit in the fund is due to federal grants being on reimbursement basis. As of June 30, 2019, the District is awaiting reimbursement to replenish the current fund deficit balance. The General Fund has sufficient funds to support the deficit balances and will provide operating transfer to the deficit fund balance in the fund as needed.

No assurance by a CPA is provided  
The accompanying notes are an integral part of these financial statements

## **Wickliffe City School District**

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2019

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### **Note 20: Subsequent Event**

In July 2019, the District signed a lease purchase agreement with Huntington Public Capital Corporation, in the amount of \$267,107 with an interest rate of 2.88 percent. The lease expires in July 2022 and is for various technology equipment and office equipment throughout the District.