



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lakewood City School District, Cuyahoga County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The Schedule of Federal Awards Expenditures and Receipts is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 26, 2001

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**Lakewood City School District**  
**Cuyahoga County**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>ASSETS AND OTHER DEBITS</u></b>				
<b>ASSETS:</b>				
Equity in pooled cash, cash equivalents and investments	\$11,455,600	\$2,549,169	\$2,195,192	\$1,615,124
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Cash in segregated accounts	900	5,800		
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent Accounts	33,364,366 265,215	1,836	1,851,262	
Accrued interest	44,508	1,696		73
Interfund loan receivable	2,257,100	3,018		
Due from other funds				
Due from other governments	600,818	1,507		
Advances to other funds	11,710			
Prepayments	26,088			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	331,142			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>OTHER DEBITS:</b>				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total assets and other debits</b>	<b>\$48,357,447</b>	<b>\$2,563,026</b>	<b>\$4,046,454</b>	<b>\$1,615,197</b>



<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$692,760	\$1,020,445	\$84,277			\$19,612,567
		23,024			23,024
2,500					9,200
					35,215,628
39	4,246				271,336
1,357		56			47,690
					2,260,118
	677,291				677,291
80,149					682,474
					11,710
					26,088
13,349					13,349
					331,142
136,558			\$43,607,573		43,744,131
				\$2,358,028	2,358,028
				19,565,178	19,565,178
<u>\$926,712</u>	<u>\$1,701,982</u>	<u>\$107,357</u>	<u>\$43,607,573</u>	<u>\$21,923,206</u>	<u>\$124,848,954</u>

(continued)

**Lakewood City School District**  
**Cuyahoga County**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$663,019	\$144,104		\$21,670
Accrued wages and benefits	5,339,700	133,937		
Compensated absences payable	201,072	4,087		
Pension obligation payable	855,438	31,540		
Interfund loan payable	3,018	671,900		
Advances from other funds		11,710		
Deferred revenue	31,290,691	1,243	\$1,683,745	53
Due to other funds	640,234	21,170		
Due to other governments	116,521	3,072		
Due to students				
Undistributed monies	900	5,800		
Accrued interest payable	2,085		4,681	
Claims payable				
Bond anticipation note payable	200,000			
General obligation bonds payable				
Refunding bonds payable				
Energy conservation bonds payable				
Early retirement incentive payable				
Special termination benefits payable				
<b>Total liabilities</b>	<b><u>39,312,678</u></b>	<b><u>1,028,563</u></b>	<b><u>1,688,426</u></b>	<b><u>21,723</u></b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets				
Accumulated deficit				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	1,423,270	270,409		3,239
Reserved for prepayments	26,088			
Reserved for debt service			2,199,665	
Reserved for tax revenue unavailable for appropriation	2,324,609		158,363	
Reserved for principal endowment				
Reserved for scholarships				
Reserved for budget stabilization	331,142			
Reserved for advances	11,710			
Unreserved-undesignated	4,927,950	1,264,054		1,590,235
<b>Total equity and other credits</b>	<b><u>9,044,769</u></b>	<b><u>1,534,463</u></b>	<b><u>2,358,028</u></b>	<b><u>1,593,474</u></b>
<b>Total liabilities, equity and other credits</b>	<b><u>\$48,357,447</u></b>	<b><u>\$2,563,026</u></b>	<b><u>\$4,046,454</u></b>	<b><u>\$1,615,197</u></b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$35,035					\$863,828
77,190					5,550,827
43,807				\$6,261,316	6,510,282
104,101				534,808	1,525,887
7,000	\$1,575,000	\$3,200			2,260,118
					11,710
9,589		41			32,985,362
15,887					677,291
80	237,306				356,979
		81,077			81,077
2,500					9,200
					6,766
	897,921				897,921
					200,000
				9,080,000	9,080,000
				3,183,142	3,183,142
				1,505,000	1,505,000
				1,263,185	1,263,185
				95,755	95,755
<u>295,189</u>	<u>2,710,227</u>	<u>84,318</u>		<u>21,923,206</u>	<u>67,064,330</u>
			\$43,607,573		43,607,573
631,523	(1,008,245)				(1,008,245)
					631,523
					1,696,918
					26,088
					2,199,665
					2,482,972
		500			500
		22,539			22,539
					331,142
					11,710
					7,782,239
<u>631,523</u>	<u>(1,008,245)</u>	<u>23,039</u>	<u>43,607,573</u>		<u>57,784,624</u>
<u>\$926,712</u>	<u>\$1,701,982</u>	<u>\$107,357</u>	<u>\$43,607,573</u>	<u>\$21,923,206</u>	<u>\$124,848,954</u>

**Lakewood City School District**  
**Cuyahoga County**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	Governmental	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$32,208,132	
Tuition	3,177,737	\$88,528
Earnings on investments	1,160,462	46,355
Other local revenues	1,086,369	1,050,818
Other revenue		180,308
Intergovernmental - State	22,739,318	2,173,606
Intergovernmental - Federal		2,536,645
	60,372,018	6,076,260
Total revenue		
Expenditures:		
Current:		
Instruction:		
Regular	22,099,345	1,171,709
Special	6,424,280	1,153,176
Vocational	4,708,825	304,965
Other	1,254,474	62,939
Support services:		
Pupil	3,599,886	430,948
Instructional staff	3,100,706	729,491
Board of Education	45,938	
Administration	2,763,426	400,548
Fiscal	1,152,455	17,010
Business	741,164	
Operations and maintenance	7,682,874	1,480
Pupil transportation	491,403	5,112
Central	258,824	68,808
Community services	816,363	1,218,535
Extracurricular activities	452,308	468,416
Facilities services		
Debt service:		
Principal retirement		
Interest and fiscal charges	10,121	
	55,602,392	6,033,137
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	4,769,626	43,123
Other financing sources (uses):		
Proceeds from sale of bonds		
Premium received from sale of bonds		
Payment to refund bond escrow agent		
Operating transfers in		20,000
Operating transfers out	(561,183)	
	(561,183)	20,000
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	4,208,443	63,123
Fund balances, July 1 (restated)	4,836,326	1,471,340
Fund balances, June 30	\$9,044,769	\$1,534,463

See accompanying notes to the general purpose financial statements

Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
\$1,864,297		\$34,072,429
		3,266,265
	\$1,917	1,208,734
	32,674	2,169,861
		180,308
256,484	370,770	25,540,178
		2,536,645
<u>2,120,781</u>	<u>405,361</u>	<u>68,974,420</u>
	204,830	23,475,884
		7,577,456
		5,013,790
		1,317,413
		4,030,834
		3,830,197
		45,938
		3,163,974
		1,169,465
		741,164
	36,613	7,720,967
		496,515
		327,632
		2,034,898
		920,724
	19,996	19,996
1,500,000		1,500,000
<u>1,059,285</u>		<u>1,069,406</u>
<u>2,559,285</u>	<u>261,439</u>	<u>64,456,253</u>
(438,504)	143,922	4,518,167
3,179,996		3,179,996
368,900		368,900
(3,463,065)		(3,463,065)
541,183		561,183
		(561,183)
<u>627,014</u>		<u>85,831</u>
188,510	143,922	4,603,998
<u>2,169,518</u>	<u>1,449,552</u>	<u>9,926,736</u>
<u>\$2,358,028</u>	<u>\$1,593,474</u>	<u>\$14,530,734</u>

**Lakewood City School District**  
**Cuyahoga County**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$31,737,071	\$31,626,950	(\$110,121)
Tuition	2,933,483	3,048,276	114,793
Earnings on investments	850,000	1,232,458	382,458
Other local revenues	894,200	1,003,501	109,301
Other revenue			
Intergovernmental - State	22,495,056	22,752,422	257,366
Intergovernmental - Federal			
Total revenues	58,909,810	59,663,607	753,797
Expenditures:			
Current:			
Instruction:			
Regular	22,970,508	22,418,514	551,994
Special	6,241,678	6,208,044	33,634
Vocational	4,713,637	4,623,968	89,669
Other	1,253,351	1,182,578	70,773
Support services:			
Pupil	3,474,902	3,466,889	8,013
Instructional staff	3,036,668	3,023,430	13,238
Board of Education	52,225	45,748	6,477
Administration	2,789,932	2,773,502	16,430
Fiscal	1,345,495	1,133,859	211,636
Business	796,335	740,809	55,526
Operations and maintenance	8,429,309	8,061,212	368,097
Pupil transportation	680,795	652,861	27,934
Central	464,741	358,204	106,537
Community services	838,094	830,940	7,154
Extracurricular activities	537,612	445,535	92,077
Facilities services			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	57,625,282	55,966,093	1,659,189
Excess (deficiency) of revenues over (under) expenditures	1,284,528	3,697,514	2,412,986
Other financing sources (uses):			
Refund of prior year's expenditures		50	50
Refund of prior year's (receipts)			
Operating transfers in			
Operating transfers (out)	(600,100)	(596,908)	3,192
Advances in		926,018	926,018
Advances (out)	(300,000)	(2,257,100)	(1,957,100)
Premium/Acc. Int. on Sale of Bonds and Notes			
Proceeds of sale of notes			
Proceeds of sale of fixed assets			
Total other financing sources (uses)	(900,100)	(1,927,940)	(1,027,840)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	384,428	1,769,574	1,385,146
Fund balances, July 1	6,287,113	6,287,113	0
Prior year encumbrances appropriated	1,563,634	1,563,634	0
Fund balances, June 30	\$8,235,175	\$9,620,321	\$1,385,146

See accompanying notes to the general purpose financial statements

Special Revenue

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$73,229	\$73,367	\$138
45,613	45,699	86
981,810	983,659	1,849
167,490	167,806	316
2,226,957	2,231,154	4,197
<u>2,531,112</u>	<u>2,535,882</u>	<u>4,770</u>
6,026,211	6,037,567	11,356
1,611,545	1,230,031	381,514
1,493,246	1,160,398	332,848
401,636	349,003	52,633
88,289	59,328	28,961
593,680	416,147	177,533
1,020,078	706,996	313,082
499,774	398,204	101,570
58,672	19,627	39,045
2,250	1,480	770
6,000	5,112	888
74,226	70,516	3,710
1,705,397	1,333,666	371,731
565,181	515,868	49,313
<u>8,119,974</u>	<u>6,266,376</u>	<u>1,853,598</u>
(2,093,763)	(228,809)	1,864,954
(4,001)	(4,001)	
19,962	20,000	38
(1,000)	0	1,000
668,640	669,900	1,260
	(108,500)	(108,500)
		0
<u>683,601</u>	<u>577,399</u>	<u>(106,202)</u>
(1,410,162)	348,590	1,758,752
1,462,893	1,462,893	0
<u>262,521</u>	<u>262,521</u>	<u>0</u>
<u>\$315,252</u>	<u>\$2,074,004</u>	<u>\$1,758,752</u>

**Lakewood City School District**  
**Cuyahoga County**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2000

	Debt Service		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$1,825,293	\$1,833,000	\$7,707
Tuition			
Earnings on investments			
Other local revenues			
Other revenue			
Intergovernmental - State	264,000	256,484	(7,516)
Intergovernmental - Federal			
Total revenues	2,089,293	2,089,484	191
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration	3,000		3,000
Fiscal	50,000	636	49,364
Business			
Operations and maintenance			
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services			
Debt service:			
Principal retirement	1,725,000	1,725,000	0
Interest and fiscal charges	1,344,260	986,772	357,488
Total expenditures	3,122,260	2,712,408	409,852
Excess (deficiency) of revenues over (under) expenditures	(1,032,967)	(622,924)	410,043
Other financing sources (uses):			
Refund of prior year's expenditures			
Refund of prior year's (receipts)			
Operating transfers in	579,039	576,908	(2,131)
Operating transfers (out)			
Advances in			
Advances (out)			
Premium/Acc. Int. on Sale of Bonds and Notes		7,274	7,274
Proceeds of sale of notes	200,000	200,000	0
Proceeds of sale of fixed assets			
Total other financing sources (uses)	779,039	784,182	5,143
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(253,928)	161,258	415,186
Fund balances, July 1	2,033,934	2,033,934	0
Prior year encumbrances appropriated			
Fund balances, June 30	\$1,780,006	\$2,195,192	\$415,186

See accompanying notes to the general purpose financial statements



Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$33,562,364	\$33,459,950	(\$102,414)
			3,006,712	3,121,643	114,931
\$1,819	\$2,033	\$214	897,432	1,280,190	382,758
30,429	32,674	2,245	1,906,439	2,019,834	113,395
			167,490	167,806	316
370,770	370,770	0	25,356,783	25,610,830	254,047
			2,531,112	2,535,882	4,770
403,018	405,477	2,459	67,428,332	68,196,135	767,803
262,118	208,474	53,644	24,844,171	23,857,019	987,152
			7,734,924	7,368,442	366,482
			5,115,273	4,972,971	142,302
			1,341,640	1,241,906	99,734
			4,068,582	3,883,036	185,546
			4,056,746	3,730,426	326,320
			52,225	45,748	6,477
		0	3,292,706	3,171,706	121,000
			1,454,167	1,154,122	300,045
			796,335	740,809	55,526
322,558	36,613	285,945	8,754,117	8,099,305	654,812
			686,795	657,973	28,822
			538,967	428,720	110,247
			2,543,491	2,164,606	378,885
			1,102,793	961,403	141,390
41,969	20,181	21,788	41,969	20,181	21,788
			1,725,000	1,725,000	0
			1,344,260	986,772	357,488
626,645	265,268	361,377	69,494,161	65,210,145	4,284,016
(223,627)	140,209	363,836	(2,065,829)	2,985,990	5,051,819
			0	50	50
			(4,001)	(4,001)	0
			599,001	596,908	(2,093)
			(601,100)	(596,908)	4,192
			668,640	1,595,918	927,278
			(300,000)	(2,365,600)	(2,065,600)
			0	7,274	7,274
			200,000	200,000	0
			0	0	0
0	0	0	562,540	(566,359)	(1,128,899)
(223,627)	140,209	363,836	(1,503,289)	2,419,631	3,922,920
1,450,006	1,450,006	0	11,233,946	11,233,946	0
			1,826,155	1,826,155	0
<u>\$1,226,379</u>	<u>\$1,590,215</u>	<u>\$363,836</u>	<u>\$11,556,812</u>	<u>\$15,479,732</u>	<u>\$3,922,920</u>

**Lakewood City School District**  
**Cuyahoga County**  
 Combined Statement of Revenues, Expenses  
 and Changes in (Accumulated Deficit)/Retained Earnings/Fund Balance -  
 All Proprietary Fund Types and Nonexpendable Trust Fund  
 For the Fiscal year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Sales/charges for services	\$1,364,201	\$5,139,487		\$6,503,688
Investment earnings			\$1,513	1,513
Other operating revenue	<u>20</u>	<u>40,827</u>	<u>1,000</u>	<u>41,847</u>
Total operating revenues	<u>1,364,221</u>	<u>5,180,314</u>	<u>2,513</u>	<u>6,547,048</u>
Operating expenses:				
Personal services	1,010,447			1,010,447
Contract services	15,458	337,841		353,299
Materials and supplies	873,268			873,268
Depreciation	28,608			28,608
Other	195		1,201	1,396
Claims expense		<u>5,068,323</u>		<u>5,068,323</u>
Total operating expenses	<u>1,927,976</u>	<u>5,406,164</u>	<u>1,201</u>	<u>7,335,341</u>
Operating income (loss)	(563,755)	(225,850)	1,312	(788,293)
Nonoperating revenues:				
Operating grants	557,582			557,582
Federal commodities	52,301			52,301
Interest revenue	36,473			36,473
Other non-operating revenue		<u>153,656</u>		<u>153,656</u>
Total nonoperating revenues	<u>646,356</u>	<u>153,656</u>		<u>800,012</u>
Net income (loss)	82,601	(72,194)	1,312	11,719
(Accumulated deficit)/retained earnings/fund balance July 1 (restated)	<u>548,922</u>	<u>(936,051)</u>	<u>21,727</u>	<u>(365,402)</u>
(Accumulated deficit)/retained earnings/fund balance June 30	<u>\$631,523</u>	<u>(\$1,008,245)</u>	<u>\$23,039</u>	<u>(\$353,683)</u>

See accompanying notes to the general purpose financial statements

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**Lakewood City School District**  
**Cuyahoga County**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Nonexpendable Trust Fund  
 For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
Cash flows from operating activities:				
Cash received from sales/service charges	\$1,364,182	\$5,069,043		\$6,433,225
Cash received from other operations		36,581	\$1,000	37,581
Cash payments for personal services	(958,229)			(958,229)
Cash payments for contract services	(52,432)	(708,703)		(761,135)
Cash payments supplies and materials	(793,584)			(793,584)
Cash payments for claims expenses		(5,046,684)		(5,046,684)
Cash payments for other expenses	(195)		(1,201)	(1,396)
Net cash used in operating activities	(440,258)	(649,763)	(201)	(1,090,222)
Cash flows from noncapital financing activities:				
Cash received from operating grants	555,520			555,520
Cash received from non-operating sources		153,656		153,656
Cash received from interfund loans	7,000	1,575,000		1,582,000
Cash payments used in repayment of interfund loans	(3,000)	(800,000)		(803,000)
Net cash provided by noncapital financing activities	559,520	928,656		1,488,176
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(98,887)			(98,887)
Net cash used in capital and related financing activities	(98,887)			(98,887)
Cash flows from investing activities:				
Interest received	37,580		1,556	39,136
Net cash provided by investing activities	37,580		1,556	39,136
Net increase (decrease) in cash and cash equivalents	57,955	278,893	1,355	338,203
Cash/cash equivalents at beginning of year (Restated)	634,805	741,552	21,669	1,398,026
Cash and cash equivalents at end of year	<u>\$692,760</u>	<u>\$1,020,445</u>	<u>\$23,024</u>	<u>\$1,736,229</u>

(continued)

**Lakewood City School District**  
**Cuyahoga County**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Nonexpendable Trust Fund (continued)  
 For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	(\$563,755)	(\$225,850)	\$1,312	(\$788,293)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation	28,608			28,608
Federal donated commodities	52,301			52,301
Interest reported as operating income			(1,513)	(1,513)
Changes in assets and liabilities:				
Decrease in supplies inventory	2,366			2,366
(Increase) Decrease in accounts receivable	(39)	(3,425)		(3,464)
(Increase) in due from other funds		(71,265)		(71,265)
Increase(Decrease) in accounts payable	(10,773)	(608,168)		(618,941)
Increase (Decrease) in accrued wages & benefits	140			140
Increase in compensated absences payable	(3,913)			(3,913)
Increase in due to other governments	80	237,306		237,386
Increase in pension obligation payable	45,874			45,874
Increase in claims payable		21,639		21,639
Increase in due to other funds	10,037			10,037
Decrease in deferred revenue	(1,184)			(1,184)
Net cash used in operating activities	<u>(\$440,258)</u>	<u>(\$649,763)</u>	<u>(\$201)</u>	<u>(\$1,090,222)</u>

See accompanying notes to the general purpose financial statements

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**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**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 ranks as the 33<sup>rd</sup> largest by enrollment among the 682 public and community school districts in the State, and the 4<sup>th</sup> largest in Cuyahoga County. It currently operates 14 instructional buildings, 1 administrative building and 1 garage. The District employs 379 non-certified and 619 certified full-time and part-time employees to provide services to approximately 7,402 students in grades K through 12 and various community groups.

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities unless those pronouncements conflict/or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**A. Reporting Entity (Continued)**

*Jointly Governed Organizations:*

*Lakeshore Northeast Ohio Computer Association* - The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau among fourteen public school districts. The primary function of LNOCA is to provide data services to the 14 member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge, dependent upon the software packages used. In fiscal year 2001, \$129,129 was paid to LNOCA for services. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, OH 44125.

*Ohio Schools Council* - The Ohio Schools' Council Association (Council) is a jointly governed organization among 83 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2001, the District paid \$1,193,861 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

The District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a 12-year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**A. Reporting Entity (Continued)**

Jointly Governed Organizations: (Continued)

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase 12 years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

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 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.

The District also participates in two public entity risk-sharing pools, discussed in Note 11.

**B. Fund Accounting**

The District uses funds and account groups 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. 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 are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

B. Fund Accounting (Continued)

**GOVERNMENTAL FUNDS (Continued)**

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

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

**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 Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) 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.

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.

**FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Nonexpendable Trust and Agency funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; Agency funds are therefore presented on a budgetary basis, with note disclosure, if applicable, regarding items, which, in other funds, would be subject to accrual.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

***ACCOUNT GROUPS***

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and the Nonexpendable Trust Fund.

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, except those accounted for in the Proprietary Funds and the Nonexpendable Trust Fund.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. 'Measurable' means that the amount of the transaction can be determined. 'Available' means that the amount is collectable within the current period or within (the District's defined available period of) sixty days of the balance sheet date and may be used to pay liabilities of the current period. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**C. Measurement Focus/Basis of Accounting (Continued)**

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds and the Nonexpendable Trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenues. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

**D. 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 2001 is as follows:

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**D. Budgets (Continued)**

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 expressed 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.
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 June 30, 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 is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate 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 final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
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 total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions 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 2001.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**D. Budgets (Continued)**

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise Funds are disclosed in Note 12 to the financial statements.

**E. Cash and Investments**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including Proprietary 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, Cash Equivalents, and Investments" (both unrestricted and restricted) on the combined balance sheet.

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, certificates of deposit, and federal agency securities.

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

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 2001	\$ 2,966,503
Add: Proceeds of investments sold and matured in fiscal 2001	9,000,000
Less: Cost of investments purchased in fiscal 2001	(2,023,092)
Less: Fair value at June 30, 2000	<u>(9,757,058)</u>
Increase in fair value of investments	<u>\$ 186,353</u>

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**E. Cash and Investments (Continued)**

Under existing Ohio statutes and/or federal regulation, all investment earnings are assigned to the General fund, certain Special Revenue funds, the Food Service fund, the Building fund, and the Nonexpendable Trust fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General Fund	\$1,160,462	\$710,254	\$450,208
<u>Special Revenue Fund</u>			
Auxiliary Services	23,519	16,393	7,126

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

**F. Inventory**

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased. Inventories reported on the combined balance sheet consist of donated food, purchased food, and food service supplies.

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 5 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has no infrastructure. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

H. Fixed Assets and Depreciation (Continued)

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	12
Vehicles	12

I. Compensated Absences

Compensated absences of the District consist of vacation leave and severance 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. 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 severance 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.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.



**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**I. Compensated Absences (Continued)**

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**J. Long-Term Obligations**

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources; however, compensated absences, contractually required pension contributions, special termination benefits, and early retirement incentive obligations that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, tax revenue unavailable for appropriation, budget stabilization, and long-term interfund advances. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**L. Statutory Reserves**

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2001	\$ (553,646)	\$ 8,232	\$331,142
Current year set-aside requirement	1,238,609	1,238,609	
Qualifying disbursements	<u>(1,511,798)</u>	<u>(1,335,565)</u>	
Total	<u>(826,835)</u>	<u>(88,724)</u>	<u>331,442</u>
Cash balance carried forward to FY 2002	<u>\$ (826,835)</u>	<u>\$ 0</u>	<u>\$331,142</u>

The District had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

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

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for budget stabilization	<u>\$331,142</u>
Total restricted assets	<u>\$331,142</u>

**M. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**M. Interfund Transactions (Continued)**

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund, which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

**N. Parochial Schools**

Within the District boundaries, St. Augustine High School, St. Clement, Sts. Cyril and Methodius, St. Edward High School, St. James and St. Luke 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 activity of these State monies by the District are reflected in a Special Revenue fund for financial reporting purposes.

**O. Statement of Cash Flows**

The District's Financial Statement has been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**Q. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2.L for the statutory reserve.

**R. Discounts, Premiums and Issuance Costs**

For Governmental Fund Types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

**S. Estimates**

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

**T. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Preschool for the Handicapped	\$ (24,586)
Reducing Class Sizes	(31,784)
Miscellaneous Federal Grants	(9,584)
 <u>Internal Service Fund</u>	
Employee Benefits Self-Insurance Fund	(1,714,757)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**C. Prior Period Adjustment**

At July 1, 2000, the District has presented a restatement of fund balance in the General fund and accumulated deficit in the Internal Service fund due to a reclassification of funds. The effect of these adjustments is as follows:

	Amounts Previously Reported June 30, 2000	Adjustment	Restated Amounts July 1, 2000
General Fund	\$ 5,354,552	\$(518,226)	\$4,836,326
 <u>Internal Service Fund</u>			
Workers' Compensation	(1,454,277)	518,226	(936,051)

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys 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.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

*Cash on Hand:* At year-end, the District had \$530 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

*Cash in Segregated Accounts:* At year-end, \$9,200 was on deposit in segregated accounts for the Treasurer's office, the Athletic Department, and the Recreation fund, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

*Deposits:* At year-end, the carrying amount of the District's deposits was \$6,214,726 and the bank balance was \$7,009,315 (both amounts include \$7,000,000 in non-negotiable certificates of deposit, as well as the payroll clearance account). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. Of the bank balance:

1. \$4,109,315 was covered by federal deposit insurance or by surety bonds deposited with the Treasurer by the financial institution; and
2. \$2,900,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

	Category of Risk 3	Fair Value
Repurchase Agreements	\$4,817,232	\$ 4,817,232
Federal Agency Securities	2,966,503	2,966,503
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	_____	5,976,942
Total Investments	<u>\$7,783,735</u>	<u>\$13,760,677</u>

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and NonExpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, cash in segregated accounts, and investments on the combined balance sheet per GASB Statement No. 9, and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$19,966,733	
Investments of the Cash		
Management Pool:		
Federal Agency Securities	(2,966,503)	\$ 2,966,503
Repurchase Agreements	(4,817,232)	4,817,232
State Treasurer's Investment Pool	(5,976,942)	5,976,942
Cash on hand	(530)	
Cash in segregated accounts	9,200	_____
GASB Statement No. 3	<u>\$ 6,214,726</u>	<u>\$13,760,677</u>



**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan (Payable)</u>
General Fund	\$2,257,100	\$ (3,018)
<u>Special Revenue Funds</u>		
Special Trusts	3,018	
Rotary		(2,000)
Other Grant		(41,700)
District-Managed Student Activity		(4,100)
Adult Basic Education		(9,000)
Education for Economic Security		(33,000)
Title VI-B		(36,000)
Vocational Education		(40,500)
Title I		(195,000)
Title VI		(19,000)
Drug-Free Schools		(30,000)
Preschool for the Handicapped		(30,100)
Reducing Class Size		(81,000)
Miscellaneous Federal Grants	_____	(150,500)
Total Special Revenue Funds	<u>3,018</u>	<u>(671,900)</u>
<u>Enterprise Fund</u>		
Recreation		(7,000)
<u>Internal Service Fund</u>		
Employee Benefits Self-Insurance Fund		(1,575,000)
<u>Agency Fund</u>		
Student-Managed Activity	_____	<u>(3,200)</u>
Total Interfund Loans	<u>\$2,260,118</u>	<u>\$(2,260,118)</u>

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

B. The following is a reconciliation of the District's operating transfers for fiscal year 2001:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(561,183)
<u>Special Revenue Fund</u>		
District Managed Student Activity	\$ 20,000	
Debt Service Fund	<u>541,183</u>	_____
Total Operating Transfers	<u>\$561,183</u>	<u>\$(561,183)</u>

C. The District had the following long-term advances outstanding at June 30, 2001:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances (from) Other Funds</u>
General	\$11,710	
<u>Special Revenue Funds</u>		
Special Trusts		\$ (6,710)
Disadvantaged Pupil Impact Aid	_____	<u>(5,000)</u>
Total Long-Term Advances	<u>\$11,710</u>	<u>\$(11,710)</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$672,238,960	92.86	\$762,193,100	93.54
Public Utility Personal	22,218,700	3.07	21,740,390	2.67
Tangible Personal Property	<u>29,495,988</u>	<u>4.07</u>	<u>30,919,012</u>	<u>3.79</u>
	<u>\$723,953,648</u>	<u>100.00</u>	<u>\$814,852,502</u>	<u>100.00</u>

Tax rate per \$1,000 of  
assessed valuation

Operations	\$93.28	\$91.30
Debt Service	2.92	2.52

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Cuyahoga County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$2,324,609 in the General fund and \$158,363 in the Debt Service fund.

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees) interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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 follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$33,364,366
Accounts	265,215
Due from other governments	600,818
Interfund loan	2,257,100
 <u>Debt Service Fund</u>	
Taxes - Current & Delinquent	\$1,851,262
 <u>Enterprise Fund</u>	
Food Service	
Due from other governments - nonoperating grant	80,149
 <u>Internal Service Fund</u>	
Employee benefits self - insurance	
Due from other funds - charges for services	638,636

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	<u>Balance</u>		<u>Increases</u>		<u>Decreases</u>	<u>Balance</u>
	<u>July 1, 2000</u>				<u>June 30, 2001</u>	
Land/Improvements	\$ 1,976,791				\$ 1,976,791	
Buildings/ Improvements	25,366,664	\$202,536			25,569,200	
Furniture/Equipment	14,715,799	522,744			15,238,543	
Vehicles	<u>839,716</u>	<u>6,323</u>		\$(23,000)	<u>823,039</u>	
Total	<u>\$42,898,970</u>	<u>\$731,603</u>		<u>\$(23,000)</u>	<u>\$43,607,573</u>	

A summary of the Proprietary Funds' fixed assets at June 30, 2001 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$1,098,419
Less: Accumulated Depreciation	<u>(961,861)</u>
Net Fixed Assets	<u>\$ 136,558</u>

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 9 - LONG-TERM DEBT**

A. General obligation bonds and the Energy Conservation loan are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. 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 2.52 (average) mill bonded debt tax levy for the General Obligation bonds and from current operating revenues for the Energy Conservation loan.

B. Series 2001 Refunding General Obligation Bonds

On June 14, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds (principal \$3,875,000; interest rate 6.902%). The \$3,463,065 net 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 General Long-Term Obligations Account Group. The principal balance of the defeased bonds at June 30, 2001 was \$3,875,000.

The refunding issue is comprised of both current interest bonds, par value \$2,875,000, and capital appreciation bonds, par value \$990,000. The average interest rate on the current interest bonds is 4.70%. The capital appreciation bonds mature each December 1, 2008 through 2010 (effective interest 14.489%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$304,996. Total accreted interest of \$3,146 has been included in the General Long-Term Obligations Account Group at June 30, 2001.

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, the pension benefit obligation, special termination benefits, and the early retirement incentive will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2001</u>
<u>General Obligation Bonds:</u>				
Series 1986, Improvement 7.875%, 12/01/06 maturity	\$ 4,410,000		\$ (630,000)	\$ 3,780,000
Series 1993, Improvement 2.5%, 12/01/13 maturity	5,575,000		(275,000)	5,300,000
Series 1994, Improvement 6.902%, 12/01/15 maturity	4,020,000		(4,020,000)	

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 9 - LONG-TERM DEBT - (Continued)**

Series 2001, Refunding Current Interest Bonds 4.70%, 12/01/15 maturity		\$2,875,000		2,875,000
Series 2001, Refunding Capital Appreciation Bonds 14.489% (average effective) 12/01/08, 09, and 10 maturity		304,996		304,996
Series 2001, Refunding Capital Appreciation Bonds Accreted Interest	<u>                    </u>	<u>3,146</u>	<u>                    </u>	<u>3,146</u>
Total, General Obligation Bonds	<u>14,005,000</u>	<u>3,183,142</u>	<u>(4,925,000)</u>	<u>12,263,142</u>
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2000</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>June 30, 2001</u>
<u>Other Obligations:</u>				
Energy Conservation Loan 3.35%, 12/01/03 maturity	\$ 1,955,000		\$ (450,000)	\$ 1,505,000
Early Retirement Incentive		\$1,263,185		1,263,185
Compensated Absences	5,921,835	1,078,694	(739,213)	6,261,316
Pension Benefit Obligation	578,172	534,808	(578,172)	534,808
Special Termination Benefits	<u>155,082</u>	<u>95,755</u>	<u>(155,082)</u>	<u>95,755</u>
Total, Other Obligations	<u>8,610,089</u>	<u>2,972,442</u>	<u>(1,922,467)</u>	<u>9,660,064</u>
Total, All General Long-Term Liabilities	<u>\$22,615,089</u>	<u>\$6,155,584</u>	<u>\$(6,847,467)</u>	<u>\$21,923,206</u>

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 9 - LONG-TERM DEBT - (Continued)**

D. Principal and interest requirements to retire general obligation bonds, refunding bonds, and the energy conservation loan outstanding at June 30, 2001 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds & Loan	Current Interest Refunding Bonds	Capital Appreciation Refunding Bonds	Total
2002	\$ 2,217,598	\$ 168,980		\$ 2,386,578
2003	1,960,501	138,160		2,098,661
2004	1,913,637	142,727		2,056,364
2005	1,318,823	210,935		1,529,758
2006	1,271,955	413,874		1,685,829
2007 - 2011	3,505,671	1,773,538	\$ 990,000	6,269,209
2012 - 2016	<u>1,725,698</u>	<u>2,039,075</u>		<u>3,764,773</u>
Total Obligation	13,913,883	4,887,289	990,000	19,791,172
Less: Interest	<u>(3,328,883)</u>	<u>(2,012,289)</u>	<u>(681,858)</u>	<u>(6,023,030)</u>
Total Principal	<u>\$10,585,000</u>	<u>\$ 2,875,000</u>	<u>\$ 308,142</u>	<u>\$13,768,142</u>

E. 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 further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2001, are a voted debt margin of \$63,431,611 (including available funds of \$2,358,028), an unvoted debt margin of \$814,853 and an unvoted energy conservation debt margin of \$5,828,673.

**NOTE 10 - NOTES PAYABLE**

The school improvements notes described below have been issued in anticipation of the issuance of bonds for the purpose of renovations to school buildings and an outdoor sports facility, and for paving roadways and parking areas at the high school. These notes are backed by the full faith and credit of the District. The note liability is reported as a liability of the General fund, which received the proceeds upon issuance.

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 10 - NOTES PAYABLE- (Continued)**

The District's note activity, including amounts outstanding, interest rates and the purpose for which the notes were issued is as follows:

	Interest Rate	Issue Date	Maturity Date	Notes Outstanding 07/01/00	Issued	Retired	Notes Outstanding 6/30/01
Bond Anticipation Notes:							
School Improvement	4.78%	03/03/00	03/29/01	\$225,000		\$(225,000)	\$ 0
School Improvement	4.17%	03/29/01	03/28/02	0	\$200,000		200,000
Totals				<u>\$225,000</u>	<u>\$200,000</u>	<u>\$(225,000)</u>	<u>\$200,000</u>

**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 2001, the District contracted with Wausau National Insurance Company for property and fleet insurance, general liability insurance, and inland marine coverage. The limitations of coverages provided by Wausau are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$86,329,800
Inland Marine Coverage (\$100 deductible)	283,946
Boiler and Machinery (\$1,000 per location deductible)	5,000,000
Crime Insurance (\$1,000 deductible each coverage)	various
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	12,500/25,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

**B. OSBA Worker's Compensation Group Rating**

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each



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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**B. OSBA Worker's Compensation Group Rating (Continued)**

participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Prior to 1995, the District participated in the State Workers' Compensation retrospective rating and payment system. The plan involved the payment of a minimum premium for administrative services and stop-loss coverage, plus the actual claim costs for employees who had been injured. During 1995, the District switched to the traditional, fully-funded plan provided by the State. The District retains a liability for claims incurred while the District participated in the plan. A third party, Navisource, reviews all claims, which are then paid by the District. Incurred, but not reported claims of \$17,984, have been accrued as a liability in the workers' compensation Internal Service fund, based on an estimate by the claims administrator. As this estimate changes, it results in positive or negative claims expense in the Internal Service fund.

**C. Group Health and Dental Insurance**

The District operates and manages employee health benefits on a self-insured basis. The District maintains a self-insurance Internal Service fund to account for and finance its uninsured risks of loss in this program. A third party, Self-Funded Plans, Inc., reviews all claims, which are then paid by the District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Incurred, but not reported claims of \$797,569 have been accrued as a liability in the self-insurance Internal Service fund at June 30, 2001.

The claims liability of \$897,921 reported in the fund at June 30, 2001, is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the current and past three fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2001	\$876,282	\$5,068,323	\$5,046,684	\$897,921
2000	574,498	4,627,980	4,326,196	876,282
1999	483,576	4,777,722	4,686,800	574,498
1998	696,397	3,921,007	4,133,828	483,576

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**C. Group Health and Dental Insurance (Continued)**

The District has contracted with the Ohio Schools Council Association's Insurance Benefits Program to provide employee dental benefits. This shared risk pool is comprised of five school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is paid into a common fund from which claim payments are made for all participants, regardless of claims flow. The Board of Directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two Enterprise Funds to account for the operations of food service and recreation. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the fiscal year ended June 30, 2001:

	<u>Food Service</u>	<u>Recreation</u>	<u>Total</u>
Operating Revenue	\$1,154,825	\$209,396	\$1,364,221
Depreciation Expense	28,608		28,608
Operating Loss	(521,950)	(41,805)	(563,755)
Non-operating Revenue:			
Operating grants	557,582		557,582
Donated federal commodities	52,301		52,301
Net Income (Loss)	124,406	(41,805)	82,601
Fixed Assets:			
Additions	98,887		98,887
Net Working Capital	535,298	3,474	538,772
Total Assets	825,963	100,749	926,712
Long-Term Liabilities			
Payable from			
Fund Revenues	43,807		43,807
Total Fund Equity	628,049	3,474	631,523
Encumbrances Outstanding as of 6/30/01	700	16,140	16,840

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**A. School Employees Retirement System (Continued)**

Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations for fiscal 2001 compared to 5.55% for fiscal 2000. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,272,403, \$1,506,267, and \$1,312,586 respectively; 43% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$729,912, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations for fiscal 2001, compared to 6% for fiscal 2000. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$4,184,046, \$6,043,612, and \$3,724,016, respectively; 84% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$668,860, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,340,943 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$1,017,218 during the 2001 fiscal year. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits.

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Early Retirement Incentive**

The District Board of Education has approved an early retirement incentive program for certified and classified employees. The Board will purchase, from STRS and SERS, respectively, additional service credit for those employees who elect to participate in the plan. Participation was open to employees who were at least 50 years old, qualified for retirement with the years purchased by the Board, and agreed to retire either at the end of fiscal year 2001 or at the end of fiscal year 2002. The enrollment period for the early retirement incentive was between February 12, 2001 and February 16, 2001. The credit could not exceed the lesser of three years or one-fifth of each member's total Ohio service. The Board did not limit the number of employees participating in the plan in any one year. The Board has the option of paying the liability in its entirety or in installments. The Board has yet to determine how it will pay the liability for those employees who retired at the end of the 2001 fiscal year, which totaled \$1,263,185. In addition, employees who elected to participate in the plan will receive a lump sum payment for their unused sick leave, to the extent allowed by the current labor agreement. June 30, 2001 retirees will receive their severance payment in September, 2004, while June 30, 2002 retirees will receive their severance in September, 2005.

A liability for unpaid severance, in the amount of \$1,286,958 (included as part of the total liability for compensated absences), has also been recorded in the General Long-Term Obligations Account Group at June 30, 2001. Both obligations will ultimately be paid from the fund in which the employee was paid.

**B. Special Termination Benefits**

A Timely Retirement Incentive Plan (TRIP) was also offered to both certified and non-certified employees. In order to take advantage of the TRIP, employees were required to meet the criteria established by the respective retirement system to which the employee belonged, and retire by the end of fiscal year 2001 or 2002. The enrollment period for STRS employees was between February 12, 2001 and February 16, 2001. There was no specified enrollment period for SERS employees. The retirees will receive 60% of his/her final salary (excluding extended days and supplemental contracts) in addition to payment for unused sick leave credit, to the extent allowed by current labor agreements. Payments will be made in two equal installments beginning in January following the employee's retirement for certified employees and within 90 days of retirement for non-certified employees. TRIP payments in fiscal 2001 totaled \$253,261 (including both the salary and the severance portions).

A liability of \$95,755 for the salary portion of TRIP, and \$30,031 for the severance portion of TRIP (included as part of the total liability for compensated absences) have both been recorded in the General Long-Term Obligations Account Group at June 30, 2001. Both obligations will ultimately be paid from the fund in which the employee was paid.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable in Governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) The District repays short-term note debt from the Debt Service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been reclassified accordingly.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental Funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$ 1,769,574	\$ 348,590	\$ 161,258	\$140,209
Net Adjustment for Revenue Accruals	701,434	(64,191)	31,297	(116)
Net Adjustment for Expenditure Accruals	(1,555,382)	(30,124)	153,123	(21,080)
Net Adjustment for Other Financing Sources/(Uses)	1,366,757	(550,881)	(157,168)	

**LAKWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

Net Adjustment for Fund Reclassification	6,843	(22,643)		
Adjustment for Encumbrances	<u>1,919,217</u>	<u>382,372</u>	<u>          </u>	<u>24,909</u>
GAAP Basis	<u>\$ 4,208,443</u>	<u>\$ 63,123</u>	<u>\$ 188,510</u>	<u>\$143,922</u>

**NOTE 17 - CONTINGENT LIABILITIES**

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds; however in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 17 - CONTINGENT LIABILITIES - (Continued)**

**C. School Funding Decision**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS**

Effective October 1, 2001, the District joined (and agreed to serve as fiscal agent for) the Suburban Health Consortium. The consortium, comprised of nine area school districts, was organized to maximize benefits and/or reduce the costs of health, dental, life and/or other group insurance coverages for their employees.



**LAKWOOD CITY SCHOOL DISTRICT  
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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES AND RECEIPTS  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$49,982	\$0	\$52,301
National School Breakfast	044198 05-PU-00	10.553	22,794	0	22,794	0
National School Lunch Program	044198 04-PU-00	10.555	417,802	0	417,802	0
Child Care Food Program	044198 21-ML-00	10.558	92,862	0	92,862	0
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>533,458</b>	<b>49,982</b>	<b>533,458</b>	<b>52,301</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	044198 6B-PM 00	84.027	124,536	0	113,326	0
	044198 6B-PM 01		25,000	0	19,876	0
	044198 6B-SF 00		0	0	5,861	0
	044198 6B-SF 01		508,131	0	425,118	0
Total CFDA			657,667	0	564,181	0
Special Education - Preschool Grants	044198 PG-S1 99	84.173	30,071	0	39,844	0
	044198 PG-S1 00		45,041	0	61,797	0
Total CFDA			75,112	0	101,641	0
<b>Total Special Education Cluster</b>			<b>732,779</b>	<b>0</b>	<b>665,822</b>	<b>0</b>
Title I, Part A, ESEA	044198 C1-S1 00	84.010	132,103	0	305,039	0
	044198 C1-S1 01		856,939	0	682,489	0
Total CFDA			989,042	0	987,528	0
Technology Literacy Challenge Fund Grants	044198 TF-VM 00	84.318	4,658	0	4,902	0
Total CFDA			4,658	0	4,902	0
REA Reading Improvement	044198 RN-S1 00	84.338	149,500	0	170,701	0
Total CFDA			149,500	0	170,701	0
Class Size Reduction	044198 CR-S1 00	84.340	27,041	0	40,302	0
	044198 CR-S1 01		115,936	0	134,723	0
Total CFDA			142,977	0	175,025	0
Refugee Grant	044198 RI-S1 00	93.576	2,853	0	6,658	0
	044198 RI-S1 01		6,300	0	0	0
Total CFDA			9,153	0	6,658	0
Safe and Drug-Free Schools - State Grants	044198 DR-S1-00	84.186	9,708	0	38,943	0
Title IV, Part A, Subpart 1 ESEA	044198 DR-S1 01		43,441	0	27,317	0
Total CFDA			53,149	0	66,260	0
Eisenhower Professional Development State Grants Title II, Part B	044198 MS-S1 99	84.281	1,000	0	9,075	0
	044198 MS-S1 00		0	0	9,898	0
	044198 MS-S1 01		12,770	0	8,699	0
Total CFDA			13,770	0	27,672	0
Adult Education - State Grant Program	044198 AB-S1 00	84.002	0	0	7,427	0
	044198 AB-S1 01		86,177	0	80,775	0
Total CFDA			86,177	0	88,202	0

**LAKEWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES AND RECEIPTS  
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>						
<i>Passed Through Ohio Department of Education: (Continued)</i>						
Vocational Education - Basic Grant to States						
	044198 20-A4 00	84.048	5,901	0	5,456	0
	044198 20-A5 00		3,750	0	953	0
	044198 20-C1 00		27,597	0	2,897	0
	044198 20C1 01		146,101	0	136,260	0
	044198 STW 00		100,000	0	100,000	0
	044198 WKBE 01		420	0	420	0
Total CFDA			283,769	0	245,986	0
Innovative Educational Program Strategies						
	044198 C2-S1 99	84.298	0	0	9,158	0
	044198 C2-S1 00		0	0	26,718	0
	044198 C2-S1 01		46,008	0	37,789	0
Total CFDA			46,008	0	73,665	0
Emergency Immigrant						
	044198 EI-S1 00	84.162	0	0	9,359	0
	044198 EI-S1 01		11,500	0	2,001	0
Total CFDA			11,500	0	11,360	0
<b>Total U.S. Department of Education</b>			<b>2,522,482</b>	<b>0</b>	<b>2,523,781</b>	<b>0</b>
<i>Direct Grant</i>						
<b>National Science Foundation</b>						
Education and Human Resources	N/A	47.076	7,500	0	3,812	0
Total CFDA			7,500	0	3,812	0
<b>Total National Science Foundation</b>			<b>7,500</b>	<b>0</b>	<b>3,812</b>	<b>0</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through the Ohio Department of Mental Retardation &amp; Developmental Disabilities:</i>						
Medical Assistance - Medicaid Title XIX	N/A	93.778	308,946	0	308,946	0
Total CFDA			308,946	0	308,946	0
<b>Total U.S. Department of Health and Human Services</b>			<b>308,946</b>	<b>0</b>	<b>308,946</b>	<b>0</b>
<b>Total All Federal Funds</b>			<b>\$3,372,386</b>	<b>\$49,982</b>	<b>\$3,369,997</b>	<b>\$52,301</b>

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

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES AND RECEIPTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures and Receipts (Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C - NATIONAL SCHOOL BREAKFAST, LUNCH, AND CHILD CARE FOOD PROGRAM**

Federal monies received by the District for these programs are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

N/A - Not Applicable

CFDA - Catalog of Federal Domestic Assistance

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 26, 2001. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 26, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 26, 2001.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 26, 2001



STATE OF OHIO  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the Lakewood City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 26, 2001.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 26, 2001



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2001**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Special Education Cluster</u> Special Education Grants to States, CFDA 84.027 and Preschool Grants, CFDA 84.173. Vocational Education - Basic Grants to States, CFDA 84.048
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
FEBRUARY 28, 2002**