

**LAKWOOD CITY  
SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2019**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER

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Board of Education  
Lakewood City School District  
1470 Warren Road  
Lakewood, Ohio 44107

We have reviewed the *Independent Auditor's Report* of the Lakewood City School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lakewood City School District is responsible for compliance with these laws and regulations.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 15, 2020

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**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Board of Education  
Lakewood City School District  
Lakewood, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3, the District restated beginning net position due to a reappraisal of capital assets. Also, as discussed in Note 18, Lakewood City Academy (component unit) closed as of July 31, 2019 and its financial statements are for the year ended June 30, 2019. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited



procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2019

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**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The management's discussion and analysis of Lakewood City School District's (the "District") financial performance provides an overall review 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position increased \$14,300,567. Net position of governmental activities increased \$14,295,196, which represents a 124.50% increase from 2018's restated net position. Net position of business-type activities increased \$5,371 from 2018's restated net position.
- Governmental activities general revenues accounted for \$81,741,807, in revenue or 85.73% of all governmental activities revenues. Governmental activities program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$13,602,852 or 14.27% of total governmental activities revenues of \$95,344,659.
- The District had \$81,049,463 in expenses related to governmental activities; only \$13,602,852 of these expenses were offset by program specific charges for services, operating and capital grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted and restricted grants and entitlements) of \$81,741,807 were adequate to provide for these programs.
- The District had \$1,558,362 in expenses related to business-type activities; a total of \$1,543,851 were offset by program specific charges for services, grants and contributions. General revenues were \$19,882. Total revenues were adequate to provide for these programs by \$5,371 resulting in an increase in net position from (\$737,930) to (\$732,559).
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$77,432,815 in revenues and other financing sources and \$75,830,636 in expenditures. The general fund's fund balance increased \$1,602,179 from \$28,624,330 to \$30,226,509.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$14,100,904 in revenues and \$11,317,487 in expenditures. The debt service fund's fund balance increased \$2,783,417 from \$11,644,858 to \$14,428,275.

**Using these Basic Financial Statements**

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

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

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, 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 recreation programs and food service operations are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 21-23 of this report.

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

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 24-29 of this report.

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

***Proprietary Funds***

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 30-32 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 33-34. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-91 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 94-109 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018. The net position at June 30, 2018 has been restated as described in Note 3.C.

**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018
<b>Assets</b>						
Current assets	\$ 112,379,105	\$ 107,357,893	\$ 835,525	\$ 803,233	\$ 113,214,630	\$ 108,161,126
Net OPEB asset	5,016,111	-	-	-	5,016,111	-
Capital assets, net	<u>211,313,518</u>	<u>215,202,185</u>	<u>571,684</u>	<u>657,201</u>	<u>211,885,202</u>	<u>215,859,386</u>
Total assets	<u>328,708,734</u>	<u>322,560,078</u>	<u>1,407,209</u>	<u>1,460,434</u>	<u>330,115,943</u>	<u>324,020,512</u>
<b>Deferred outflows of resources</b>						
Unamortized deferred charges	5,975,739	6,441,549	-	-	5,975,739	6,441,549
Pension	21,952,794	27,912,454	200,378	234,681	22,153,172	28,147,135
OPEB	<u>941,704</u>	<u>910,308</u>	<u>27,464</u>	<u>16,155</u>	<u>969,168</u>	<u>926,463</u>
Total deferred outflows of resources	<u>28,870,237</u>	<u>35,264,311</u>	<u>227,842</u>	<u>250,836</u>	<u>29,098,079</u>	<u>35,515,147</u>
<b>Liabilities</b>						
Current liabilities	11,407,198	10,871,185	178,738	183,099	11,585,936	11,054,284
Long-term liabilities:						
Due within one year	7,203,826	6,684,328	900	964	7,204,726	6,685,292
Net pension liability	84,855,351	92,086,866	1,251,837	1,389,448	86,107,188	93,476,314
Net OPEB liability	7,967,179	20,174,383	614,968	632,789	8,582,147	20,807,172
Other amounts	<u>154,790,600</u>	<u>161,275,858</u>	<u>107,998</u>	<u>102,001</u>	<u>154,898,598</u>	<u>161,377,859</u>
Total liabilities	<u>266,224,154</u>	<u>291,092,620</u>	<u>2,154,441</u>	<u>2,308,301</u>	<u>268,378,595</u>	<u>293,400,921</u>
<b>Deferred inflows of resources</b>						
Property taxes and PILOTs	49,596,576	47,602,272	-	-	49,596,576	47,602,272
Pension	6,930,171	4,987,922	105,874	62,667	7,036,045	5,050,589
OPEB	<u>9,050,478</u>	<u>2,659,179</u>	<u>107,295</u>	<u>78,232</u>	<u>9,157,773</u>	<u>2,737,411</u>
Total deferred inflows of resources	<u>65,577,225</u>	<u>55,249,373</u>	<u>213,169</u>	<u>140,899</u>	<u>65,790,394</u>	<u>55,390,272</u>
<b>Net Position</b>						
Net investment in capital assets	66,869,750	66,268,524	571,684	657,201	67,441,434	66,925,725
Restricted	22,572,644	19,528,600	-	-	22,572,644	19,528,600
Unrestricted (deficit)	<u>(63,664,802)</u>	<u>(74,314,728)</u>	<u>(1,304,243)</u>	<u>(1,395,131)</u>	<u>(64,969,045)</u>	<u>(75,709,859)</u>
Total net position	<u>\$ 25,777,592</u>	<u>\$ 11,482,396</u>	<u>\$ (732,559)</u>	<u>\$ (737,930)</u>	<u>\$ 25,045,033</u>	<u>\$ 10,744,466</u>

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and the net OPEB liability/asset is reported pursuant adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$25,045,033. Of this amount, \$25,777,592 is reported in governmental activities and (\$732,559) is reported in business-type activities.

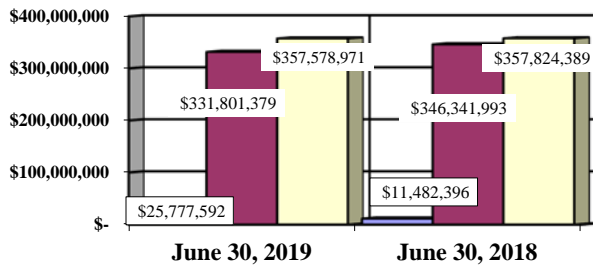
Assets of the District's governmental activities increased \$6,148,656 or 1.91%. The District saw an increase in current assets due to increases in equity and pooled cash and investments and property taxes receivable. The District also report a net OPEB asset related to the State Teacher's Retirement System (STRS) of Ohio. Capital assets of the District decreased \$3,888,667 due to current year depreciation expense. Deferred outflows of resources decreased due to various amounts related to the District net pension liability and net OPEB liability/asset.

Liabilities of the governmental activities decreased \$24,868,466 with the most significant decreases in the areas of net OPEB liability and net pension liability which decreased \$19,438,719. Current liabilities increased \$536,013 due to accrued wages and benefits payable and pension and postemployment benefits payable. Deferred inflows of resources increased due to an increase in property taxes levied for the next fiscal year and an increase in amounts related to the net pension liability and net OPEB liability/asset.

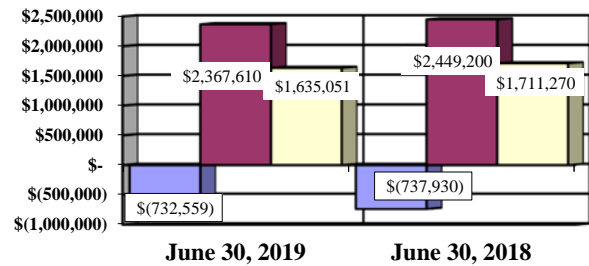
A portion of the District's net position, \$22,572,644, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$5,047,250 is restricted for capital projects which is primarily the balance restricted for the OSFC Project and \$13,955,890 that is restricted for debt service. The remaining balance of the governmental activities unrestricted net position is (\$63,664,802).

The graphs below show the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and June 30, 2018. The amounts at June 30, 2018 have been restated as described in Note 3.C.

**Governmental – Net Position**



**Business-Type – Net Position**



■ Net Position                      ■ Liabilities + Deferred Inflows  
■ Assets + Deferred Outflows

■ Net Position                      ■ Liabilities + Deferred Inflows  
■ Assets + Deferred Outflows



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The table below shows the changes in net position for fiscal years 2019 and 2018. The net position at June 30, 2018 has been restated as described in Note 3.C.

**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 5,544,141	\$ 5,649,651	\$ 722,685	\$ 651,902	\$ 6,266,826	\$ 6,301,553
Operating grants and contributions	7,902,711	7,722,592	821,166	1,018,521	8,723,877	8,741,113
Capital grants and contributions	156,000	72,048	-	-	156,000	72,048
General revenues:						
Property taxes	57,085,554	55,499,648	-	-	57,085,554	55,499,648
Payment in lieu of taxes	1,075,316	633,751	-	-	1,075,316	633,751
Unrestricted grants and entitlements	22,050,140	22,721,081	-	-	22,050,140	22,721,081
Investment earnings	1,262,409	706,492	18,200	7,787	1,280,609	714,279
Miscellaneous	268,388	199,907	1,682	1,111	270,070	201,018
<b>Total revenues</b>	<b>95,344,659</b>	<b>93,205,170</b>	<b>1,563,733</b>	<b>1,679,321</b>	<b>96,908,392</b>	<b>94,884,491</b>
Program expenses:						
Instruction:						
Regular	31,181,304	14,871,700	-	-	31,181,304	14,871,700
Special	12,785,745	6,299,309	-	-	12,785,745	6,299,309
Vocational	2,844,331	1,423,924	-	-	2,844,331	1,423,924
Adult/continuing	96,598	221,558	-	-	96,598	221,558
Other	3,373,585	3,673,347	-	-	3,373,585	3,673,347
Support services:						
Pupil	4,065,700	1,546,397	-	-	4,065,700	1,546,397
Instructional staff	2,871,743	1,921,500	-	-	2,871,743	1,921,500
Board of education	460,435	359,400	-	-	460,435	359,400
Administration	3,557,084	1,663,131	-	-	3,557,084	1,663,131
Fiscal	1,815,789	1,426,927	-	-	1,815,789	1,426,927
Business	647,007	547,098	-	-	647,007	547,098
Operations and maintenance	7,169,257	4,885,306	-	-	7,169,257	4,885,306
Pupil transportation	160,361	133,376	-	-	160,361	133,376
Central	303,198	148,731	-	-	303,198	148,731
Operation of non-instructional services	3,160,994	2,589,788	-	-	3,160,994	2,589,788
Extracurricular activities	1,229,553	782,625	-	-	1,229,553	782,625
Interest and fiscal charges	5,326,779	5,718,613	-	-	5,326,779	5,718,613
Food service	-	-	1,328,272	1,160,730	1,328,272	1,160,730
Recreation	-	-	230,090	249,417	230,090	249,417
<b>Total expenses</b>	<b>81,049,463</b>	<b>48,212,730</b>	<b>1,558,362</b>	<b>1,410,147</b>	<b>82,607,825</b>	<b>49,622,877</b>
<b>Changes in net position</b>	<b>14,295,196</b>	<b>44,992,440</b>	<b>5,371</b>	<b>269,174</b>	<b>14,300,567</b>	<b>45,261,614</b>
Net position at beginning of year (restated)	11,482,396	(33,510,044)	(737,930)	(1,007,104)	10,744,466	(34,517,148)
<b>Net position at end of year</b>	<b>\$ 25,777,592</b>	<b>\$ 11,482,396</b>	<b>\$ (732,559)</b>	<b>\$ (737,930)</b>	<b>\$ 25,045,033</b>	<b>\$ 10,744,466</b>

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

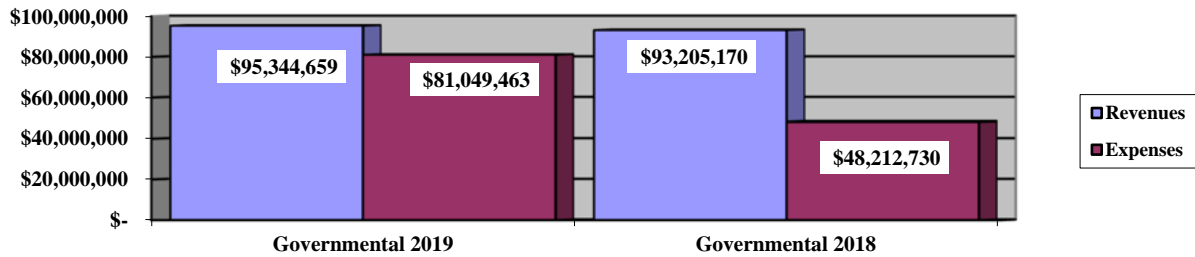
**Governmental Activities**

Net position of the District's governmental activities increased \$14,295,196. Total governmental expenses of \$81,049,463 were offset by program revenues of \$13,602,852 and general revenues of \$81,741,807. Program revenues supported 16.78% of the total governmental expenses. Governmental revenues of the District increased \$2,139,489 which was due to an increase in property taxes. Property taxes of the District increased \$1,585,906 due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Cuyahoga County Fiscal Officer. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2019, 2018 and 2017 was \$9,027,266, \$6,942,799 and \$8,106,089, respectively. The amount of tax advance available at year-end can vary depending upon when the county fiscal officers distribute tax bills.

Expenses of the governmental activities increased \$32,836,733 or 68.11%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2019 and 2018.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted and restricted grants and entitlements.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

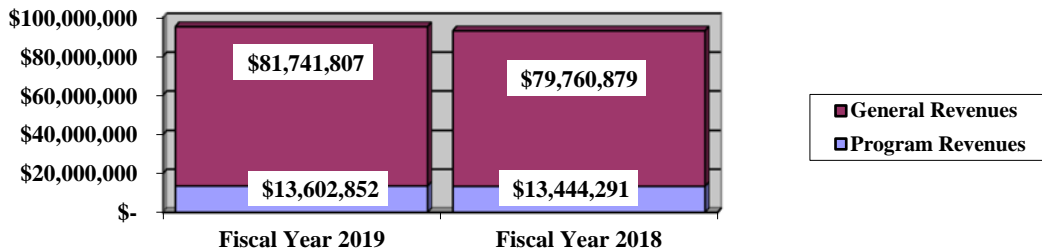
**Governmental Activities**

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
Program expenses:				
Instruction:				
Regular	\$ 31,181,304	\$ 28,244,660	\$ 14,871,700	\$ 11,713,233
Special	12,785,745	8,912,111	6,299,309	1,533,472
Vocational	2,844,331	(773,411)	1,423,924	(982,557)
Adult/continuing	96,598	(48,687)	221,558	77,883
Other	3,373,585	3,373,585	3,673,347	3,673,347
Support services:				
Pupil	4,065,700	3,850,417	1,546,397	1,355,682
Instructional staff	2,871,743	2,870,877	1,921,500	1,870,696
Board of education	460,435	460,435	359,400	359,400
Administration	3,557,084	3,452,077	1,663,131	1,534,639
Fiscal	1,815,789	1,815,789	1,426,927	1,426,927
Business	647,007	647,007	547,098	547,098
Operations and maintenance	7,169,257	6,608,660	4,885,306	4,597,662
Pupil transportation	160,361	8,258	133,376	(41,945)
Central	303,198	285,198	148,731	148,731
Operation of non-instructional services	3,160,994	1,635,451	2,589,788	982,208
Extracurricular activities	1,229,553	777,405	782,625	253,350
Interest and fiscal charges	<u>5,326,779</u>	<u>5,326,779</u>	<u>5,718,613</u>	<u>5,718,613</u>
Total expenses	<u>\$ 81,049,463</u>	<u>\$ 67,446,611</u>	<u>\$ 48,212,730</u>	<u>\$ 34,768,439</u>

The dependence upon tax revenues and unrestricted grants and entitlements during fiscal year 2019 for governmental activities is apparent, as 78.97% of 2019 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 83.22% in 2019. The District's taxpayers and unrestricted and restricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2019 and 2018.

**Governmental Activities - General and Program Revenues**



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Business-Type Activities**

Business-type activities include recreation and the food service operation. These programs had revenues of \$1,563,733 and expenses of \$1,558,362 for fiscal year 2019. The food service operations had revenues of \$1,280,659 and expenses of \$1,328,272. The recreation fund has \$230,090 in expenses and revenues of \$283,074. This resulted in an increase to net position for the fiscal year of \$5,371. These funds are intended to be self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently. The major reason for the deficits in these funds is due to the recording of the net pension liability/net OPEB liability/asset and the related deferred outflows/inflows under GASB Statement No. 68 and 75.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 24) reported a combined fund balance of \$47,411,321 which is higher than last year's total of \$43,379,400. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	<u>Fund Balance</u> <u>June 30, 2019</u>	<u>Fund Balance</u> <u>June 30, 2018</u>	<u>Change</u>
General	\$ 30,226,509	\$ 28,624,330	\$ 1,602,179
Debt Service	14,428,275	11,644,858	2,783,417
Other Governmental	<u>2,756,537</u>	<u>3,110,212</u>	<u>(353,675)</u>
Total	<u>\$ 47,411,321</u>	<u>\$ 43,379,400</u>	<u>\$ 4,031,921</u>

**General Fund**

The District's general fund balance increased \$1,602,179. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 45,156,087	\$ 43,912,981	\$ 1,243,106	2.83 %
Earnings on investments	1,163,270	451,602	711,668	157.59 %
Intergovernmental	24,049,042	24,013,234	35,808	0.15 %
Other revenues	<u>6,312,818</u>	<u>5,891,303</u>	<u>421,515</u>	7.15 %
Total	<u>\$ 76,681,217</u>	<u>\$ 74,269,120</u>	<u>\$ 2,412,097</u>	3.25 %

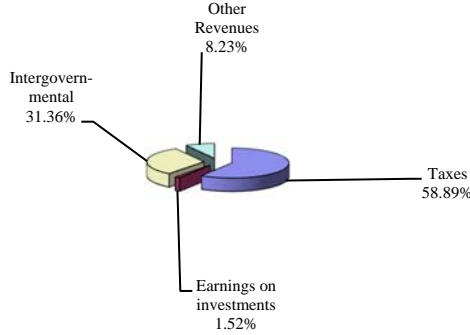
Overall revenues of the general fund increased \$2,412,097 or 3.25%. Tax revenue increased \$1,243,106 or 2.83% from the prior year. This increase can be attributed to an increase in the amount of tax advance that was available to the District from the County Fiscal Officer at June 30, 2019 versus June 30, 2018. This variance resulted in more tax revenue being reported in fiscal year 2019. The amount of tax advances available from the County Fiscal Officer can vary depending upon when tax bills are mailed. Earnings on investments increased \$711,668 due to an increase in interest rates earned on investments. Other revenues increased \$421,515 due to an increase in payment in lieu of taxes.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

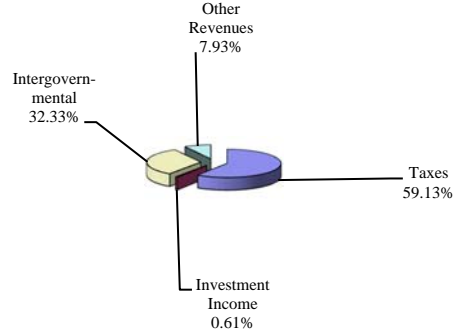
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The graphs below detail general fund revenues from fiscal year 2019 and 2018.

**Revenues – Fiscal year 2019**



**Revenues – Fiscal year 2018**



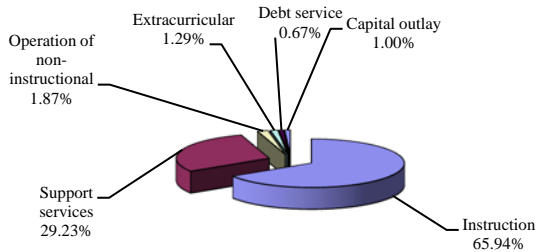
The table that follows assists in illustrating the expenditures of the general fund.

	2019 <u>Amount</u>	2018 <u>Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 49,999,114	\$ 48,322,837	\$ 1,676,277	3.47 %
Support services	22,166,013	21,618,174	547,839	2.53 %
Operation of non-instructional services	1,421,553	1,456,597	(35,044)	(2.41) %
Extracurricular activities	977,979	956,686	21,293	2.23 %
Facilities acquisition and construction	5,000	-	5,000	100.00 %
Capital outlay	751,598	1,000,000	(248,402)	(24.84) %
Debt service	509,379	553,268	(43,889)	(7.93) %
<b>Total</b>	<b><u>\$ 75,830,636</u></b>	<b><u>\$ 73,907,562</u></b>	<b><u>\$ 1,923,074</u></b>	<b>2.60 %</b>

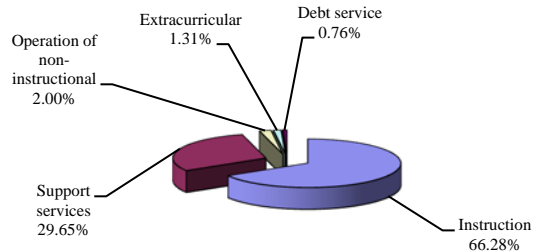
Expenditures of the general fund increased by \$1,923,074 or 2.60%. The District's largest increased was in the area of instruction which increased \$1,676,277 or 3.47%. This increase was the result of an increase in wages and benefits paid to teachers.

The graphs below detail general fund expenditures for fiscal year 2019 and 2018.

**Expenditures – Fiscal year 2019**



**Expenditures – Fiscal year 2018**



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

***Debt Service Fund***

Another of the District's major governmental funds is the debt service fund. The debt service fund had \$14,100,904 in revenues and \$11,317,487 in expenditures. The debt service fund's fund balance increased \$2,783,417 from \$11,644,858 to \$14,428,275. The increase in fund balance was the result of property tax collections exceeding scheduled debt service payments during the fiscal year.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2019, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, original budgeted revenues of \$71,810,454 were decreased to \$71,515,735 in the final budget. Actual revenues for fiscal year 2019 were \$74,774,774. This represents a \$3,256,039 increase from final budgeted revenues.

General fund original appropriations (expenditures) and final appropriations were \$77,425,120. The actual budget basis expenditures for fiscal year 2019 totaled \$76,347,317, which was \$1,077,803 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2019, the District had \$211,885,202 invested in land, construction in progress, land improvements, buildings/improvements, furniture/equipment and vehicles. Of this total, \$211,313,518 was reported in governmental activities and \$571,684 was reported in business-type activities. The following table shows June 30, 2019 balances compared to June 30, 2018. Capital assets at June 30, 2018 have been restated as described in Note 3.C.

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		Restated		Restated		Restated
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 9,643,808	\$ 9,643,808	\$ -	\$ -	\$ 9,643,808	\$ 9,643,808
Construction in progress	751,598	-	-	-	751,598	-
Land improvements	839,968	525,341	-	-	839,968	525,341
Buildings/improvements	199,048,058	203,772,017	-	-	199,048,058	203,772,017
Furniture/equipment	755,224	965,188	571,684	657,201	1,326,908	1,622,389
Vehicles	274,862	295,831	-	-	274,862	295,831
<b>Total</b>	<b><u>\$ 211,313,518</u></b>	<b><u>\$ 215,202,185</u></b>	<b><u>\$ 571,684</u></b>	<b><u>\$ 657,201</u></b>	<b><u>\$ 211,885,202</u></b>	<b><u>\$ 215,859,386</u></b>

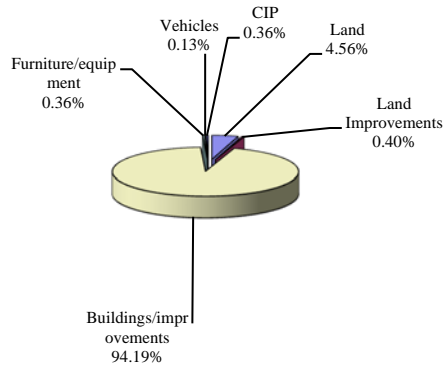
The overall decrease in governmental capital assets of \$3,888,667 is the result of capital outlays of \$1,389,863 and depreciation expense of \$5,278,530.

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

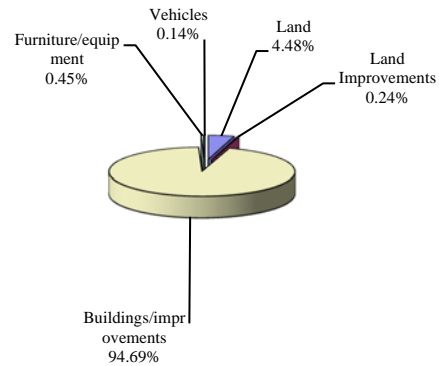
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following graphs show the breakdown of governmental activities capital assets by category for 2019 and 2018.

**Capital Assets - Governmental Activities  
June 30, 2019**



**Capital Assets - Governmental Activities  
June 30, 2018 (restated)**



See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2019 the District had \$138,528,177 in general obligation bonds and capital leases outstanding. Of this total, \$6,502,142 is due within one year and \$132,026,035 is due in more than one year.

The following table summarizes the bonds and capital leases outstanding.

**Outstanding Bond and Lease Debt, at Year End**

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
General obligation bonds	\$ 136,176,434	\$ 141,345,411
Capital leases	<u>2,351,743</u>	<u>2,062,817</u>
Total	<u>\$ 138,528,177</u>	<u>\$ 143,408,228</u>

The District maintains an Aa2 bond rating.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Current Financial Related Activities**

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the balance sheet on page 24 shows, the general fund's unrestricted cash balance was \$32,447,489 at June 30, 2019. Fiscal year-end general fund unrestricted cash balances were \$32,319,547, \$30,463,382, \$28,745,741, \$24,811,841, \$22,581,173, \$19,580,409, \$16,813,918, \$15,603,692 and \$13,196,739 at June 30 in fiscal years 2018-2010, respectively. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance, pass five consecutive operating levies in 1995, 1999, 2002, 2010 and 2013 at minimum millage amounts possible, and continue a quality, comprehensive educational program.

The Board's five-year projections indicated that the natural budget cycle needs would require additional operating income beginning in fiscal year 2020. In May 2010, the Board submitted, and the electors of the District approved (by a vote of 60.62% to 39.38%) a 6.9-mill ad valorem property tax for the purpose of current expenses for a continuing period of time. That levy generates approximately \$5.8 million annually. By monitoring its five-year forecast, the Board was able to request voter approval early in the forecast cycle to lower the millage amount needed and not face significant reductions in educational programming. Once again, in May 2013, the board submitted, and the electors of the District approved (by a vote of 69% to 31%) a 3.9-mill ad valorem property tax for the purpose of current expenses for a continuing period of time. This levy generates approximately \$3.2 million annually. It is anticipated that additional operating funds from local taxes will be necessary again in fiscal year 2019. Since 2005, the Board has made numerous reductions in operating expenses to manage the budget and deal with revenue losses from reduced state funding, property valuations, and investment earnings.

Several significant legislative and judicial actions have occurred that will have a major impact on our District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. The District has been able to streamline some of its operations, thus cutting expenses, due to commencement of its new school facilities program.

Declining enrollment over the past ten years is a trend that has received, and will continue to receive, the attention of the Board and Administration. Enrollment in the past two years has leveled, perhaps due to implementation of extended-day kindergarten, economic conditions, or other factors. Reduced student counts lead to staffing cuts, excess building capacity, and less state funding. Each of these factors negatively impacts the operations of the District.



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Another challenge facing the District is the need to complete the final construction phase to update its facilities to streamline operations and to enhance learning space design for students. The Board empowered the "Designing Our Schools for the Next 50 Years" Committee to develop a plan for school building replacement/renovation, grade configuration, and building numbers and locations. The Board has worked with the Ohio School Facilities Commission (OSFC) to develop a master facilities plan and project agreement, both of which are necessary in order to access State funds to assist with costs related to the plan. OSFC funding will comprise approximately 31% of the approved project costs; thus, it is important to capture this revenue source to relieve some of the financial burden from local taxpayers. The Lakewood community passed a \$93.6 million bond issue in March 2005, to begin the first construction phase of the facilities plan. Community and staff committees designed two new elementary schools and two new middle schools. The Lakewood community also passed a \$30.1 million bond issue on May 8, 2007. The 1.9 mill levy is for a term of 27 years commenced in 2007 (tax collections began in 2008). This bond issue was passed to renovate two middle schools to become elementary schools, and to renovate the western portion of Lakewood High School. When the entire project is completed, the District will have reduced its operations from 14 school buildings (10 elementary schools, 3 middle schools, and 1 high school) to 10 school buildings (7 elementary schools, 2 middle schools and 1 high school). The operational efficiencies created by this realignment of facilities will lessen millage amounts that will be needed for general fund operations in years after the facilities plan is completed. In November 2013 the Lakewood community passed a \$49,950,000 million bond issue to replace the last three elementary buildings and provide additions and renovations to the High School. Three new elementary buildings were opened in the fall of 2016 and a new academic wing at the High School opened in January 2017. The final phase of the High School project was completed in January 2018. This will complete the mission of the "50 Year" Committee.

The District has committed itself to educational and financial excellence for many years. This is exemplified by the unmodified audit opinions that have been received by the Auditor of State. Each challenge identified in this section is viewed simultaneously as an opportunity for the District to foray down paths not previously traveled to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support the educational program.

**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 Mr. Kent Zeman, Treasurer, Lakewood City School District, 1470 Warren Road, Lakewood, Ohio 44107.

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**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lakewood City Academy
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 49,876,163	\$ 821,689	\$ 50,697,852	\$ 22,748
Receivables:				
Property taxes . . . . .	60,520,541	-	60,520,541	-
Payment in lieu of taxes . . . . .	930,340	-	930,340	-
Accounts . . . . .	21,799	-	21,799	-
Accrued interest . . . . .	41,769	886	42,655	-
Intergovernmental . . . . .	866,213	-	866,213	-
Prepayments . . . . .	122,280	-	122,280	-
Materials and supplies inventory . . . . .	-	6,916	6,916	-
Inventory held for resale . . . . .	-	6,034	6,034	-
Net OPEB asset . . . . .	5,016,111	-	5,016,111	-
Capital assets:				
Nondepreciable capital assets . . . . .	10,395,406	-	10,395,406	-
Depreciable capital assets, net . . . . .	200,918,112	571,684	201,489,796	-
Capital assets, net . . . . .	211,313,518	571,684	211,885,202	-
Total assets . . . . .	328,708,734	1,407,209	330,115,943	22,748
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding	5,975,739	-	5,975,739	-
Pension . . . . .	21,952,794	200,378	22,153,172	-
OPEB . . . . .	941,704	27,464	969,168	-
Total deferred outflows of resources . . . . .	28,870,237	227,842	29,098,079	-
<b>Liabilities:</b>				
Accounts payable . . . . .	690,022	5,123	695,145	-
Accrued wages and benefits payable . . . . .	8,624,118	131,263	8,755,381	-
Intergovernmental payable . . . . .	146,119	1,700	147,819	23,488
Pension and postemployment benefits payable . . . . .	1,214,449	40,652	1,255,101	-
Accrued interest payable . . . . .	732,490	-	732,490	-
Long-term liabilities:				
Due within one year . . . . .	7,203,826	900	7,204,726	-
Due in more than one year:				
Net pension liability . . . . .	84,855,351	1,251,837	86,107,188	-
Net OPEB liability . . . . .	7,967,179	614,968	8,582,147	-
Other amounts . . . . .	154,790,600	107,998	154,898,598	-
Total liabilities . . . . .	266,224,154	2,154,441	268,378,595	23,488
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	48,666,236	-	48,666,236	-
Payment in lieu of taxes levied for the next fiscal year	930,340	-	930,340	-
Pension . . . . .	6,930,171	105,874	7,036,045	-
OPEB . . . . .	9,050,478	107,295	9,157,773	-
Total deferred inflows of resources . . . . .	65,577,225	213,169	65,790,394	-
<b>Net position:</b>				
Net investment in capital assets . . . . .	66,869,750	571,684	67,441,434	-
Restricted for:				
Capital projects . . . . .	5,047,250	-	5,047,250	-
Classroom facilities maintenance . . . . .	2,238,070	-	2,238,070	-
Debt service . . . . .	13,955,890	-	13,955,890	-
Locally funded programs . . . . .	23,105	-	23,105	-
State funded programs . . . . .	366,968	-	366,968	-
Federally funded programs . . . . .	404,027	-	404,027	-
Student activities . . . . .	376,352	-	376,352	-
Other purposes . . . . .	160,982	-	160,982	-
Unrestricted (deficit) . . . . .	(63,664,802)	(1,304,243)	(64,969,045)	(740)
Total net position . . . . .	\$ 25,777,592	\$ (732,559)	\$ 25,045,033	\$ (740)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 31,181,304	\$ 2,438,435	\$ 498,209	\$ -
Special . . . . .	12,785,745	161,699	3,711,935	-
Vocational . . . . .	2,844,331	1,878,445	1,739,297	-
Adult/continuing. . . . .	96,598	145,285	-	-
Other . . . . .	3,373,585	-	-	-
Support services:				
Pupil. . . . .	4,065,700	-	215,283	-
Instructional staff . . . . .	2,871,743	-	866	-
Board of education . . . . .	460,435	-	-	-
Administration. . . . .	3,557,084	-	105,007	-
Fiscal. . . . .	1,815,789	-	-	-
Business. . . . .	647,007	-	-	-
Operations and maintenance . . . . .	7,169,257	374,102	30,495	156,000
Pupil transportation. . . . .	160,361	-	152,103	-
Central . . . . .	303,198	-	18,000	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	3,160,994	97,458	1,428,085	-
Extracurricular activities. . . . .	1,229,553	448,717	3,431	-
Interest and fiscal charges . . . . .	5,326,779	-	-	-
Total governmental activities . . . . .	<u>81,049,463</u>	<u>5,544,141</u>	<u>7,902,711</u>	<u>156,000</u>
<b>Business-type activities:</b>				
Food service. . . . .	1,328,272	441,293	821,166	-
Recreation. . . . .	230,090	281,392	-	-
Total business-type activities . . . . .	<u>1,558,362</u>	<u>722,685</u>	<u>821,166</u>	<u>-</u>
Totals . . . . .	<u>\$ 82,607,825</u>	<u>\$ 6,266,826</u>	<u>\$ 8,723,877</u>	<u>\$ 156,000</u>
<b>Component units</b>				
Lakewood City Academy . . . . .	<u>\$ 907,991</u>	<u>\$ 1,071</u>	<u>\$ 738,623</u>	<u>\$ -</u>

**General revenues:**

Property taxes levied for:
General purposes . . . . .
Debt service. . . . .
Classroom facilities . . . . .
Payments in lieu of taxes. . . . .
Grants and entitlements not restricted to specific programs . . . . .
Investment earnings . . . . .
Miscellaneous . . . . .

Total general revenues . . . . .

Change in net position . . . . .

**Net position at beginning of year (restated)**

**Net position at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Lakewood City Academy</b>
\$ (28,244,660)	\$ -	\$ (28,244,660)	\$ -
(8,912,111)	-	(8,912,111)	-
773,411	-	773,411	-
48,687	-	48,687	-
(3,373,585)	-	(3,373,585)	-
(3,850,417)	-	(3,850,417)	-
(2,870,877)	-	(2,870,877)	-
(460,435)	-	(460,435)	-
(3,452,077)	-	(3,452,077)	-
(1,815,789)	-	(1,815,789)	-
(647,007)	-	(647,007)	-
(6,608,660)	-	(6,608,660)	-
(8,258)	-	(8,258)	-
(285,198)	-	(285,198)	-
(1,635,451)	-	(1,635,451)	-
(777,405)	-	(777,405)	-
(5,326,779)	-	(5,326,779)	-
(67,446,611)	-	(67,446,611)	-
-	(65,813)	(65,813)	-
-	51,302	51,302	-
-	(14,511)	(14,511)	-
(67,446,611)	(14,511)	(67,461,122)	-
-	-	-	(168,297)
43,941,783	-	43,941,783	-
12,726,526	-	12,726,526	-
417,245	-	417,245	-
1,075,316	-	1,075,316	-
22,050,140	-	22,050,140	-
1,262,409	18,200	1,280,609	-
268,388	1,682	270,070	1,113
81,741,807	19,882	81,761,689	1,113
14,295,196	5,371	14,300,567	(167,184)
11,482,396	(737,930)	10,744,466	166,444
\$ 25,777,592	\$ (732,559)	\$ 25,045,033	\$ (740)

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 32,447,489	\$ 12,225,817	\$ 4,591,769	\$ 49,265,075
<b>Receivables:</b>				
Property taxes . . . . .	46,323,198	13,752,305	445,038	60,520,541
Payment in lieu of taxes . . . . .	930,340	-	-	930,340
Accounts . . . . .	21,799	-	-	21,799
Accrued interest . . . . .	40,695	-	1,074	41,769
Intergovernmental . . . . .	67,409	-	643,073	710,482
Due from other funds . . . . .	1,237,472	-	3,715,078	4,952,550
Total assets . . . . .	<u>\$ 81,068,402</u>	<u>\$ 25,978,122</u>	<u>\$ 9,396,032</u>	<u>\$ 116,442,556</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 529,163	\$ -	\$ 160,859	\$ 690,022
Accrued wages and benefits payable . . . . .	8,157,917	-	466,201	8,624,118
Compensated absences payable . . . . .	259,012	-	-	259,012
Intergovernmental payable . . . . .	140,257	-	5,862	146,119
Pension and postemployment benefits payable . . . . .	1,177,102	-	37,347	1,214,449
Due to other funds . . . . .	-	-	4,952,550	4,952,550
Total liabilities . . . . .	<u>10,263,451</u>	<u>-</u>	<u>5,622,819</u>	<u>15,886,270</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	37,443,872	10,860,111	362,253	48,666,236
Payment in lieu of taxes levied for the next fiscal year . . . . .	930,340	-	-	930,340
Delinquent property tax revenue not available . . . . .	2,117,560	689,736	19,743	2,827,039
Intergovernmental revenue not available . . . . .	-	-	634,148	634,148
Accrued interest not available . . . . .	20,168	-	532	20,700
Miscellaneous revenue not available . . . . .	66,502	-	-	66,502
Total deferred inflows of resources . . . . .	<u>40,578,442</u>	<u>11,549,847</u>	<u>1,016,676</u>	<u>53,144,965</u>
<b>Fund balances:</b>				
<b>Restricted:</b>				
Debt service . . . . .	-	14,428,275	-	14,428,275
Capital improvements . . . . .	-	-	5,046,893	5,046,893
Classroom facilities maintenance . . . . .	-	-	2,218,327	2,218,327
Non-public schools . . . . .	-	-	50,771	50,771
Public school preschool . . . . .	-	-	272,750	272,750
Other purposes . . . . .	-	-	215,445	215,445
Extracurricular activities . . . . .	-	-	376,352	376,352
<b>Assigned:</b>				
Student instruction . . . . .	560,785	-	-	560,785
Student and staff support . . . . .	1,650,226	-	-	1,650,226
Subsequent year's appropriations . . . . .	2,973,798	-	-	2,973,798
Operation of non-instructional activities . . . . .	202,703	-	-	202,703
Other purposes . . . . .	78,106	-	-	78,106
Unassigned (deficit) . . . . .	24,760,891	-	(5,424,001)	19,336,890
Total fund balances . . . . .	<u>30,226,509</u>	<u>14,428,275</u>	<u>2,756,537</u>	<u>47,411,321</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 81,068,402</u>	<u>\$ 25,978,122</u>	<u>\$ 9,396,032</u>	<u>\$ 116,442,556</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

<b>Total governmental fund balances</b>		\$	47,411,321
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			211,313,518
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	2,827,039	
Accounts receivable		66,502	
Accrued interest receivable		20,700	
Intergovernmental receivable		634,148	
Total		634,148	3,548,389
An internal service fund is used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			889,099
Unamortized premiums on bonds issued are not recognized in the funds.			(16,804,803)
Unamortized amounts on refundings are not recognized in the funds.			5,975,739
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(732,490)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		21,952,794	
Deferred inflows of resources - pension		(6,930,171)	
Net pension liability		(84,855,351)	
Total		(84,855,351)	(69,832,728)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - OPEB		941,704	
Deferred inflows of resources - OPEB		(9,050,478)	
Net OPEB asset		5,016,111	
Net OPEB liability		(7,967,179)	
Total		(7,967,179)	(11,059,842)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(136,176,434)	
Capital lease obligations		(2,351,743)	
Compensated absences		(6,402,434)	
Total		(144,930,611)	(144,930,611)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>25,777,592</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 45,156,087	\$ 12,955,139	\$ 429,226	\$ 58,540,452
Payment in lieu of taxes . . . . .	1,075,316	-	-	1,075,316
Tuition . . . . .	3,355,691	-	136,475	3,492,166
Earnings on investments . . . . .	1,163,270	-	104,467	1,267,737
Extracurricular . . . . .	431,544	-	434,150	865,694
Classroom materials and fees . . . . .	84,422	-	-	84,422
Rental income . . . . .	351,002	-	23,100	374,102
Contributions and donations . . . . .	9,195	-	9,806	19,001
Contract services . . . . .	727,757	-	-	727,757
Other local revenues . . . . .	277,891	-	167,524	445,415
Intergovernmental - intermediate . . . . .	-	-	1,399	1,399
Intergovernmental - state . . . . .	23,416,411	1,145,765	1,637,515	26,199,691
Intergovernmental - federal . . . . .	632,631	-	3,155,030	3,787,661
Total revenues . . . . .	<u>76,681,217</u>	<u>14,100,904</u>	<u>6,098,692</u>	<u>96,880,813</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	31,840,530	-	679,616	32,520,146
Special . . . . .	11,949,225	-	2,493,210	14,442,435
Vocational . . . . .	2,678,422	-	167,109	2,845,531
Adult/continuing . . . . .	107,421	-	-	107,421
Other . . . . .	3,423,516	-	-	3,423,516
Support services:				
Pupil . . . . .	4,261,895	-	220,906	4,482,801
Instructional staff . . . . .	3,022,053	-	5,409	3,027,462
Board of education . . . . .	461,635	-	-	461,635
Administration . . . . .	3,921,973	1,000	106,985	4,029,958
Fiscal . . . . .	1,933,739	-	-	1,933,739
Business . . . . .	703,086	-	-	703,086
Operations and maintenance . . . . .	7,396,052	-	30,496	7,426,548
Pupil transportation . . . . .	109,289	-	-	109,289
Central . . . . .	356,291	-	-	356,291
Operation of non-instructional services:				
Other non-instructional services . . . . .	1,421,553	-	1,353,885	2,775,438
Extracurricular activities . . . . .	977,979	-	398,085	1,376,064
Facilities acquisition and construction . . . . .	5,000	-	996,666	1,001,666
Capital outlay . . . . .	751,598	-	-	751,598
Debt service:				
Principal retirement . . . . .	462,672	4,692,316	-	5,154,988
Interest and fiscal charges . . . . .	46,707	5,751,487	-	5,798,194
Accretion on capital appreciation bonds . . . . .	-	872,684	-	872,684
Total expenditures . . . . .	<u>75,830,636</u>	<u>11,317,487</u>	<u>6,452,367</u>	<u>93,600,490</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>850,581</u>	<u>2,783,417</u>	<u>(353,675)</u>	<u>3,280,323</u>
<b>Other financing sources:</b>				
Capital lease transaction . . . . .	751,598	-	-	751,598
Total other financing sources . . . . .	<u>751,598</u>	<u>-</u>	<u>-</u>	<u>751,598</u>
Net change in fund balances . . . . .	1,602,179	2,783,417	(353,675)	4,031,921
<b>Fund balances at beginning of year . . . . .</b>	<u>28,624,330</u>	<u>11,644,858</u>	<u>3,110,212</u>	<u>43,379,400</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 30,226,509</u>	<u>\$ 14,428,275</u>	<u>\$ 2,756,537</u>	<u>\$ 47,411,321</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	4,031,921
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,389,863	
Current year depreciation	(5,278,530)	
Total	(3,888,667)	(3,888,667)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(1,454,898)	
Earnings on investments	5,213	
Other local revenue	40,132	
Intergovernmental	(90,782)	
Total	(1,500,335)	(1,500,335)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	4,692,316	
Accreted interest on capital appreciation bonds	872,684	
Capital leases	462,672	
Total	6,027,672	6,027,672
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(751,598)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	7,140	
Accreted interest on capital appreciation bonds	(396,023)	
Amortization of bond premiums	1,326,108	
Amortization of deferred charges	(465,810)	
Total	471,415	471,415

(Continued)

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	\$	6,439,550
OPEB		225,760
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
Pension		(7,109,944)
OPEB		10,637,652
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(222,405)
An internal service fund used by management to charge the costs of workers compensation to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(65,825)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>14,295,196</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 42,879,632	\$ 42,703,649	\$ 43,754,657	\$ 1,051,008
Payment in lieu of taxes. . . . .	250,000	250,000	1,075,316	825,316
Tuition. . . . .	2,967,993	2,955,812	3,352,527	396,715
Earnings on investments . . . . .	345,575	344,156	1,064,853	720,697
Extracurricular. . . . .	69,930	69,643	68,922	(721)
Classroom materials and fees . . . . .	87,480	87,121	84,422	(2,699)
Rental income . . . . .	217,218	216,327	349,482	133,155
Contract services. . . . .	1,000,710	996,603	727,757	(268,846)
Other local revenues . . . . .	361,127	358,619	254,880	(103,739)
Intergovernmental - state . . . . .	23,211,163	23,115,901	23,406,327	290,426
Intergovernmental - federal . . . . .	419,626	417,904	632,631	214,727
<b>Total revenues . . . . .</b>	<u>71,810,454</u>	<u>71,515,735</u>	<u>74,771,774</u>	<u>3,256,039</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	31,873,842	31,987,182	31,811,119	176,063
Special. . . . .	11,767,114	11,737,835	12,001,240	(263,405)
Vocational. . . . .	2,600,453	2,593,983	2,624,585	(30,602)
Adult/continuing . . . . .	134,437	134,102	125,078	9,024
Other. . . . .	4,073,702	4,063,566	3,762,174	301,392
Support services:				
Pupil. . . . .	4,268,874	4,258,252	4,233,256	24,996
Instructional staff . . . . .	3,001,427	2,993,959	3,056,970	(63,011)
Board of education . . . . .	498,374	497,134	619,692	(122,558)
Administration. . . . .	3,651,793	3,642,707	3,900,961	(258,254)
Fiscal . . . . .	2,401,262	2,395,287	1,943,161	452,126
Business . . . . .	945,309	942,957	718,932	224,025
Operations and maintenance. . . . .	9,340,674	9,317,433	8,563,697	753,736
Pupil transportation . . . . .	141,382	141,030	138,254	2,776
Central. . . . .	353,080	352,201	366,899	(14,698)
Other operation of non-instructional services . . . . .	1,446,576	1,442,977	1,499,591	(56,614)
Extracurricular activities. . . . .	926,821	924,515	976,708	(52,193)
Facilities acquisition and construction . . . . .	-	-	5,000	(5,000)
<b>Total expenditures . . . . .</b>	<u>77,425,120</u>	<u>77,425,120</u>	<u>76,347,317</u>	<u>1,077,803</u>
 Net change in fund balance . . . . .	 (5,614,666)	 (5,909,385)	 (1,575,543)	 4,333,842
 <b>Fund balance at beginning of year . . . . .</b>	 28,546,091	 28,546,091	 28,546,091	 -
<b>Prior year encumbrances appropriated . . . . .</b>	<b>2,714,577</b>	<b>2,714,577</b>	<b>2,714,577</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ 25,646,002</u></u>	<u><u>\$ 25,351,283</u></u>	<u><u>\$ 29,685,125</u></u>	<u><u>\$ 4,333,842</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	<b>Total Business-Type Activities - Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 821,689	\$ 611,088
Receivables:		
Accrued interest. . . . .	886	-
Intergovernmental. . . . .	-	155,731
Prepayments . . . . .	-	122,280
Materials and supplies inventory. . . . .	6,916	-
Inventory held for resale . . . . .	6,034	-
Total current assets . . . . .	835,525	889,099
Noncurrent assets:		
Depreciable capital assets, net . . . . .	571,684	-
Total assets. . . . .	1,407,209	889,099
<b>Deferred outflows of resources:</b>		
Pension . . . . .	200,378	-
OPEB . . . . .	27,464	-
Total deferred outflows of resources . . . . .	227,842	-
<b>Liabilities:</b>		
Accounts payable. . . . .	5,123	-
Accrued wages and benefits . . . . .	131,263	-
Compensated absences. . . . .	900	-
Pension and postemployment benefits payable . . . . .	40,652	-
Intergovernmental payable . . . . .	1,700	-
Total current liabilities . . . . .	179,638	-
Long-term liabilities:		
Compensated absences payable. . . . .	107,998	-
Net pension liability . . . . .	1,251,837	-
Net OPEB liability . . . . .	614,968	-
Total long-term liabilities . . . . .	1,974,803	-
Total liabilities . . . . .	2,154,441	-
<b>Deferred inflows of resources:</b>		
Pension . . . . .	105,874	-
OPEB . . . . .	107,295	-
Total deferred inflows of resources . . . . .	213,169	-
<b>Net position:</b>		
Investment in capital assets . . . . .	571,684	-
Unrestricted (deficit) . . . . .	(1,304,243)	889,099
Total net position. . . . .	\$ (732,559)	\$ 889,099

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Total Business-Type Activities - Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>		
Sales/charges for services . . . . .	\$ 722,685	\$ -
Other . . . . .	1,682	162,605
Total operating revenues . . . . .	724,367	162,605
<b>Operating expenses:</b>		
Personal services . . . . .	911,375	-
Purchased services . . . . .	24,485	13,200
Materials and supplies . . . . .	518,090	-
Other . . . . .	12,895	-
Claims . . . . .	-	215,230
Depreciation . . . . .	91,517	-
Total operating expenses . . . . .	1,558,362	228,430
Operating loss . . . . .	(833,995)	(65,825)
<b>Nonoperating revenues:</b>		
Grants and subsidies . . . . .	787,220	-
Interest revenue . . . . .	18,200	-
Federal donated commodities . . . . .	33,946	-
Total nonoperating revenues . . . . .	839,366	-
Change in net position . . . . .	5,371	(65,825)
<b>Net position at beginning of year (restated)</b>	(737,930)	954,924
<b>Net position at end of year . . . . .</b>	<b>\$ (732,559)</b>	<b>\$ 889,099</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Total Business-Type Activities - Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from sales/charges for services . . . . .	\$ 722,685	\$ -
Cash received from other operations . . . . .	1,682	177,874
Cash payments for personal services . . . . .	(968,275)	-
Cash payments for purchased services . . . . .	(24,957)	(13,200)
Cash payments for materials and supplies . . . . .	(487,295)	-
Cash payments for claims . . . . .	-	(252,886)
Cash payments for other expenses . . . . .	(10,779)	-
Net cash used in operating activities . . . . .	(766,939)	(88,212)
<b>Cash flows from noncapital financing activities:</b>		
Cash received from grants and subsidies . . . . .	787,220	-
Net cash provided by noncapital financing activities . . . . .	787,220	-
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .	(6,000)	-
Net cash used in capital and related financing activities . . . . .	(6,000)	-
<b>Cash flows from investing activities:</b>		
Interest received . . . . .	17,973	-
Net cash provided by investing activities . . . . .	17,973	-
Net change in cash and investments . . . . .	32,254	(88,212)
<b>Cash and investments at beginning of year . . . . .</b>	<b>789,435</b>	<b>699,300</b>
<b>Cash and investments at end of year . . . . .</b>	<b>\$ 821,689</b>	<b>\$ 611,088</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss . . . . .	\$ (833,995)	\$ (65,825)
Adjustments:		
Depreciation . . . . .	91,517	-
Federal donated commodities . . . . .	33,946	-
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Intergovernmental receivable . . . . .	-	15,269
Prepayments . . . . .	-	(37,566)
Materials and supplies inventory . . . . .	(141)	-
Inventory held for resale . . . . .	330	-
Deferred outflows - pension . . . . .	34,303	-
Deferred outflows - OPEB . . . . .	(11,309)	-
Accounts payable . . . . .	(1,696)	-
Accrued wages and benefits . . . . .	(9,302)	-
Intergovernmental payable . . . . .	(136)	-
Compensated absences payable . . . . .	5,933	-
Pension and postemployment benefits payable . . . . .	6,773	-
Net pension liability . . . . .	(137,611)	-
Net OPEB liability . . . . .	(17,821)	-
Deferred inflows - pension . . . . .	43,207	-
Deferred inflows - OPEB . . . . .	29,063	-
Claims payable . . . . .	-	(90)
Net cash provided by (used in) operating activities . . . . .	\$ (766,939)	\$ (88,212)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 31,742	\$ 166,284
Receivables:		
Accrued interest. . . . .	41	-
Total assets. . . . .	31,783	\$ 166,284
<b>Liabilities:</b>		
Intergovernmental payable . . . . .	-	\$ 25,037
Due to students. . . . .	-	141,247
Total liabilities . . . . .	-	\$ 166,284
<b>Net position:</b>		
Held in trust for scholarships . . . . .	31,783	
Total net position. . . . .	\$ 31,783	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 915
Total additions . . . . .	915
Change in net position . . . . .	915
<b>Net position at beginning of year . . . . .</b>	<b>30,868</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 31,783</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Lakewood City School District (the "District") is located in Cuyahoga County and includes all of the City of Lakewood, Ohio. The District was established in 1854 through the consolidation of existing land areas and school districts. The District serves an area of approximately 5.05 square miles.

The District is organized under 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 Ohio statute and/or federal guidelines.

The District currently operates 10 instructional buildings, 1 administrative building and 1 garage. The District employs 476 non-certified and 459 certified full-time and part-time employees to provide services to approximately 4,660 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and the component unit.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following component unit and other organizations are described due to their relationship to the District.

*COMPONENT UNIT*

The Lakewood City Academy - The Lakewood City Academy (the “Academy”) is a legally separate, conversion community school, served by a Board of Directors. The Academy provides students within the District with curriculum and instruction via distance learning technology. The Board of Directors consists of five Lakewood residents. The Directors are selected and appointed by the Lakewood City School District Board of Education. The Lakewood City School District is the sponsoring School District of the Academy under Ohio Revised Code Section 3314. The Superintendent of the District serves as the Chief Administrative Officer of the Academy and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the Academy, the Academy’s purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Directors of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 1470 Warren Road, Lakewood, OH 44107-3918. See Note 18 for further information on the Academy. The Academy ceased operations on July 31, 2019.

*JOINTLY GOVERNED ORGANIZATIONS*

Connect - The District is a member of the connect, formerly known as the North Coast Council, which was formed when the Lakeshore Northeast Ohio Computer Association and the Lake Erie Educational Computer Association merged during fiscal year 2012. Connect was organized for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among 34 member districts. Each of the governments of these schools supports the Connect based on a per pupil charge. The District contributed \$220,065 to Connect during fiscal year 2019. Connect is governed by a nine member Board of Directors consisting of superintendents from member school districts. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as fiscal agent, at 5700 West Canal Road, Valley View, Ohio 44125.

Ohio Schools Council - The Ohio Schools Council Association (the “Council”) is a jointly governed organization comprised of 157 member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council’s Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2019, the District paid \$181,194 to the Council for membership and other services as well as for the natural gas purchasing program. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period beginning after October 1, 2010. There are currently 146 participants in the program including the Lakewood City School District. 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 beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

*RELATED ORGANIZATION*

The Lakewood Public Library - The Lakewood 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 Lakewood City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the 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 Lakewood Public Library at 15425 Detroit Avenue, Lakewood, Ohio 44107.

*INSURANCE PURCHASING POOLS*

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

Suburban Health Consortium

The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Fiscal Agent (Orange City School District) shall be the Board of Education responsible for administering the financial transactions of the Consortium. The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least 180 days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) 32000 Chagrin Blvd., Pepper Pike, Ohio 44124.

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

**LAKESWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for the accumulation of resources restricted for the payment of general obligation bond and note principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary funds:

Enterprise funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has two enterprise funds to account for food service operations and recreation services. These enterprise funds are considered nonmajor enterprise funds.

Internal service funds - The internal service funds are used to 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. The District's internal service fund accounts for workers' compensation activities.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into three classifications: 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 are therefore not available to support the District's own programs. The private-purpose trust fund accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student managed activities and amounts held and due to other governments.

**C. Basis of Presentation and Measurement Focus**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services and sales. The principal operating revenues of the District's enterprise funds are sales for food services and charges for services for recreation. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. Operating expenses for the enterprise funds are personnel costs and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**LAKESWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**E. Budgets**

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

The specific timetable for fiscal year 2019 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.



**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2019.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2019. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final appropriations for fiscal year 2019.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2019, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities and governmental money market accounts. Investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

**LAKESWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$1,163,270 and includes \$390,327 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities 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 are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

On fund and government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their local fair value on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. The District maintains a capitalization threshold of \$5,000. Donated capital assets are recorded at their acquisition value as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is not capitalized for governmental activities.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 years	N/A
Buildings/improvements	50 - 75 years	N/A
Furniture/equipment	5 - 20 years	5 - 20 years
Vehicles	8 years	8 years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from negative cash balances are classified as "due to/due from other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance benefits). A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16. The District has also recorded a liability for up to 10 days of accumulated sick leave (paid upon termination) for those employees with at least 5 years of service in the District, to the extent that those employees do not otherwise meet criteria defined above.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**M. Fund Balance**

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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*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 Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 nor 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 Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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.

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

**O. Parochial Schools**

Within the District boundaries, Lakewood Catholic Academy and St. Edward High School are operated through the Cleveland Catholic Diocese. Lakewood Lutheran School is also in the District. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic schools by the Treasurer of the District, as directed by the nonpublic schools. The activities of these State monies are reflected by the District in a nonmajor governmental fund for financial reporting purposes.

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and charges for services for recreation and self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Estimates**

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

**R. Bond Issuance Costs/Unamortized Bond Premium and Discount/Unamortized Accounting Gain or Loss**

On government-wide financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

**S. Interfund Activity**

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

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

**T. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, 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.

**LAKWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**U. Fair Value**

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.

**V. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had neither occurrence.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE/RESTATEMENT OF NET POSITION**

**A. Change in Accounting Principles**

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 200,076
Vocational education	35,681
Title I	473,528
Preschool handicapped grant	100
Title II-A	44,470
Miscellaneous federal grants	1,650
Building	4,668,496

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

**LAKWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE/RESTATEMENT OF NET POSITION -  
(CONTINUED)**

**C. Restatement of Net Position**

The net position at June 30, 2019 has been restated to restate capital assets due to a reappraisal of the District's capital assets. This restatement had the following effect on net position:

	Governmental Activities	Business-type Activities
Net position as previously reported	\$ 17,444,706	\$ (1,392,966)
Restatement of capital assets	(5,962,310)	655,036
Restated Net position at July 1	\$ 11,482,396	\$ (737,930)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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 accounts, including passbook accounts.

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

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



**LAKEWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one-hundred-eighty days and two-seventy days, respectively, in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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 Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year-end, the District had \$375 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all District deposits was \$6,551,988 and the bank balance of all District deposits was \$6,958,822. Of the bank balance, \$1,307,719 was covered by the FDIC and \$5,651,103 was covered by the Ohio Pooled Collateral System.

Custodial credit risk 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

**LAKWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2019, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities			
		6 months or less	7 to 12 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>					
FFCB	\$ 1,506,675	\$ -	\$ 1,506,675	\$ -	\$ -
FHLB	1,008,700	-	-	-	1,008,700
FHLMC	3,998,385	-	996,270	747,578	2,254,537
FNMA	2,942,460	1,497,390	1,445,070	-	-
US Government money market	4,068,101	4,068,101	-	-	-
<i>Amortized Cost:</i>					
STAR Ohio	30,819,194	30,819,194	-	-	-
<b>Total</b>	<b>\$ 44,343,515</b>	<b>\$ 36,384,685</b>	<b>\$ 3,948,015</b>	<b>\$ 747,578</b>	<b>\$ 3,263,237</b>

The weighted average of maturity for investments is 0.31 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FFCB, FHLB, FHLMC, FNMA) are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the governmental money market an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FFCB	\$ 1,506,675	3.40
FHLB	1,008,700	2.27
FHLMC	3,998,385	9.02
FNMA	2,942,460	6.64
US Government money market	4,068,101	9.17
Amortized Cost:		
STAR Ohio	<u>30,819,194</u>	<u>69.50</u>
Total	<u>\$ 44,343,515</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Cash on hand	\$ 375
Carrying amount of deposits	6,551,988
Investments	<u>44,343,515</u>
Total	<u>\$ 50,895,878</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 49,876,163
Business-type activities	821,689
Private-purpose trust fund	31,742
Agency funds	<u>166,284</u>
Total	<u>\$ 50,895,878</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Due to/from other funds consisted of the following at June 30, 2019, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,237,472
Nomajor governmental fund	Nonmajor governmental fund	<u>3,715,078</u>
Total due to/from other funds		<u>\$ 4,952,550</u>

**LAKESWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The due to the classroom facilities fund (a nonmajor governmental fund) from the building fund (a nonmajor governmental fund) was to account for construction costs that were over charged to the building fund (a nonmajor governmental fund). The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District 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 occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. 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 as an advance at June 30, 2019 was \$6,761,766 in the general fund, \$2,202,458 in the debt service fund and \$63,042 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$5,402,336 in the general fund, \$1,489,025 in the debt service fund and \$51,438 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 6 - PROPERTY TAXES - (Continued)**

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	\$ 895,116,770	98.03	\$ 1,074,259,540	98.28
Public utility personal	<u>17,973,670</u>	<u>1.97</u>	<u>18,801,240</u>	<u>1.72</u>
Total	<u>\$ 913,090,440</u>	<u>100.00</u>	<u>\$ 1,093,060,780</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$108.73		\$108.73	
Debt service	13.50		13.50	
Classroom facilities maintenance	0.50		0.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2019 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes - current and delinquent	\$ 60,520,541
Payment in lieu of taxes	930,340
Accounts	21,799
Accrued interest	41,769
Intergovernmental	866,213

**Business-type activities:**

Accrued interest	<u>886</u>
Total receivables	<u>\$ 62,381,548</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental Activities**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows. Capital assets at June 30, 2018 have been restated as described in Note 3.C.

	Balance		Restated
	<u>June 30, 2018</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>June 30, 2018</u>
<i>Capital assets, not being depreciated:</i>			
Land	\$ 9,786,520	\$ (142,712)	\$ 9,643,808
Total capital assets, not being depreciated	<u>9,786,520</u>	<u>(142,712)</u>	<u>9,643,808</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	4,018,461	(56,000)	3,962,461
Buildings/improvements	257,088,514	(4,729,631)	252,358,883
Furniture/equipment	13,647,210	(10,262,672)	3,384,538
Vehicles	<u>1,725,651</u>	<u>(873,949)</u>	<u>851,702</u>
Total capital assets, being depreciated	<u>276,479,836</u>	<u>(15,922,252)</u>	<u>260,557,584</u>
<i>Less: accumulated depreciation</i>			
Land improvement	(3,545,455)	108,335	(3,437,120)
Buildings/improvements	(49,014,706)	427,840	(48,586,866)
Furniture/equipment	(11,068,888)	8,649,538	(2,419,350)
Vehicles	<u>(1,472,812)</u>	<u>916,941</u>	<u>(555,871)</u>
Total accumulated depreciation	<u>(65,101,861)</u>	<u>10,102,654</u>	<u>(54,999,207)</u>
Governmental activities capital assets, net	<u>\$ 221,164,495</u>	<u>\$ (5,962,310)</u>	<u>\$ 215,202,185</u>

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**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - CAPITAL ASSETS - (Continued)**

	Restated Balance			Balance
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 9,643,808	\$ -	\$ -	\$ 9,643,808
Construction in progress	-	751,598	-	751,598
Total capital assets, not being depreciated	<u>9,643,808</u>	<u>751,598</u>	<u>-</u>	<u>10,395,406</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,962,461	539,737	-	4,502,198
Building/improvements	252,358,883	67,029	-	252,425,912
Furniture/equipment	3,384,538	-	-	3,384,538
Vehicles	851,702	31,499	-	883,201
Total capital assets, being depreciated	<u>260,557,584</u>	<u>638,265</u>	<u>-</u>	<u>261,195,849</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(3,437,120)	(225,110)	-	(3,662,230)
Building/improvements	(48,586,866)	(4,790,988)	-	(53,377,854)
Furniture/equipment	(2,419,350)	(209,964)	-	(2,629,314)
Vehicles	(555,871)	(52,468)	-	(608,339)
Total accumulated depreciation	<u>(54,999,207)</u>	<u>(5,278,530)</u>	<u>-</u>	<u>(60,277,737)</u>
Governmental activities capital assets, net	<u>\$ 215,202,185</u>	<u>\$ (3,888,667)</u>	<u>\$ -</u>	<u>\$ 211,313,518</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 3,231,582
Special	311,785
Vocational	376,068
Support services:	
Pupil	25,888
Instructional staff	516,715
Board of education	1,105
Administration	161,822
Business	1,404
Operations and maintenance	26,561
Pupil transportation	51,044
Operation of non-instructional services	567,262
Extracurricular	<u>7,294</u>
Total depreciation expense	<u>\$ 5,278,530</u>

**LAKWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B. Business-Type Activities**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows. Capital assets at June 30, 2018 have been restated as described in Note 3.C.

	Balance		Restated
	<u>June 30, 2018</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>June 30, 2018</u>
<i>Capital assets, being depreciated:</i>			
Furniture/equipment	\$ 195,078	\$ 1,192,708	\$ 1,387,786
Vehicles	<u>41,545</u>	<u>(41,545)</u>	<u>-</u>
Total capital assets, being depreciated	<u>236,623</u>	<u>1,151,163</u>	<u>1,387,786</u>
<i>Less: accumulated depreciation</i>			
Furniture/equipment	(195,078)	(535,507)	(730,585)
Vehicles	<u>(39,380)</u>	<u>39,380</u>	<u>-</u>
Total accumulated depreciation	<u>(234,458)</u>	<u>(496,127)</u>	<u>(730,585)</u>
Business-type activities capital assets, net	<u>\$ 2,165</u>	<u>\$ 655,036</u>	<u>\$ 657,201</u>

	Restated			Balance
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>June 30, 2018</u>			<u>June 30, 2019</u>
<i>Capital assets being depreciated:</i>				
Furniture/Equipment	\$ 1,387,786	\$ 6,000	\$ -	\$ 1,393,786
Total capital assets being depreciated	<u>1,387,786</u>	<u>6,000</u>	<u>-</u>	<u>1,393,786</u>
<i>Less: accumulated depreciation</i>				
Furniture/Equipment	(730,585)	(91,517)	-	(822,102)
Total accumulated depreciation	<u>(730,585)</u>	<u>(91,517)</u>	<u>-</u>	<u>(822,102)</u>
Net capital assets	<u>\$ 657,201</u>	<u>\$ (85,517)</u>	<u>\$ -</u>	<u>\$ 571,684</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In the current fiscal year, the District entered into a lease purchase agreement for improvements to Taft Elementary. In prior fiscal years, the District entered into capital lease agreements for the acquisition of copiers, a bus, phone system, office I.T. equipment and copiers. These leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. These capitalized leases are considered direct borrowings. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

Governmental activities capital assets consisting of construction in progress, vehicles and equipment have been capitalized in the amount of \$3,850,786. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2019 was \$1,000,138, leaving a current book value of \$2,850,648.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2019 fiscal year totaled \$462,672 and \$46,707, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2019:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 790,168
2021	629,851
2022	511,516
2023	206,842
2024	204,092
2025 - 2028	<u>548,013</u>
Total minimum lease payment	2,890,482
Less: amount representing interest	<u>(538,739)</u>
Present value of minimum lease payments	<u>\$ 2,351,743</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

**A.** General obligation bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 13.50 (average) mill bonded debt tax levy.

**B. Series 2017A Refunding Bonds**

During fiscal year 2018, the District issued \$37,040,000 in general obligation bonds to refund \$41,365,000 of the Series 2007 General Obligation School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$38,920,000.

The issue is comprised of current interest bonds, par value \$37,040,000. The interest rates on the current interest bonds range from 1.50% - 5.00%.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2031.

**LAKWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$235,885. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2031. This advance refunding was undertaken to reduce the combined total debt service payments by \$7,068,298 and resulted in an economic gain of \$6,042,077.

The following is a summary of the future debt service requirements to maturity for the series 2017A refunding bonds:

Fiscal Year Ending <u>June 30,</u>	<u>2017A Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,395,000	\$ 1,373,513	\$ 3,768,513
2021	2,435,000	1,306,850	3,741,850
2022	2,530,000	1,207,550	3,737,550
2023	2,630,000	1,104,350	3,734,350
2024	2,740,000	983,250	3,723,250
2025 - 2029	14,660,000	2,831,975	17,491,975
2030 - 2032	<u>7,595,000</u>	<u>329,050</u>	<u>7,924,050</u>
Total	<u>\$ 34,985,000</u>	<u>\$ 9,136,538</u>	<u>\$ 44,121,538</u>

**C. Series 2017B Refunding Bonds**

During fiscal year 2018, the District issued \$43,821,803 in general obligation bonds to refund \$43,825,000 of the Series 2014A General Obligation School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$43,825,000.

The issue is comprised of both current interest bonds, par value \$42,880,000 and capital appreciation bonds, par value \$941,803. The interest rates on the current interest bonds range from 3.00% - 4.00%. The capital appreciation bonds mature December 1, 2020-2026 (approximate equivalent interest rate 30.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2020-2026 is \$5,070,000. Total accreted interest of \$429,631 has been included on the statement of net position.

Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is December 1, 2043.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,979,622. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2043. This advance refunding was undertaken to reduce the combined total debt service payments by \$6,100,112 and resulted in an economic gain of \$4,219,792.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the series 2017B refunding bonds:

Fiscal Year Ending June 30,	2017B Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 330,000	\$ 1,619,800	\$ 1,949,800	\$ -	\$ -	\$ -
2021	-	1,614,850	1,614,850	153,524	186,476	340,000
2022	-	1,614,850	1,614,850	116,083	223,917	340,000
2023	-	1,614,850	1,614,850	87,774	252,226	340,000
2024	-	1,614,850	1,614,850	230,348	949,652	1,180,000
2025 - 2029	3,985,000	7,858,150	11,843,150	354,074	2,515,926	2,870,000
2030 - 2034	9,710,000	6,362,850	16,072,850	-	-	-
2035 - 2039	12,790,000	4,096,650	16,886,650	-	-	-
2040 - 2044	15,460,000	1,398,075	16,858,075	-	-	-
Total	<u>\$ 42,275,000</u>	<u>\$ 27,794,925</u>	<u>\$ 70,069,925</u>	<u>\$ 941,803</u>	<u>\$ 4,128,197</u>	<u>\$ 5,070,000</u>

**D. Series 2014C School Facilities Improvement Refunding Bonds**

On December 9, 2014, the District issued \$37,355,000 in general obligation bonds to partially refund a total of \$39,050,000 from other issuances. The Series 2014C Refunding Bonds refunded \$7,550,000 of Series 2006 Construction Bonds and \$31,500,000 of the Series 2007 School Facilities Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The bonds mature on December 1, 2034 and bear an annual interest rate of 4.00% - 5.00%. The source of payment is derived from a current bonded debt tax levy. Principal and interest payments are due on December 1 and June 1 each year. The balance of the refunded bonds at June 30, 2019 was \$39,050,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,417,308. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2034. This advance refunding was undertaken to reduce the combined total debt service payments by \$2,289,741 and resulted in an economic gain of \$1,601,037.

The following is a summary of the future debt service requirements to maturity for the series 2014C school facilities improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ -	\$ 1,791,950	\$ 1,791,950
2021	-	1,791,950	1,791,950
2022	-	1,791,950	1,791,950
2023	-	1,791,950	1,791,950
2024	-	1,791,950	1,791,950
2025 - 2029	12,840,000	7,752,475	20,592,475
2030 - 2034	20,580,000	3,388,750	23,968,750
2035	3,935,000	78,700	4,013,700
Total	<u>\$ 37,355,000</u>	<u>\$ 20,179,675</u>	<u>\$ 57,534,675</u>

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**E. Series 2014A School Facilities Improvement Bonds**

On May 14, 2014, the District issued \$49,950,000 in general obligation bonds to pay off the Series 2013 bond anticipation notes and to provide \$21,335,000 in additional funding for the District's Ohio School Facilities Commission (OSFC) project. The issue is comprised of current interest bonds, par value \$49,950,000. During fiscal year 2018, \$43,825,000 was refunded by the Series 2017B bonds. The interest rates on the current interest bonds range from 1.50% - 5.00% and the remaining bonds have a final maturity date of November 1, 2022. Principal and interest payments are due on May 1 and November 1 each year.

The following is a summary of the future debt service requirements to maturity for the series 2014A school facilities improvement bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ 615,000	\$ 76,562	\$ 691,562
2021	635,000	63,269	698,269
2022	665,000	47,812	712,812
2023	790,000	19,750	809,750
Total	<u>\$ 2,705,000</u>	<u>\$ 207,393</u>	<u>\$ 2,912,393</u>

**F. Series 2014B School Facilities Improvement Refunding Bonds**

On May 14, 2014, the District issued \$15,010,000 in general obligation bonds to partially refund a total of \$15,725,000 from other issuances. The Series 2014B Refunding Bonds refunded \$770,000 of Series 2001 Refunding General Obligation Bonds, \$4,560,000 of Series 2006 Construction Bonds and \$10,395,000 of the Series 2007 School Facilities Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The bonds mature on December 1, 2024 and bear an annual interest rate of 1.50% - 5.00%. The source of payment is derived from a current bonded debt tax levy. Principal and interest payments are due on May 1 and November 1 each year. The balance of the refunded bonds at June 30, 2019 was \$14,040,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,776,646. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2024. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,114,378 and resulted in an economic gain of \$614,675.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the series 2014B school facilities improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ 1,805,000	\$ 606,875	\$ 2,411,875
2021	1,895,000	514,375	2,409,375
2022	1,990,000	417,250	2,407,250
2023	2,330,000	309,250	2,639,250
2024	2,450,000	189,750	2,639,750
2025	2,570,000	64,250	2,634,250
Total	<u>\$ 13,040,000</u>	<u>\$ 2,101,750</u>	<u>\$ 15,141,750</u>

**G. Series 2013 Library Improvement Refunding Bonds**

On July 31, 2012, the District issued \$7,770,000 in general obligation bonds on behalf of the Lakewood Public Library to partially refund \$8,515,000 of the Series 2003 Library Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The bonds were placed in the name of the Lakewood City School District. In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Lakewood City School District. The District, acting as taxing authority for the Library, collects levied taxes and makes required debt service payments. The library improvement bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds mature on December 1, 2023 and bear an annual interest rate of 2.00% - 3.00%. The source of payment is derived from a current bonded debt tax levy. At June 30, 2019, the balance of the bonds of \$4,445,000, bond premiums of \$227,976 and deferred charges on the refunding of \$189,134 have not been included in the calculation of net investment in capital assets because the capital assets purchased from this issuance are not included in the District's capital assets. At June 30, 2019, the balance of the refunded bonds was \$5,035,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$485,320. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2023.

The following is a summary of the future debt service requirements to maturity for the series 2013 library improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ 790,000	\$ 133,350	\$ 923,350
2021	810,000	109,650	919,650
2022	900,000	85,350	985,350
2023	925,000	58,350	983,350
2024	1,020,000	30,600	1,050,600
Total	<u>\$ 4,445,000</u>	<u>\$ 417,300</u>	<u>\$ 4,862,300</u>

**LAKWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**H. Series 2007 School Facilities Improvement Bonds**

On August 9, 2007, the District issued \$43,779,967 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value \$42,275,000 and capital appreciation bonds, par value \$1,504,967. During fiscal year 2015, \$31,500,000 of the current interest bonds were refunded with the Series 2014C Refunding Bonds. The interest rates on the current interest bonds range from 4.00% - 5.00%. The final capital appreciation bonds matured December 1, 2018 (stated interest rate 11.618%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. There were no further obligations outstanding on this issuance at June 30, 2019.

**I. The following is a summary of the bond activity for fiscal year 2019:**

	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/19</u>	<u>Amounts</u> <u>due in</u> <u>One Year</u>
<u>General Obligation Bonds:</u>					
Series 2017A					
Refunding Bonds					
1.50-5.00%, 12/1/31 maturing	\$ 37,040,000	\$ -	\$ (2,055,000)	\$ 34,985,000	\$ 2,395,000
Series 2017B Refunding Bonds					
4.00-5.00%, 12/01/43 maturity	42,880,000	-	(605,000)	42,275,000	330,000
Series 2017B Refunding Bonds					
capital appreciation bonds	941,803	-	-	941,803	-
Series 2017B Refunding Bonds					
capital appreciation bonds accreted interest					
30.00% (stated interest rate)					
12/1/20-12/1/26 maturity	95,190	334,441	-	429,631	-
Series 2014C					
Refunding Bonds					
4.00-5.00%, 12/1/34 maturing	37,355,000	-	-	37,355,000	-
Series 2014A School Facilities					
Improvement Bonds					
1.50-5.00%, 11/1/43 maturing	3,205,000	-	(500,000)	2,705,000	615,000
Series 2014B School Facilities					
Improvement Refunding Bonds					
1.50-5.00%, 11/1/24 maturing	13,470,000	-	(430,000)	13,040,000	1,805,000
Series 2013 Library Improvement					
2.00-3.00%, 12/01/23 maturity	5,210,000	-	(765,000)	4,445,000	790,000
Series 2007 school facilities improvement					
capital appreciation bonds	337,316	-	(337,316)	-	-
Series 2007 school facilities improvement					
capital appreciation bonds accreted interest					
11.474-11.618% (stated interest rate)					
12/1/15-12/1/18 maturity	811,102	61,582	(872,684)	-	-
Total General Obligation Bonds	<u>\$ 141,345,411</u>	<u>\$ 396,023</u>	<u>\$ (5,565,000)</u>	<u>\$ 136,176,434</u>	<u>\$ 5,935,000</u>

**LAKWOOD CITY SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

J. The changes in the District's long-term obligations during the year consist of the following:

	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/19</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences payable	\$ 6,421,047	\$ 619,502	\$ (379,103)	\$ 6,661,446	\$ 701,684
Net pension liability	92,086,866	-	(7,231,515)	84,855,351	-
Net OPEB liability	20,174,383	69,086	(12,276,290)	7,967,179	-
General obligation bonds payable	141,345,411	396,023	(5,565,000)	136,176,434	5,935,000
Capital lease obligations - direct borrowing	<u>2,062,817</u>	<u>751,598</u>	<u>(462,672)</u>	<u>2,351,743</u>	<u>567,142</u>
Total governmental activities long-term liabilities	<u>\$ 262,090,524</u>	<u>\$ 1,836,209</u>	<u>\$ (25,914,580)</u>	<u>238,012,153</u>	<u>\$ 7,203,826</u>
Add: Unamortized premium				<u>16,804,803</u>	
Total on statement of net position				<u>\$ 254,816,956</u>	
	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/19</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 102,965	\$ 5,933	\$ -	\$ 108,898	\$ 900
Net pension liability	1,389,448	-	(137,611)	1,251,837	-
Net OPEB liability	<u>632,789</u>	<u>-</u>	<u>(17,821)</u>	<u>614,968</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 2,125,202</u>	<u>\$ 5,933</u>	<u>\$ (155,432)</u>	<u>\$ 1,975,703</u>	<u>\$ 900</u>

Governmental activities' compensated absences and the retirement incentives will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund. See Note 9 for further detail on the District's capital lease obligations.

Business-type activities compensated absences will be paid from the food service fund and the recreation fund (nonmajor business-type funds).

Net Pension Liability: See Note 12 for detail on net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/Asset: See Note 13 for detail on net OPEB liability/asset. The District pays obligations related to employee compensation from the fund benefitting from their service.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**L. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019 are a voted debt margin of (\$22,943,058) including available funds of \$14,428,275 and an unvoted debt margin of \$1,093,061.

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a “special needs” district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The Lakewood City School District was determined to be a “special needs” district by the State Superintendent.

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the District contracted with the Schools of Ohio Risk Sharing Authority (“SORSA”) for property, crime, and general liability insurance coverage. SORSA was formed in conjunction with the Ohio Revised Code 2744 which allows public entities to join together for coverage purposes. The limitations of coverages are as follows:

Building and Contents - replacement cost (\$500 deductible)	\$196,466,391
Earth Movement Limit (\$50,000 deductible)	2,000,000
Flood Limit (\$50,000 deductible)	2,000,000
Equipment Breakdown (\$500 deductible)	50,000,000
Crime Coverage (500 deductible)	100,000
General Liability (no deductible) - per occurrence	5,000,000
General Liability (no deductible) - annual aggregate	7,000,000
Premises Medical Payments - per claim	10,000
Premises Medical Payments - annual aggregate	25,000
Fire Legal Liability - per occurrence	500,000
Stop Gap Employers Liability	5,000,000
Educator Legal Liability (\$4,000 deductible)	5,000,000
Automobile Liability and Physical Damage (\$500 deductible)	5,000,000
Excess Liability	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.



**LAKESIDE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Worker's Compensation**

During fiscal year 2019, the District has participated in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the District assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau. The District's stop-loss coverage through the plan is limited to \$200,000 per claim stop-loss coverage with an annual aggregate. The Plan is administered by KKSG & Associates.

The District's Workers' Compensation program is accounted for in the internal service fund which pays for all claims, claim reserves and administrative costs of the program. The internal service fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2019	\$ 90	\$ 215,230	\$ (215,320)	\$ -
2018	152	174,193	(174,255)	90

**C. Group Health and Dental Insurance**

For the fiscal year 2019, the District was a participant in the Suburban Health Consortium (the "Consortium") to provide employee health, dental, vision and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the Orange City School District. The Treasurer of the fiscal agent pays monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The District's portion of the monthly insurance premiums is as follows:

	<u>Board Share of Premium</u>			
	<u>Full-Time Family</u>	<u>Part-Time Family</u>	<u>Full-Time Single</u>	<u>Part-Time Single</u>
Health:				
Suburban Health Consortium	\$ 1,237.78	\$ 618.89	\$ 582.48	\$ 291.24
Option 1 plan	1,149.89	574.95	541.14	270.57
Minimum value plan	633.75	316.88	298.23	149.12
Prescription drug	302.29	151.15	142.26	71.13
Option 1 plan	287.33	143.67	135.21	67.61
Minimum value plan	150.82	75.41	70.97	35.49
Dental	66.31	33.16	22.87	11.44
Vision	10.53	5.27	2.46	1.23

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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.

The 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.

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

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

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The 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.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,440,509 for fiscal year 2019. Of this amount, \$136,175 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 service. 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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 to 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 fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$5,102,263 for fiscal year 2019. Of this amount, \$877,040 is reported as pension and postemployment benefits payable.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.31351290%	0.31464507%	
Proportion of the net pension liability current measurement date	<u>0.30503560%</u>	<u>0.31216118%</u>	
Change in proportionate share	<u>-0.00847730%</u>	<u>-0.00248389%</u>	
Proportionate share of the net pension liability	\$ 17,469,953	\$ 68,637,235	\$ 86,107,188
Pension expense	\$ 954,962	\$ 6,198,103	\$ 7,153,065

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 958,119	\$ 1,584,359	\$ 2,542,478
Changes of assumptions	394,507	12,163,813	12,558,320
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	4,055	505,547	509,602
Contributions subsequent to the measurement date	<u>1,440,509</u>	<u>5,102,263</u>	<u>6,542,772</u>
Total deferred outflows of resources	<u>\$ 2,797,190</u>	<u>\$ 19,355,982</u>	<u>\$ 22,153,172</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 448,243	\$ 448,243
Net difference between projected and actual earnings on pension plan investments	484,040	4,162,087	4,646,127
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>454,935</u>	<u>1,486,740</u>	<u>1,941,675</u>
Total deferred inflows of resources	<u>\$ 938,975</u>	<u>\$ 6,097,070</u>	<u>\$ 7,036,045</u>

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$6,542,772 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$ 997,289	\$ 5,491,450	\$ 6,488,739
2021	142,186	3,682,735	3,824,921
2022	(573,317)	(12,250)	(585,567)
2023	(148,452)	(1,005,286)	(1,153,738)
Total	<u>\$ 417,706</u>	<u>\$ 8,156,649</u>	<u>\$ 8,574,355</u>

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For 2018, the 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. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended 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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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 Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. 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%). 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%, 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%), or one percentage point higher (8.50%) than the current rate.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 24,607,747	\$ 17,469,953	\$ 11,485,392

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

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:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
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	100.00 %	



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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 100,235,646	\$ 68,637,235	\$ 41,893,467

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset 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/asset 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.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The 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.

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/asset. Resulting adjustments to the net OPEB liability/asset 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.

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

***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.

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$189,834.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$243,186 for fiscal year 2019. Of this amount, \$194,878 is reported as due to other governments/intergovernmental payable/pension and postemployment benefits payable.

***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% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.31787320%	0.31464507%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.30934790%</u>	<u>0.31216118%</u>	
Change in proportionate share	<u>-0.00852530%</u>	<u>-0.00248389%</u>	
Proportionate share of the net OPEB liability	\$ 8,582,147	\$ -	\$ 8,582,147
Proportionate share of the net OPEB asset	\$ -	\$ (5,016,111)	\$ (5,016,111)
OPEB expense	\$ 313,495	\$ (10,933,789)	\$ (10,620,294)

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 140,091	\$ 585,891	\$ 725,982
Contributions subsequent to the measurement date	<u>243,186</u>	<u>-</u>	<u>243,186</u>
Total deferred outflows of resources	<u>\$ 383,277</u>	<u>\$ 585,891</u>	<u>\$ 969,168</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 292,255	\$ 292,255
Net difference between projected and actual earnings on pension plan investments	12,876	573,048	585,924
Changes of assumptions	771,041	6,834,851	7,605,892
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>389,114</u>	<u>284,588</u>	<u>673,702</u>
Total deferred inflows of resources	<u>\$ 1,173,031</u>	<u>\$ 7,984,742</u>	<u>\$ 9,157,773</u>

\$243,186 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ (423,965)	\$ (1,327,690)	\$ (1,751,655)
2021	(341,854)	(1,327,690)	(1,669,544)
2022	(81,838)	(1,327,689)	(1,409,527)
2023	(76,358)	(1,197,546)	(1,273,904)
2024	(77,249)	(1,151,891)	(1,229,140)
Thereafter	<u>(31,676)</u>	<u>(1,066,345)</u>	<u>(1,098,021)</u>
Total	<u>\$ (1,032,940)</u>	<u>\$ (7,398,851)</u>	<u>\$ (8,431,791)</u>

**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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
<b>Municipal bond index rate:</b>	
Measurement date	3.62%
Prior measurement date	3.56%
<b>Single equivalent interest rate, net of plan investment expense, including price inflation:</b>	
Measurement date	3.70%
Prior measurement date	3.63%
<b>Medical trend assumption:</b>	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Strategies	10.00	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%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, 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. A municipal bond rate of 3.56% was used as of June 30, 2017. 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.

**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%) and higher (4.70%) than the current discount rate (3.70%). 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% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 10,413,760	\$ 8,582,147	\$ 7,131,852
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 6,924,218	\$ 8,582,147	\$ 10,777,541

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
	Initial	Ultimate	
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

**Assumption Changes Since the Prior Measurement Date** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	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 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 4,298,597	\$ 5,016,111	\$ 5,617,688
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 5,583,683	\$ 5,016,111	\$ 4,438,099



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,575,543)
Net adjustment for revenue accruals	1,510,424
Net adjustment for expenditure accruals	(1,391,450)
Net adjustment for other financing sources/uses	751,598
Funds budgeted elsewhere	(15,267)
Adjustment for encumbrances	<u>2,322,417</u>
GAAP basis	<u>\$ 1,602,179</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund, rotary fund and the public school support fund.

**LAKESIDE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	861,187
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(424,565)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(436,622)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

During fiscal years 2004, 2007, 2008 and 2014, the District issued a total of \$193,449,969 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$191,634,002 at June 30, 2019.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 16 - CONTINGENCIES - (Continued)**

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2018-2019 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. 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, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 17 - COMMITMENTS**

**Other Commitments**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are for subsequent-year expenditures and 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>Year-End Encumbrances</u>
General fund	\$ 1,894,885
Other governmental	<u>468,272</u>
Total	<u>\$ 2,363,157</u>

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**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - LAKEWOOD CITY ACADEMY**

The Lakewood City Academy (the “Academy”) is a discretely presented component unit of the Lakewood City School District (the “District”). The District is the Sponsor of the Academy. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. This separately issued financial report can be obtained from the Treasurer of the Academy at 1470 Warren Road, Lakewood, Ohio 44107-3918.

**Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows or resources, all liabilities and all deferred inflows of resources are included on the statement of net position. The difference between total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy’s basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)**

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019, there were no deferred outflows of resources.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2019, there were no deferred inflows of resources.

**E. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**F. Cash**

All monies received by the Academy are deposited in a demand deposit account.

**G. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their fair value on the date donated. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over 5-20 years.

**H. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)**

**I. Intergovernmental Revenue**

The Academy participated in the State foundation program through the Ohio Department of Education, the State of Ohio Network Connectivity grant, the School Security grant, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Title VI-A grant and the Federal Title IIA Improving Teacher Quality grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for fiscal year 2019 was \$105,988.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**K. Estimates**

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

**Deposits**

At June 30, 2019, the carrying amount of the Academy’s deposits was \$22,748. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2019, all of the Academy’s bank balance of \$25,828 was covered by the Federal Deposit Insurance Corporation (the “FDIC”).

**Capital Assets**

Capital asset activity for fiscal year 2019 was as follows:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2019</u>
Furniture and equipment	\$ 217,290		\$ (217,290)	\$ -
Less: accumulated depreciation	<u>(199,869)</u>	<u>(5,955)</u>	<u>205,824</u>	<u>-</u>
Capital assets, net	<u>\$ 17,421</u>	<u>\$ (5,955)</u>	<u>\$ (11,466)</u>	<u>\$ -</u>

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)**

**Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2019, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer \$20,000.

**Purchased Services**

Purchased services expenses for fiscal year 2019 were as follows:

Professional and technical services	\$ 813,916
Property services	24,000
Travel mileage/meeting	163
Communications	778
Contracted craftor trade	1,365
Excess costs	6,963
Other purchased services	<u>1,428</u>
Total	<u>\$ 848,613</u>

**Contingencies**

**A. Grants**

The Academy 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2019.

**B. Litigation**

The Academy was not involved in any litigation that, in the opinion of management, would have a material effect of the financial statements.

**C. State Foundation Funding**

Academy foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2019.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)**

As of the date of this report, ODE performed a final review for fiscal year 2019 and determined an adjustment of \$740 due to ODE based on final FTE. \$740 was paid by the Sponsor, Lakewood City School District, in October, 2019.

**Service Agreements**

**A. Meta Solutions**

The Academy entered into an agreement on January 31, 2013, with Meta Solutions (formally Tri-Rivers Educational Computer Association (“TRECA”)) for planning, instructional, administrative and technical services required for the operation of the Academy. During fiscal year 2019, the Academy paid Meta Solutions \$19,073 for services under the agreement. Under the contract, Meta Solutions is required to provide the following services:

1. Instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy’s educational plan, assessment and accountability plan, and the sponsorship contract.
2. Responsibility for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes with respect to all personnel providing services to the Academy on behalf of Meta Solutions. Also, all personnel shall possess any certification or licensure which may be required by law.
3. Curricular services limited to standardized curriculum developed by Meta Solutions.

For these services, the Academy is required to pay the following fees to Meta Solutions:

- a. \$3,000 per student for the instructional services comprehensive service package
- b. \$80 per course, one-time set up fee of \$300 and \$300 annual support fee for HQT Plato Service package
- c. \$45 per course; one-time set up fee of \$300; and \$300 annual support fee for Plato Curriculum Service package
- d. \$100 per student license; one-time set up fee of \$300; and \$300 annual support fee for Compass Curriculum Service Package
- e. \$250 per semester course per student for K-6 and 7-12 Credit Service Package
- f. \$350 per account for SIS User Account License



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)**

**B. Lakewood City School District**

The Community School Sponsorship Contract and the annual Purchased Services Contract between the Academy and Lakewood City School District outlined the specific payments to be made by the Academy to Lakewood City School District during fiscal year 2019. In addition the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Lakewood City School District. The Academy paid Lakewood City School District \$749,696 during fiscal year 2019 for services rendered under the Community School Sponsorship Contract and the annual Purchased Services Contract.

**C. Academy Closure**

The Academy officially ceased operations on July 31, 2019 based on a resolution passed by the Board during fiscal year 2019. The Academy has followed the closing procedures prescribed by ODE. These procedures include, among others, official notification to ODE, retirement systems, the students and community, disposition of assets, and the preparation of financial statements.

The Academy had minimal financial activity during July, 2019. The financial activity included other operating revenues of \$27, purchased services expenses of \$22,748 related to staffing costs owed back to Lakewood City School District and other operating expenses of \$27.

The Academy's only remaining liability at July 31, 2019 was the Final ODE FTE adjustment which was due back to ODE. The Sponsor, Lakewood City School District, paid that amount to ODE in October, 2019.

**NOTE 19 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The City of Lakewood has negotiated a property tax abatement agreement under Sections 3735.65 through 3735.70 of the Ohio Revised Code, establishing the boundaries of a Community Reinvestment Area.

As required by Section 3735.66 of the Ohio Revised Code, a survey of housing has been prepared for the area proposed to be included in the Community Reinvestment Area authorized by Resolution 8645-13 passed by Lakewood City Council on May 6, 2013. The survey shows the facts and conditions relating to existing housing in the Community Reinvestment Area, including among other things, evidence of deterioration and lack of new construction in substantial portions of the Area.

The abatement provides for 100 percent exemption of residential property taxes not to exceed 10 years and must meet all condition and requirements of the Multifamily High Density Zone district. Under the agreements, the property taxes assessed to the District have been abated. During fiscal year 2019, the District's property taxes were reduced by \$1,370,299.

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REQUIRED SUPPLEMENTARY INFORMATION

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.30503560%	0.31351290%	0.31951020%	0.31972030%
District's proportionate share of the net pension liability	\$ 17,469,953	\$ 18,731,703	\$ 23,385,199	\$ 18,243,549
District's covered payroll	\$ 10,233,926	\$ 10,230,300	\$ 9,957,671	\$ 9,625,250
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.71%	183.10%	234.85%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.32944440%	0.32944400%
\$ 16,672,973	\$ 19,590,977
\$ 9,572,994	\$ 10,111,958
174.17%	193.74%
71.70%	65.52%

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST SIX FISCAL YEARS			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.31216118%	0.31464507%	0.31977784%	0.31544600%
District's proportionate share of the net pension liability	\$ 68,637,235	\$ 74,744,611	\$ 107,039,282	\$ 87,176,897
District's covered payroll	\$ 35,635,836	\$ 34,820,800	\$ 33,874,743	\$ 32,910,314
District's proportionate share of the net pension liability as a percentage of its covered payroll	192.61%	214.66%	315.99%	264.89%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.31753546%	0.31753546%
\$ 77,235,613	\$ 92,002,557
\$ 32,443,354	\$ 35,161,431
238.06%	261.66%
74.70%	69.30%

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,440,509	\$ 1,381,580	\$ 1,432,242	\$ 1,394,074
Contributions in relation to the contractually required contribution	<u>(1,440,509)</u>	<u>(1,381,580)</u>	<u>(1,432,242)</u>	<u>(1,394,074)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,670,437	\$ 10,233,926	\$ 10,230,300	\$ 9,957,671
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,268,608	\$ 1,326,817	\$ 1,399,495	\$ 1,388,697	\$ 1,299,198	\$ 1,442,895
<u>(1,268,608)</u>	<u>(1,326,817)</u>	<u>(1,399,495)</u>	<u>(1,388,697)</u>	<u>(1,299,198)</u>	<u>(1,442,895)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,625,250	\$ 9,572,994	\$ 10,111,958	\$ 10,324,885	\$ 10,335,704	\$ 10,656,536
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 5,102,263	\$ 4,989,017	\$ 4,874,912	\$ 4,742,464
Contributions in relation to the contractually required contribution	<u>(5,102,263)</u>	<u>(4,989,017)</u>	<u>(4,874,912)</u>	<u>(4,742,464)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 36,444,736	\$ 35,635,836	\$ 34,820,800	\$ 33,874,743
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 4,607,444	\$ 4,217,636	\$ 4,570,986	\$ 4,625,659	\$ 4,658,143	\$ 4,802,397
<u>(4,607,444)</u>	<u>(4,217,636)</u>	<u>(4,570,986)</u>	<u>(4,625,659)</u>	<u>(4,658,143)</u>	<u>(4,802,397)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,910,314	\$ 32,443,354	\$ 35,161,431	\$ 35,581,992	\$ 35,831,869	\$ 36,941,515
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.30934790%	0.31787320%	0.32413436%
District's proportionate share of the net OPEB liability	\$ 8,582,147	\$ 8,530,882	\$ 9,239,028
District's covered payroll	\$ 10,233,926	\$ 10,230,300	\$ 9,957,671
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.86%	83.39%	92.78%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.31216118%	0.31464507%	0.31977784%
District's proportionate share of the net OPEB liability/(asset)	\$ (5,016,111)	\$ 12,276,290	\$ 17,101,802
District's covered payroll	\$ 35,635,836	\$ 34,820,800	\$ 33,874,743
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.08%	35.26%	50.49%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 243,186	\$ 217,801	\$ 172,000	\$ 165,497
Contributions in relation to the contractually required contribution	<u>(243,186)</u>	<u>(217,801)</u>	<u>(172,000)</u>	<u>(165,497)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,670,437	\$ 10,233,926	\$ 10,230,300	\$ 9,957,671
Contributions as a percentage of covered payroll	2.28%	2.13%	1.68%	1.66%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 240,395	\$ 177,380	\$ 164,767	\$ 209,898	\$ 209,993	\$ 594,915
<u>(240,395)</u>	<u>(177,380)</u>	<u>(164,767)</u>	<u>(209,898)</u>	<u>(209,993)</u>	<u>(594,915)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,625,250	\$ 9,572,994	\$ 10,111,958	\$ 10,324,885	\$ 10,335,704	\$ 10,656,536
2.50%	1.85%	1.63%	2.03%	2.03%	5.58%

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 36,444,736	\$ 35,635,836	\$ 34,820,800	\$ 33,874,743
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 346,022	\$ 351,614	\$ 355,820	\$ 369,415	\$ 357,936
-	(346,022)	(351,614)	(355,820)	(369,415)	(357,936)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,910,314	\$ 32,443,354	\$ 35,161,431	\$ 35,581,992	\$ 35,831,869	\$ 36,941,515
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$ 102,556	\$ 0	\$ 102,556	\$ 0
National School Lunch Program	10.555	666,301	33,946	666,301	33,946
Total Child Nutrition Cluster		<u>768,857</u>	<u>33,946</u>	<u>768,857</u>	<u>33,946</u>
<b>Total U.S. Department of Agriculture</b>		<u>768,857</u>	<u>33,946</u>	<u>768,857</u>	<u>33,946</u>
<b><u>U.S. Department of Education</u></b>					
<i>Passed through Ohio Department of Education</i>					
Title I - Grants to Local Educational Agencies	84.010	1,333,238	0	1,605,520	0
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027	1,310,882	0	1,253,461	0
Special Education - Preschool Grants	84.173	37,445	0	37,545	0
Total Special Education Cluster		<u>1,348,327</u>	<u>0</u>	<u>1,291,006</u>	<u>0</u>
Career and Technical Education - Basic Grants to States	84.048	163,606	0	181,715	0
English Language Acquisition State Grants	84.365	54,437	0	55,224	0
Improving Teacher Quality States Grants	84.367	192,953	0	193,187	0
Student Support and Academic Enrichment	84.424	53,543	0	55,193	0
<b>Total U.S. Department of Education</b>		<u>3,146,104</u>	<u>0</u>	<u>3,381,845</u>	<u>0</u>
<b><u>U.S. Department of Health and Human Services</u></b>					
<i>Passed through Educational Service Center of Cuyahoga County</i>					
Refugee and Entrant Assistance-Discretionary Grants	93.576	5,106	0	5,106	0
<b>Total U.S. Department of Health and Human Services</b>		<u>5,106</u>	<u>0</u>	<u>5,106</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 3,920,067</u>	<u>\$ 33,946</u>	<u>\$ 4,155,808</u>	<u>\$ 33,946</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2019**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Lakewood City School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lakewood City School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lakewood City School District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

Lakewood City School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: CHILD NUTRITION CLUSTER**

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

**NOTE 5: FOOD DONATION PROGRAM**

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

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

To the Members of Board of Education  
Lakewood City School District  
Lakewood, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2019, wherein we noted the District restated beginning net position due to a reappraisal of capital assets. Also, Lakewood City Academy (component unit) closed as of July 31, 2019 and its financial statements are for the fiscal year ended June 30, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a significant deficiency as item **2019-001**.

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

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2019



**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of Board of Education  
Lakewood City School District  
Lakewood, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

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

We have audited the Lakewood City School District, Cuyahoga County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Lakewood City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***Report on Internal Control over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2019

**LAKEWOOD CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 UNIFORM GUIDANCE  
 JUNE 30, 2019**

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

2019(i)	Type of Financial Statement Opinion	Unmodified
2019(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2019(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2019(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2019(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2019(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2019(v)	Type of Major Programs' Compliance Opinions	Unmodified
2019(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2019(vii)	Major Programs (list): Child Nutrition Cluster - CFDA #10.553 and #10.555 Special Education Cluster - CFDA #84.027 and #84.173	
2019(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2019(ix)	Low Risk Auditee?	Yes

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
JUNE 30, 2019  
(CONTINUED)**

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

**Finding 2019-001 – Significant Deficiency – Capital Assets**

Condition/Criteria

During our testing of capital assets, we noted the following:

- In prior years, the District’s Schedule of Capital Assets contained incorrect depreciation expense calculations, which resulted in improper net book values for those specific capital assets.
- The District’s beginning of the fiscal year and prior year Schedule of Capital Assets contained fully depreciated items with net book values of zero. The District could not verify the physical location of these assets, due to the age of the assets as listed on the reports and also due to not having performed a physical inventory in recent years.

Cause/Effect

The District performed a physical inventory of its capital assets during fiscal year 2019, which resulted in a restatement of net position at July 1, 2018 for governmental and business-type activities.

Recommendation

We recommend that the District consistently review its capital asset listing and depreciation calculations annually to ensure assets are being depreciated correctly. We also recommend the District use salvage values for all assets that continue to be used from year to year. In addition, we recommend the District have a physical inventory completed within a time frame that is cost effective for the District.

District’s Response

The District was aware of this condition and performed a physical inventory of capital assets during 2019. The District will consistently review its capital asset listing and depreciation calculations annually to ensure capital asset reporting is correct. The District will also use salvage values, where applicable, and perform a District-wide physical inventory on a cost-effective time frame.

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

None.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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The audit report for the fiscal year ending June 30, 2018 contained no audit findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**LAKWOOD CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 28, 2020**