

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

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2014**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lakewood City School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 24, 2015

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**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Lakewood City School District
Lakewood, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Ohio, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakewood City School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the Lakewood City School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lakewood City School District, Ohio's internal control over financial reporting and compliance.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.22 09:55:14 -05'00'

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

December 10, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of Lakewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position increased \$56,915,898. Net position of governmental activities increased \$56,842,360, which represents a 214.15% increase from 2013's net position. Net position of business-type activities increased \$73,538 from 2013.
- Governmental activities general revenues accounted for \$125,414,468 in revenue or 90.06% of all governmental activities revenues. Governmental activities program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$13,838,102 or 9.94% of total governmental activities revenues of \$139,252,570.
- The District had \$82,410,210 in expenses related to governmental activities; only \$13,838,102 of these expenses were offset by program specific charges for services, operating and capital grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted and restricted grants and entitlements) of \$125,414,468 were adequate to provide for these programs.
- The District had \$1,728,230 in expenses related to business-type activities; a total of \$1,799,591 were offset by program specific charges for services, grants and contributions. General revenues include only investment earnings of \$2,177. Total revenues were adequate to provide for these programs by \$73,538 resulting in an increase in net position from \$551,538 to a balance of \$625,076.
- The District's major governmental funds are the general fund, debt service fund, building fund and classroom facilities fund. The general fund had \$72,000,400 in revenues and \$68,057,303 in expenditures and other financing uses. The general fund's fund balance increased \$3,943,097 from \$17,249,858 to \$21,192,955.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$61,855,690 in revenues and other financing sources and \$55,755,597 in expenditures and other financing uses. The debt service fund's fund balance increased \$6,100,093 from \$5,789,177 to \$11,889,270.
- Another of the District's major governmental funds is the building fund. The building fund had \$26,947,489 in revenues and other financing sources and \$112,095 in expenditures. The building fund's fund balance increased \$26,835,394 from \$1,337,420 to \$28,172,814.
- Another of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$28,184,847 in revenues and other financing sources and \$116,953 in expenditures. The classroom facilities fund's fund balance increased to a balance of \$28,067,894.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

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

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's recreation programs and food service operations are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 19-21 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund, building fund and classroom facilities fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 22-29 of this report.

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-78 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Current assets	\$ 193,011,570	\$ 79,939,497	\$ 878,138	\$ 808,969	\$ 193,889,708	\$ 80,748,466
Capital assets, net	<u>125,418,860</u>	<u>128,733,375</u>	<u>32,080</u>	<u>39,711</u>	<u>125,450,940</u>	<u>128,773,086</u>
Total assets	<u>318,430,430</u>	<u>208,672,872</u>	<u>910,218</u>	<u>848,680</u>	<u>319,340,648</u>	<u>209,521,552</u>
<u>Deferred outflows</u>						
Deferred outflows	<u>4,149,724</u>	<u>2,561,334</u>	<u>-</u>	<u>-</u>	<u>4,149,724</u>	<u>2,561,334</u>
<u>Liabilities</u>						
Current liabilities	10,865,004	10,081,525	187,399	192,147	11,052,403	10,273,672
Long-term liabilities	<u>186,811,594</u>	<u>136,261,412</u>	<u>97,743</u>	<u>104,995</u>	<u>186,909,337</u>	<u>136,366,407</u>
Total liabilities	<u>197,676,598</u>	<u>146,342,937</u>	<u>285,142</u>	<u>297,142</u>	<u>197,961,740</u>	<u>146,640,079</u>
<u>Deferred inflows</u>						
Deferred inflows	<u>41,517,753</u>	<u>38,347,826</u>	<u>-</u>	<u>-</u>	<u>41,517,753</u>	<u>38,347,826</u>
<u>Net Position</u>						
Net investment in capital assets	15,741,570	20,803,991	32,080	39,711	15,773,650	20,843,702
Restricted	59,268,398	2,442,355	-	-	59,268,398	2,442,355
Unrestricted	<u>8,375,835</u>	<u>3,297,097</u>	<u>592,996</u>	<u>511,827</u>	<u>8,968,831</u>	<u>3,808,924</u>
Total net position	<u>\$ 83,385,803</u>	<u>\$ 26,543,443</u>	<u>\$ 625,076</u>	<u>\$ 551,538</u>	<u>\$ 84,010,879</u>	<u>\$ 27,094,981</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$84,010,879. Of this amount, \$83,385,803 is reported in governmental activities and \$625,076 is reported in business-type activities.

Assets of the District's governmental activities increased \$109,757,558 or 52.60%. The primary increase is the result of the District voters approving a new bond levy to assist in the funding of an Ohio School Facilities Commission (OSFC) Project. The overall budget of the Project is \$162,899,556 with the State share being \$50,498,862 and the local share being \$112,400,694. The District received a credit of \$89,392,466 from previous construction done on District buildings. The District issued notes and bond to provide for the remaining local share which these proceeds increased equity in pooled cash and investments by \$62,097,035 from the previous year. The District has yet to begin construction on the new facilities. The District's intergovernmental receivables increased \$45,288,422 from the previous year due to State share of the Project which is recorded as a receivable.

Liabilities of the governmental activities increased \$51,333,661 with the most significant increase in the area of long-term liabilities. Long-term liabilities increased due to the issuance of notes and bonds that will be paid over the next 30 years which were issued to fund the District's local share of the OSFC Project. During fiscal year 2014, the District issued \$28,615,000 in notes (which were repaid during the year) and \$64,960,000 in bonds. Parts of the bonds issued were to refund portions of previous bonds issued by the District. See Notes 10 & 11 for details on these issuances. Current liabilities increased \$783,479 due to an increase in accrued interest payable on the new bonds outstanding.

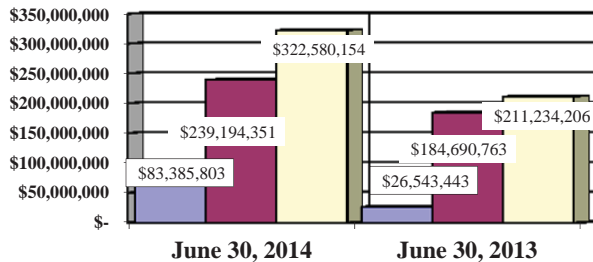
**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

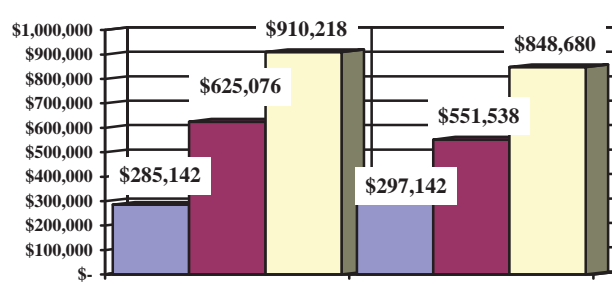
A portion of the District's net position, \$59,268,398, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$51,742,060 is restricted for capital projects which is primarily the balance restricted for the OSFC Project. The remaining balance of the governmental activities unrestricted net position of \$8,375,835 may be used to meet the District's ongoing obligations to the students and creditors.

The graphs below show the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.

Governmental – Net Position



Business-Type – Net Position



The table below shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services and sales	\$ 5,560,263	\$ 5,693,073	\$ 733,544	\$ 798,999	\$ 6,293,807	\$ 6,492,072
Operating grants and contributions	8,245,839	8,328,444	1,066,047	1,350,908	9,311,886	9,679,352
Capital grants and contributions	32,000	36,620	-	-	32,000	36,620
General revenues:						
Property taxes	52,149,058	47,622,442	-	-	52,149,058	47,622,442
Unrestricted grants and entitlements	22,403,125	22,212,232	-	-	22,403,125	22,212,232
Restricted grants and entitlements	50,498,862	-	-	-	50,498,862	-
Investment earnings	106,629	53,645	2,177	1,146	108,806	54,791
Payment in lieu of taxes	144,701	64,381	-	-	144,701	64,381
Miscellaneous	112,093	94,562	-	-	112,093	94,562
Total revenues	139,252,570	84,105,399	1,801,768	2,151,053	141,054,338	86,256,452

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses						
Program expenses:						
Instruction:						
Regular	29,853,636	30,020,102	-	-	29,853,636	30,020,102
Special	13,389,645	13,246,040	-	-	13,389,645	13,246,040
Vocational	2,755,621	2,543,998	-	-	2,755,621	2,543,998
Adult/continuing	102,599	413,125	-	-	102,599	413,125
Other	3,714,701	4,000,121	-	-	3,714,701	4,000,121
Support services:						
Pupil	4,324,660	4,431,335	-	-	4,324,660	4,431,335
Instructional staff	2,981,208	4,138,875	-	-	2,981,208	4,138,875
Board of education	333,414	95,577	-	-	333,414	95,577
Administration	3,356,535	3,512,670	-	-	3,356,535	3,512,670
Fiscal	1,796,626	1,653,761	-	-	1,796,626	1,653,761
Business	750,303	693,838	-	-	750,303	693,838
Operations and maintenance	7,400,030	7,437,531	-	-	7,400,030	7,437,531
Pupil transportation	84,986	86,944	-	-	84,986	86,944
Central	299,165	419,770	-	-	299,165	419,770
Operation of non-instructional services	2,756,946	2,694,116	-	-	2,756,946	2,694,116
Extracurricular activities	1,407,219	1,411,344	-	-	1,407,219	1,411,344
Interest and fiscal charges	7,102,916	6,086,995	-	-	7,102,916	6,086,995
Food service	-	-	1,458,439	1,486,737	1,458,439	1,486,737
Recreation	-	-	269,791	254,900	269,791	254,900
Total expenses	<u>82,410,210</u>	<u>82,886,142</u>	<u>1,728,230</u>	<u>1,741,637</u>	<u>84,138,440</u>	<u>84,627,779</u>
Changes in net position	<u>56,842,360</u>	<u>1,219,257</u>	<u>73,538</u>	<u>409,416</u>	<u>56,915,898</u>	<u>1,628,673</u>
Net position at beginning of year	<u>26,543,443</u>	<u>25,324,186</u>	<u>551,538</u>	<u>142,122</u>	<u>27,094,981</u>	<u>25,466,308</u>
Net position at end of year	<u>\$ 83,385,803</u>	<u>\$ 26,543,443</u>	<u>\$ 625,076</u>	<u>\$ 551,538</u>	<u>\$ 84,010,879</u>	<u>\$ 27,094,981</u>

Governmental Activities

Net position of the District's governmental activities increased \$56,842,360. Total governmental expenses of \$82,410,210 were offset by program revenues of \$13,838,102 and general revenues of \$125,414,468. Program revenues supported 16.79% of the total governmental expenses. Governmental revenues of the District increased \$55,147,171 which was helped greatly due to a \$50,498,862 grant from the State for the District's OSFC Project. Property taxes of the District increased \$4,526,616 due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Cuyahoga County Fiscal Officer. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2014, 2013 and 2012 was \$9,471,343, \$6,093,604 and \$6,468,979, respectively. The amount of tax advance available at year-end can vary depending upon when the county fiscal officers distribute tax bills. The increase in property taxes is also due to a new bond levy and classroom facilities maintenance levy which began collections in fiscal year 2014.

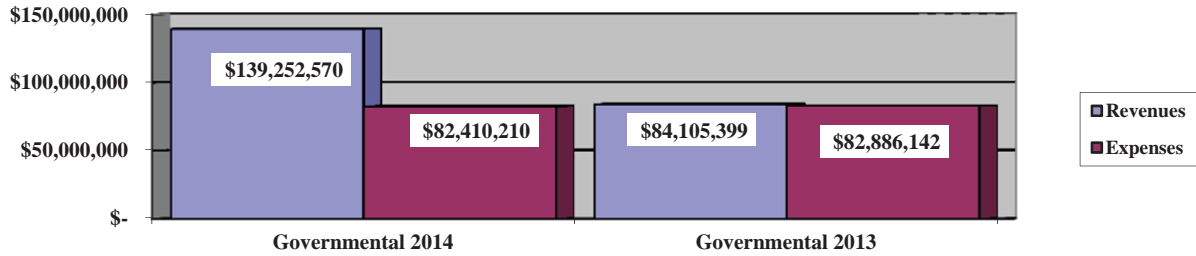
Expenses of the governmental activities decreased \$475,932. The most significant decrease was in the area of instructional staff. This decrease was due primarily to decreased instructional staff spending in federal grants, primarily Title VI-B. This large decrease was partially offset by increases in interest and fiscal charges due to the new bonds issued for the Project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2014 and 2013.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted and restricted grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses:				
Instruction:				
Regular	\$ 29,853,636	\$ 26,695,894	\$ 30,020,102	\$ 27,140,294
Special	13,389,645	8,047,587	13,246,040	8,669,215
Vocational	2,755,621	856,908	2,543,998	676,838
Adult/continuing	102,599	(81,282)	413,125	47,020
Other	3,714,701	3,714,701	4,000,121	4,000,121

(Continued)

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

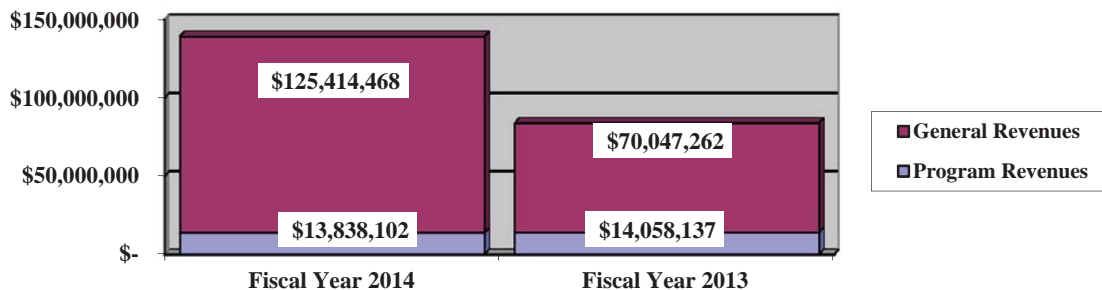
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Support services:				
Pupil	4,324,660	3,846,889	4,431,335	3,718,650
Instructional staff	2,981,208	2,884,764	4,138,875	3,135,382
Board of education	333,414	333,414	95,577	95,577
Administration	3,356,535	3,196,936	3,512,670	3,336,927
Fiscal	1,796,626	1,784,913	1,653,761	1,641,855
Business	750,303	750,303	693,838	693,838
Operations and maintenance	7,400,030	6,977,015	7,437,531	7,095,199
Pupil transportation	84,986	(62,579)	86,944	(65,511)
Central	299,165	299,165	419,770	401,770
Operation of non-instructional services	2,756,946	1,444,340	2,694,116	1,394,892
Extracurricular activities	1,407,219	780,224	1,411,344	758,943
Interest and fiscal charges	<u>7,102,916</u>	<u>7,102,916</u>	<u>6,086,995</u>	<u>6,086,995</u>
Total expenses	<u>\$ 82,410,210</u>	<u>\$ 68,572,108</u>	<u>\$ 82,886,142</u>	<u>\$ 68,828,005</u>

The dependence upon tax revenues and unrestricted grants and entitlements during fiscal year 2014 for governmental activities is apparent, as 78.76% of 2014 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 83.21% in 2014. The District's taxpayers and unrestricted and restricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include recreation and the food service operation. These programs had revenues of \$1,801,768 and expenses of \$1,728,230 for fiscal year 2014. The food service operations had expenses of \$1,458,439 and revenues of \$1,532,066. The recreation fund has \$269,791 in expenses and revenues of \$269,702. This resulted in an increase to net position for the fiscal year of \$73,538. These funds are intended to be self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 22-23) reported a combined fund balance of \$90,816,991 which is higher than last year's total of \$25,468,053. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Change</u>
General	\$ 21,192,955	\$ 17,249,858	\$ 3,943,097
Debt Service	11,889,270	5,789,177	6,100,093
Building	28,172,814	1,337,420	26,835,394
Classroom Facilities	28,067,894	-	28,067,894
Other Governmental	<u>1,494,058</u>	<u>1,091,598</u>	<u>402,460</u>
Total	<u>\$ 90,816,991</u>	<u>\$ 25,468,053</u>	<u>\$ 65,348,938</u>

General Fund

The District's general fund balance increased \$3,943,097. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

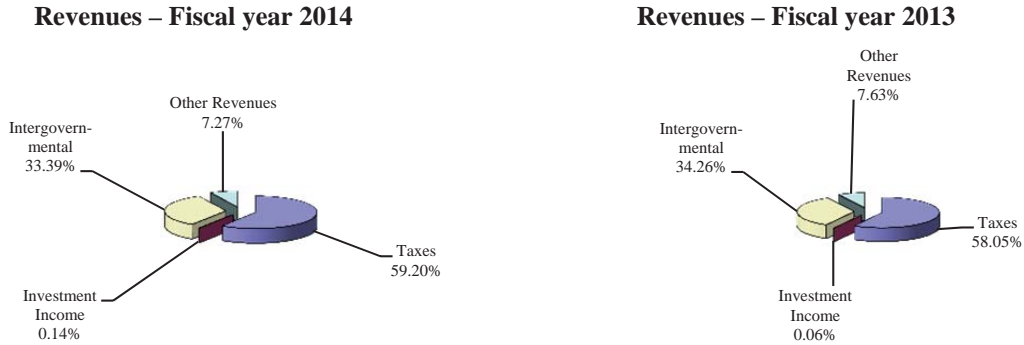
	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 42,621,301	\$ 39,581,258	\$ 3,040,043	7.68 %
Earnings on investments	99,154	39,005	60,149	154.21 %
Intergovernmental	24,044,267	23,360,022	684,245	2.93 %
Other revenues	<u>5,235,678</u>	<u>5,202,919</u>	<u>32,759</u>	0.63 %
Total	<u>\$ 72,000,400</u>	<u>\$ 68,183,204</u>	<u>\$ 3,817,196</u>	5.60 %

Overall revenues of the general fund increased \$3,817,196 or 5.60%. Tax revenue increased \$3,040,043 or 7.68% from the prior year. This increase can be attributed to an increase in the amount of tax advance that was available to the District from the County Fiscal Officer at June 30, 2014 versus June 30, 2013. This variance resulted in more tax revenue being reported in fiscal year 2014. The amount of tax advances available from the County Fiscal Officer can vary depending upon when tax bills are mailed. Intergovernmental revenues increased \$684,245 or 2.93%. This increase is due to an increase in foundation money from the State. Earnings on investments increased \$60,149 due to an increase in interest rates earned on investments compared to fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graphs below detail general fund revenues from fiscal year 2014 and 2013.

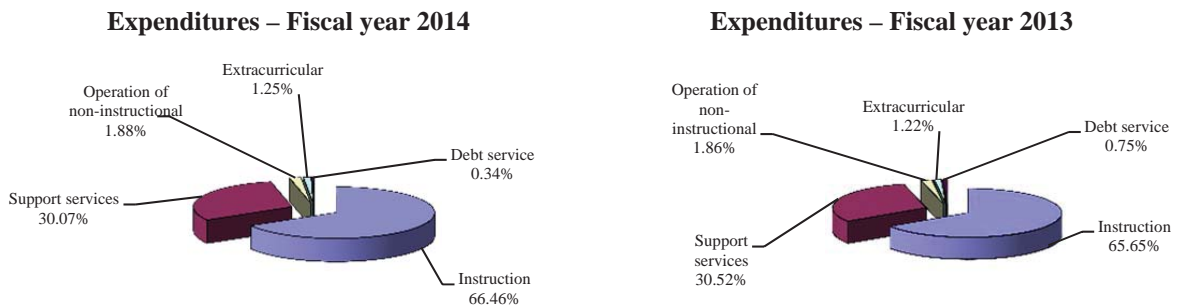


The table that follows assists in illustrating the expenditures of the general fund.

	2014 <u>Amount</u>	2013 <u>Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Expenditures</u>				
Instruction	\$ 45,222,272	\$ 43,894,715	\$ 1,327,557	3.02 %
Support services	20,456,936	20,404,394	52,542	0.26 %
Operation of non-instructional services	1,279,623	1,241,034	38,589	3.11 %
Extracurricular activities	848,228	813,272	34,956	4.30 %
Debt service	<u>230,244</u>	<u>498,287</u>	<u>(268,043)</u>	<u>(53.79) %</u>
Total	<u>\$ 68,037,303</u>	<u>\$ 66,851,702</u>	<u>\$ 1,185,601</u>	<u>1.77 %</u>

Expenditures of the general fund increased by \$1,185,601. Instruction expenditures increased \$1,327,557 due to increased costs in regular due to salaries and benefits.

The graphs below detail general fund expenditures for fiscal year 2014 and 2013.



Debt Service Fund

The debt service fund had \$61,855,690 in revenues and other financing sources and \$55,755,597 in expenditures and other financing uses. The debt service fund's fund balance increased \$6,100,093 from \$5,789,177 to \$11,889,270. The increase in fund balance is mainly related to premiums received from bonds issued during the fiscal year for the OSFC Project and other refundings. See Note 10 for additional details.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Building Fund

The building fund had \$26,947,489 in revenues and other financing sources and \$112,095 in expenditures. The fund balance of the building fund increased \$26,835,394 due to bonds issued for the District's building project. The building fund will primarily include costs related to the District's Locally Funded Initiatives (LFIs).

Classroom Facilities Fund

The classroom facilities fund had \$28,184,847 in revenues and other financing sources and \$116,953 in expenditures. The fund balance of the classroom facilities fund increased \$28,067,894 due to grant revenue received from the State as well as proceeds from debt for the local share of the Project.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, final budgeted revenues and other financing sources were \$70,065,513, which was increased from the original budgeted revenues and other financing sources estimate of \$67,988,239. Actual revenues and other financing sources for fiscal year 2014 was \$70,444,810. This represents a \$379,297 increase over final budgeted revenues.

General fund original appropriations (expenditures and other financing uses) and final appropriations were \$71,051,218. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$68,795,796, which was \$2,255,422 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the District had \$125,450,940 invested in land, land improvements, buildings/improvements, furniture/equipment and vehicles. Of this total, \$125,418,860 was reported in governmental activities and \$32,080 was reported in business-type activities. The following table shows June 30, 2014 balances compared to June 30, 2013.

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

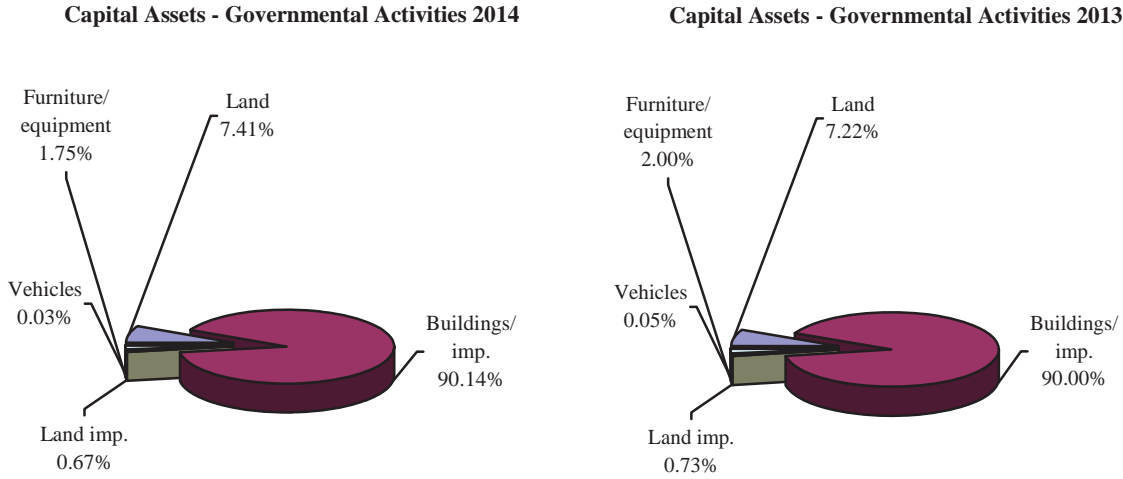
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 9,294,255	\$ 9,294,255	\$ -	\$ -	\$ 9,294,255	\$ 9,294,255
Land improvements	844,865	938,877	-	-	844,865	938,877
Buildings/improvements	113,048,187	115,837,067	-	-	113,048,187	115,837,067
Furniture/equipment	2,191,086	2,598,447	9,143	11,581	2,200,229	2,610,028
Vehicles	40,467	64,729	22,937	28,130	63,404	92,859
Total	\$ 125,418,860	\$ 128,733,375	\$ 32,080	\$ 39,711	\$ 125,450,940	\$ 128,773,086

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The overall decrease in governmental capital assets of \$3,314,515 is due to depreciation expense of \$3,509,668 exceeding capital outlays of \$195,153 for fiscal year 2014.

The following graphs show the breakdown of governmental activities capital assets by category for 2014 and 2013.



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

Debt Administration

At June 30, 2014 the District had \$165,567,088 in general obligation bonds and capital leases outstanding. Of this total, \$5,932,545 is due within one year and \$159,634,543 is due in more than one year. The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	\$ 165,043,993	\$ 118,854,791
Capital leases	<u>523,095</u>	<u>721,763</u>
Total	<u>\$ 165,567,088</u>	<u>\$ 119,576,554</u>

The District maintains an A-1 bond rating.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the balance sheet on pages 22-23 shows, the general fund's unrestricted cash balance was \$22,581,173 at June 30, 2014. Fiscal year-end general fund unrestricted cash balances were \$19,580,409, \$16,813,918, \$15,603,692, \$13,196,739, \$16,019,490, \$20,060,960, \$22,942,386, \$21,859,407, \$22,002,572 and \$18,040,883 at June 30 in fiscal years 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004, respectively. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance, pass four consecutive operating levies in 1995, 1999, 2002, and 2010 at minimum millage amounts possible, and continue a quality, comprehensive educational program.

The Board's five-year projections indicated that the natural budget cycle needs would require additional operating income beginning in fiscal year 2011. In May 2010, the Board submitted, and the electors of the District approved (by a vote of 60.62% to 39.38%) a 6.9-mill ad valorem property tax for the purpose of current expenses for a continuing period of time. That levy generates approximately \$6.2 million annually. By monitoring its five-year forecast, the Board was able to request voter approval early in the forecast cycle to lower the millage amount needed and not face significant reductions in educational programming. Once again, in May 2013, the board submitted, and the electors of the District approved (by a vote of 69% to 31%) a 3.9-mill ad valorem property tax for the purpose of current expenses for a continuing period of time. This levy generates approximately \$3.2 million annually. It is anticipated that additional operating funds from local taxes will be necessary again in fiscal year 2017. Since 2005, the Board has made numerous reductions in operating expenses to manage the budget and deal with revenue losses from reduced state funding, property valuations, and investment earnings.

Several significant legislative and judicial actions have occurred that will have a major impact on our District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. The biennial budget approved by the State for Fiscal Years 2012 and 2013 did not prove helpful to the funding situation for the District. The District is projected to lose approximately \$6.3 million in State funding, when compared to fiscal year 2011 revenues, during this biennial budget period from reduced foundation funding, phase-out of tangible personal property tax replacement dollars, and elimination of electricity deregulation offset payments. This \$6.3 million loss was fully realized during fiscal year 2013, and continues in future fiscal years. Ironically, this amount is virtually identical to the revenues generated from the passage of the 6.9 mill operating levy in May 2010. Additionally, the District has been able to streamline some of its operations, thus cutting expenses, due to commencement of its new school facilities program.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Kent Zeman, Treasurer, Lakewood City School District, 1470 Warren Road, Lakewood, Ohio 44107.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lakewood City Academy
Assets:				
Equity in pooled cash and investments	\$ 92,184,378	\$ 874,566	\$ 93,058,944	\$ 467,959
Receivables:				
Property taxes	54,359,415	-	54,359,415	-
Payment in lieu of taxes	144,701	-	144,701	-
Accounts	7,172	-	7,172	-
Accrued interest	24,722	594	25,316	-
Intergovernmental	46,291,182	-	46,291,182	-
Materials and supplies inventory	-	2,978	2,978	-
Capital assets:				
Nondepreciable capital assets	9,294,255	-	9,294,255	-
Depreciable capital assets, net	116,124,605	32,080	116,156,685	55,888
Capital assets, net	125,418,860	32,080	125,450,940	55,888
Total assets	318,430,430	910,218	319,340,648	523,847
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	4,149,724	-	4,149,724	-
Total deferred outflows of resources	4,149,724	-	4,149,724	-
Liabilities:				
Accounts payable	655,087	7,193	662,280	-
Accrued wages and benefits payable	7,471,759	124,752	7,596,511	-
Pension obligation payable	1,223,815	53,823	1,277,638	-
Intergovernmental payable	271,863	1,631	273,494	14,241
Accrued interest payable	1,180,224	-	1,180,224	-
Claims payable	62,256	-	62,256	-
Long-term liabilities:				
Due within one year	8,260,016	656	8,260,672	-
Due in more than one year	178,551,578	97,087	178,648,665	-
Total liabilities	197,676,598	285,142	197,961,740	14,241
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	41,373,052	-	41,373,052	-
PILOTs levied for the next fiscal year	144,701	-	144,701	-
Total deferred inflows of resources	41,517,753	-	41,517,753	-
Net position:				
Net investment in capital assets	15,741,570	32,080	15,773,650	55,888
Restricted for:				
Capital projects	51,742,060	-	51,742,060	-
Classroom facilities maintenance	301,679	-	301,679	-
Debt service	6,331,423	-	6,331,423	-
Locally funded programs	66,975	-	66,975	-
State funded programs	295,854	-	295,854	-
Federally funded programs	58,118	-	58,118	-
Public school support	-	-	-	199
Unclaimed monies	-	-	-	249
Student activities	339,229	-	339,229	-
Special trust	133,060	-	133,060	-
Unrestricted	8,375,835	592,996	8,968,831	453,270
Total net position	\$ 83,385,803	\$ 625,076	\$ 84,010,879	\$ 509,606

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 29,853,636	\$ 2,461,099	\$ 696,643	\$ -
Special	13,389,645	134,787	5,207,271	-
Vocational	2,755,621	1,629,664	269,049	-
Adult/continuing.	102,599	183,881	-	-
Other	3,714,701	-	-	-
Support services:				
Pupil.	4,324,660	418	477,353	-
Instructional staff	2,981,208	-	96,444	-
Board of education	333,414	-	-	-
Administration.	3,356,535	21,922	137,677	-
Fiscal.	1,796,626	3,017	8,696	-
Business.	750,303	-	-	-
Operations and maintenance	7,400,030	391,015	-	32,000
Pupil transportation.	84,986	-	147,565	-
Central	299,165	-	-	-
Operation of non-instructional services:				
Other non-instructional services	2,756,946	123,554	1,189,052	-
Extracurricular activities.	1,407,219	610,906	16,089	-
Interest and fiscal charges	7,102,916	-	-	-
Total governmental activities	<u>82,410,210</u>	<u>5,560,263</u>	<u>8,245,839</u>	<u>32,000</u>
Business-type activities:				
Food service.	1,458,439	463,842	1,066,047	-
Recreation.	269,791	269,702	-	-
Total business-type activities	<u>1,728,230</u>	<u>733,544</u>	<u>1,066,047</u>	<u>-</u>
Totals	<u>\$ 84,138,440</u>	<u>\$ 6,293,807</u>	<u>\$ 9,311,886</u>	<u>\$ 32,000</u>
Component unit				
Lakewood City Academy	<u>\$ 1,034,008</u>	<u>\$ 285</u>	<u>\$ 1,173,809</u>	<u>\$ -</u>

General revenues:

Property taxes levied for:	
General purposes	
Debt service.	
Classroom facilities	
Payments in lieu of taxes	
Grants and entitlements not restricted to specific programs	
Grants and entitlements restricted for Ohio School Facilities Commission	
Investment earnings	
Miscellaneous	
Total general revenues	
Change in net position	
Net position at beginning of year	
Net position at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Primary Government		Total	Component Unit
	Business-Type Activities			Lakewood City Academy
\$ (26,695,894)	\$ -	\$ (26,695,894)	\$ -	
(8,047,587)	-	(8,047,587)	-	
(856,908)	-	(856,908)	-	
81,282	-	81,282	-	
(3,714,701)	-	(3,714,701)	-	
(3,846,889)	-	(3,846,889)	-	
(2,884,764)	-	(2,884,764)	-	
(333,414)	-	(333,414)	-	
(3,196,936)	-	(3,196,936)	-	
(1,784,913)	-	(1,784,913)	-	
(750,303)	-	(750,303)	-	
(6,977,015)	-	(6,977,015)	-	
62,579	-	62,579	-	
(299,165)	-	(299,165)	-	
(1,444,340)	-	(1,444,340)	-	
(780,224)	-	(780,224)	-	
(7,102,916)	-	(7,102,916)	-	
(68,572,108)	-	(68,572,108)	-	
-	71,450	71,450	-	
-	(89)	(89)	-	
-	71,361	71,361	-	
(68,572,108)	71,361	(68,500,747)	-	
-	-	-	140,086	
41,807,714	-	41,807,714	-	
10,044,314	-	10,044,314	-	
297,030	-	297,030	-	
144,701	-	144,701	-	
22,403,125	-	22,403,125	-	
50,498,862	-	50,498,862	-	
106,629	2,177	108,806	620	
112,093	-	112,093	1,015	
125,414,468	2,177	125,416,645	1,635	
56,842,360	73,538	56,915,898	141,721	
26,543,443	551,538	27,094,981	367,885	
\$ 83,385,803	\$ 625,076	\$ 84,010,879	\$ 509,606	

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Classroom Facilities</u>
Assets:				
Equity in pooled cash and investments	\$ 22,581,173	\$ 9,896,652	\$ 28,173,121	\$ 28,104,353
Receivables:				
Property taxes	42,928,504	11,005,594	-	-
Payment in lieu of taxes	144,701	-	-	-
Accounts	7,014	-	-	-
Accrued interest	16,755	-	3,591	3,746
Intergovernmental.	528,881	-	-	45,328,364
Total assets	<u>\$ 66,207,028</u>	<u>\$ 20,902,246</u>	<u>\$ 28,176,712</u>	<u>\$ 73,436,463</u>
Liabilities:				
Accounts payable	\$ 524,860	\$ -	\$ 307	\$ 36,459
Accrued wages and benefits payable	6,980,023	-	-	-
Compensated absences payable	284,297	-	-	-
Intergovernmental payable	124,529	-	-	-
Pension obligation payable	1,132,845	-	-	-
Total liabilities.	<u>9,046,554</u>	<u>-</u>	<u>307</u>	<u>36,459</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	32,771,840	8,273,472	-	-
Delinquent property tax revenue not available	2,749,105	739,504	-	-
Accrued interest not available	-	-	3,591	3,746
Other nonexchange transactions not available	-	-	-	45,328,364
Miscellaneous revenues not available.	301,873	-	-	-
PILOTs levied for the next fiscal year	144,701	-	-	-
Total deferred inflows of resources	<u>35,967,519</u>	<u>9,012,976</u>	<u>3,591</u>	<u>45,332,110</u>
Fund balances:				
Restricted:				
Debt service	-	11,889,270	-	-
Capital improvements	-	-	28,172,814	28,067,894
Classroom facilities maintenance	-	-	-	-
Non-public schools	-	-	-	-
Public school preschool	-	-	-	-
Other purposes.	-	-	-	-
Extracurricular activities	-	-	-	-
Committed:				
Capital improvements	-	-	-	-
Assigned:				
Student instruction	212,923	-	-	-
Student and staff support.	1,105,543	-	-	-
Other non-instructional services	94,559	-	-	-
Other purposes.	46,637	-	-	-
Unassigned (deficit).	19,733,293	-	-	-
Total fund balances	<u>21,192,955</u>	<u>11,889,270</u>	<u>28,172,814</u>	<u>28,067,894</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 66,207,028</u>	<u>\$ 20,902,246</u>	<u>\$ 28,176,712</u>	<u>\$ 73,436,463</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,122,937	\$ 90,878,236
425,317	54,359,415
-	144,701
158	7,172
630	24,722
433,937	46,291,182
<u>\$ 2,982,979</u>	<u>\$ 191,705,428</u>
\$ 93,461	\$ 655,087
491,736	7,471,759
-	284,297
24,666	149,195
90,970	1,223,815
<u>700,833</u>	<u>9,784,153</u>
327,740	41,373,052
26,411	3,515,020
-	7,337
433,937	45,762,301
-	301,873
-	144,701
<u>788,088</u>	<u>91,104,284</u>
-	11,889,270
-	56,240,708
275,268	275,268
167,535	167,535
119,457	119,457
262,540	262,540
339,229	339,229
774,169	774,169
-	212,923
-	1,105,543
-	94,559
-	46,637
(444,140)	19,289,153
<u>1,494,058</u>	<u>90,816,991</u>
<u>\$ 2,982,979</u>	<u>\$ 191,705,428</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	90,816,991
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			125,418,860
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	3,515,020	
Accounts receivable		37,128	
Accrued interest receivable		7,337	
Intergovernmental receivable		46,027,046	
Total		46,027,046	49,586,531
An internal service fund is used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,121,218
Unamortized premiums on bonds issued are not recognized in the funds.			(11,846,170)
Unamortized amounts on refundings are not recognized in the funds.			4,149,724
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,180,224)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(165,043,993)	
Capital lease obligations		(523,095)	
Compensated absences		(5,270,368)	
Retirement incentives		(3,843,671)	
Total		(174,681,127)	(174,681,127)
Net position of governmental activities		\$	83,385,803

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Debt Service	Building	Classroom Facilities
Revenues:				
From local sources:				
Property taxes	\$ 42,621,301	\$ 10,089,659	\$ -	\$ -
Payment in lieu of taxes	144,701	-	-	-
Tuition	3,105,490	-	-	-
Earnings on investments	99,154	-	5,717	6,121
Extracurricular	472,805	-	-	-
Classroom materials and fees	85,890	-	-	-
Rental income	365,462	-	-	-
Contributions and donations	23,018	-	-	-
Contract services	887,002	-	-	-
Other local revenues	151,310	-	-	-
Intergovernmental - intermediate	-	-	-	-
Intergovernmental - state	23,683,936	1,087,257	-	5,170,498
Intergovernmental - federal	360,331	-	-	-
Total revenues	72,000,400	11,176,916	5,717	5,176,619
Expenditures:				
Current:				
Instruction:				
Regular	28,596,969	-	-	-
Special	10,460,894	-	-	-
Vocational	2,342,171	-	-	-
Adult/continuing	99,926	-	-	-
Other	3,722,312	-	-	-
Support services:				
Pupil	3,786,756	-	-	-
Instructional staff	2,890,093	-	-	-
Board of education	330,734	-	-	-
Administration	3,194,009	-	-	-
Fiscal	1,801,617	-	-	-
Business	734,849	-	-	-
Operations and maintenance	7,345,950	-	-	-
Pupil transportation	78,616	-	-	-
Central	294,312	-	-	-
Operation of non-instructional services:				
Other non-instructional services	1,279,623	-	-	-
Extracurricular activities	848,228	-	-	-
Facilities acquisition and construction	-	-	112,095	116,953
Debt service:				
Principal retirement	198,668	3,122,481	-	-
Interest and fiscal charges	31,576	4,802,988	-	-
Bond issuance costs	-	460,963	-	-
Accretion on capital appreciation bonds	-	1,252,519	-	-
Total expenditures	68,037,303	9,638,951	112,095	116,953
Excess (deficiency) of revenues over (under) expenditures	3,963,097	1,537,965	(106,378)	5,059,666
Other financing sources (uses):				
Premium on bonds sold	-	7,053,774	-	-
Sale of bonds	-	43,625,000	21,335,000	-
Transfers in	-	-	5,606,772	23,008,228
Transfers (out)	(20,000)	(28,615,000)	-	-
Payment to refunded bond escrow agent	-	(17,501,646)	-	-
Total other financing sources (uses)	(20,000)	4,562,128	26,941,772	23,008,228
Net change in fund balances	3,943,097	6,100,093	26,835,394	28,067,894
Fund balances at beginning of year	17,249,858	5,789,177	1,337,420	-
Fund balances at end of year	\$ 21,192,955	\$ 11,889,270	\$ 28,172,814	\$ 28,067,894

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 270,619	\$ 52,981,579
-	144,701
-	3,105,490
2,962	113,954
550,659	1,023,464
63,827	149,717
25,553	391,015
31,676	54,694
3,575	890,577
43,884	195,194
124,192	124,192
1,283,697	31,225,388
3,966,873	4,327,204
<u>6,367,517</u>	<u>94,727,169</u>
657,627	29,254,596
2,730,955	13,191,849
212,703	2,554,874
1,477	101,403
-	3,722,312
477,881	4,264,637
73,381	2,963,474
-	330,734
135,796	3,329,805
9,759	1,811,376
-	734,849
-	7,345,950
-	78,616
-	294,312
1,154,823	2,434,446
530,655	1,378,883
-	229,048
-	3,321,149
-	4,834,564
-	460,963
-	1,252,519
<u>5,985,057</u>	<u>83,890,359</u>
<u>382,460</u>	<u>10,836,810</u>
-	7,053,774
-	64,960,000
20,000	28,635,000
-	(28,635,000)
-	(17,501,646)
<u>20,000</u>	<u>54,512,128</u>
402,460	65,348,938
1,091,598	25,468,053
<u>\$ 1,494,058</u>	<u>\$ 90,816,991</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$	65,348,938
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 195,153	
Current year depreciation	<u>(3,509,668)</u>	
Total		(3,314,515)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(832,521)	
Earnings on investments	(6,152)	
Other local revenue	(32,445)	
Intergovernmental	<u>45,373,348</u>	
Total		44,502,230
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	3,122,481	
Payment of accretion on capital appreciation bonds	1,252,519	
Capital leases	<u>198,668</u>	
Total		4,573,668
Issuances of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(64,960,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	15,725,000	
Deferred charges on refundings	<u>1,776,646</u>	
Total		17,501,646
Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		(7,053,774)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Accrued interest payable	(669,277)	
Accreted interest on capital appreciation bonds	(1,329,202)	
Amortization of bond premiums	379,346	
Amortization of deferred charges	<u>(188,256)</u>	
Total		(1,807,389)
Some expenses reported in the statement of activities, such as compensated absences and retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		2,263,226
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(211,670)</u>
Change in net position of governmental activities	\$	<u>56,842,360</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 38,772,996	\$ 39,985,829	\$ 40,207,285	\$ 221,456
Payment in lieu of taxes.	144,701	144,701	144,701	-
Tuition.	2,991,301	3,084,870	3,101,955	17,085
Earnings on investments	79,744	82,239	82,694	455
Extracurricular.	86,330	89,031	89,524	493
Classroom materials and fees	82,826	85,417	85,890	473
Rental income	354,592	365,684	367,709	2,025
Contract services.	803,187	828,311	832,898	4,587
Other local revenues	117,662	125,868	127,367	1,499
Intergovernmental - state	22,627,423	23,335,217	23,464,456	129,239
Intergovernmental - federal	347,477	358,346	360,331	1,985
Total revenues	<u>66,408,239</u>	<u>68,485,513</u>	<u>68,864,810</u>	<u>379,297</u>
Expenditures:				
Current:				
Instruction:				
Regular	27,855,729	27,693,229	28,169,095	(475,866)
Special.	10,362,134	10,386,728	10,585,925	(199,197)
Vocational.	2,583,016	2,583,016	2,352,225	230,791
Adult/continuing	117,409	117,909	110,646	7,263
Other.	4,297,440	4,231,988	4,058,857	173,131
Support services:				
Pupil.	3,842,637	3,949,543	3,807,206	142,337
Instructional staff	2,971,630	2,944,630	3,011,153	(66,523)
Board of education	123,487	263,317	380,879	(117,562)
Administration.	3,369,253	3,369,253	3,232,739	136,514
Fiscal	1,852,378	1,852,378	1,828,634	23,744
Business	828,388	687,010	784,875	(97,865)
Operations and maintenance.	8,251,975	8,276,975	7,942,393	334,582
Pupil transportation	94,041	194,041	90,215	103,826
Central.	296,919	296,919	297,550	(631)
Other operation of non-instructional services	1,431,095	1,430,595	1,266,956	163,639
Extracurricular activities.	853,687	853,687	856,448	(2,761)
Total expenditures	<u>69,131,218</u>	<u>69,131,218</u>	<u>68,775,796</u>	<u>355,422</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(2,722,979)</u>	<u>(645,705)</u>	<u>89,014</u>	<u>734,719</u>
Other financing sources (uses):				
Transfers (out).	(20,000)	(20,000)	(20,000)	-
Advances in.	1,580,000	1,580,000	1,580,000	-
Advances (out)	(1,900,000)	(1,900,000)	-	1,900,000
Total other financing sources (uses)	<u>(340,000)</u>	<u>(340,000)</u>	<u>1,560,000</u>	<u>1,900,000</u>
Net change in fund balance	(3,062,979)	(985,705)	1,649,014	2,634,719
Fund balance at beginning of year	18,104,655	18,104,655	18,104,655	-
Prior year encumbrances appropriated	887,076	887,076	887,076	-
Fund balance at end of year	<u>\$ 15,928,752</u>	<u>\$ 18,006,026</u>	<u>\$ 20,640,745</u>	<u>\$ 2,634,719</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Total Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:		
Equity in pooled cash and investments	\$ 874,566	\$ 1,306,142
Receivables:		
Accrued interest.	594	-
Materials and supplies inventory.	2,978	-
Total current assets	878,138	1,306,142
Noncurrent assets:		
Depreciable capital assets, net	32,080	-
Total assets.	910,218	1,306,142
Liabilities:		
Accounts payable.	7,193	-
Accrued wages and benefits	124,752	-
Compensated absences.	656	-
Pension obligation payable.	53,823	-
Intergovernmental payable	1,631	122,668
Claims payable	-	62,256
Total current liabilities	188,055	184,924
Long-term liabilities:		
Compensated absences payable.	97,087	-
Total long-term liabilities	97,087	-
Total liabilities	285,142	184,924
Net position:		
Investment in capital assets	32,080	-
Unrestricted.	592,996	1,121,218
Total net position.	\$ 625,076	\$ 1,121,218

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Total Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Sales/charges for services.	\$ 733,544	\$ -
Total operating revenues	<u>733,544</u>	<u>-</u>
Operating expenses:		
Personal services.	966,278	-
Purchased services.	23,085	7,439
Materials and supplies	719,042	-
Other.	12,194	-
Claims	-	204,231
Depreciation	7,631	-
Total operating expenses.	<u>1,728,230</u>	<u>211,670</u>
Operating loss	<u>(994,686)</u>	<u>(211,670)</u>
Nonoperating revenues:		
Grants and subsidies.	1,039,324	-
Interest revenue	2,177	-
Federal donated commodities	26,723	-
Total nonoperating revenues.	<u>1,068,224</u>	<u>-</u>
Change in net position	73,538	(211,670)
Net position at beginning of year.	<u>551,538</u>	<u>1,332,888</u>
Net position at end of year	<u>\$ 625,076</u>	<u>\$ 1,121,218</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Total Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/charges for services	\$ 733,544	\$ -
Cash received from other operations	-	120,090
Cash payments for personal services	(977,662)	-
Cash payments for purchased services	(21,872)	(7,439)
Cash payments for materials and supplies	(695,668)	-
Cash payments for claims	-	(220,906)
Cash payments for other expenses	(8,853)	-
	(970,511)	(108,255)
Net cash used in operating activities		
	(970,511)	(108,255)
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies	1,039,324	-
Cash used in repayment of interfund loans	(21,000)	-
	1,018,324	-
Net cash provided by noncapital financing activities		
	1,018,324	-
Cash flows from investing activities:		
Interest received	1,583	-
	1,583	-
Net cash provided by investing activities		
	1,583	-
Net increase (decrease) in cash and investments	49,396	(108,255)
Cash and investments at beginning of year	825,170	1,414,397
Cash and investments at end of year	\$ 874,566	\$ 1,306,142
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (994,686)	\$ (211,670)
Adjustments:		
Depreciation	7,631	-
Federal donated commodities	26,723	-
Changes in assets and liabilities:		
Materials and supplies inventory	1,821	-
Intergovernmental receivable	-	120,090
Accounts payable	(616)	-
Accrued wages and benefits	10,161	-
Intergovernmental payable	199	(1,440)
Compensated absences payable	(7,252)	-
Pension obligation payable	(14,492)	-
Claims payable	-	(15,235)
	(970,511)	(108,255)
Net cash used in operating activities	\$ (970,511)	\$ (108,255)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 29,978	\$ 146,982
Receivables:		
Accrued interest.	22	-
Total assets.	<u>30,000</u>	<u>\$ 146,982</u>
Liabilities:		
Accounts payable.	-	\$ 2,522
Intergovernmental payable	-	14,139
Due to students.	-	130,321
Total liabilities	<u>-</u>	<u>\$ 146,982</u>
Net position:		
Held in trust for scholarships	<u>30,000</u>	
Total net position.	<u>\$ 30,000</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 99
Gifts and contributions	1,000
Total additions	1,099
Deductions:	
Scholarships awarded	1,000
Change in net position	99
Net position at beginning of year	29,901
Net position at end of year	\$ 30,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 53rd largest by enrollment among the 918 public school districts and community schools in the State of Ohio. It currently operates 14 instructional buildings, 1 administrative building and 1 garage. The District employs 477 non-certified and 563 certified full-time and part-time employees to provide services to approximately 5,308 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

COMPONENT UNIT

The Lakewood City Academy - The Lakewood City Academy (the "Academy") is a legally separate, conversion community school, served by a Board of Directors. The Academy provides students within the District with curriculum and instruction via distance learning technology. The Board of Directors consists of five Lakewood residents. The Directors are selected and appointed by the Lakewood City School District Board of Education. The Lakewood City School District is the sponsoring School District of the Academy under Ohio Revised Code Section 3314. The Superintendent of the District serves as the Chief Administrative Officer of the Academy and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the Academy, the Academy's purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Directors of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 1470 Warren Road, Lakewood, OH 44107-3918. See Note 20 for further information on the Academy.

JOINTLY GOVERNED ORGANIZATIONS

North Coast Council - The District is a member of the North Coast Council (NCC) which was formed when the Lakeshore Northeast Ohio Computer Association and the Lake Erie Educational Computer Association merged during fiscal year 2014. NCC was organized for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among 34 member districts. Each of the governments of these schools supports the NCC based on a per pupil charge. The District contributed \$274,111 to NCC during fiscal year 2014. NCC is governed by a nine member Board of Directors consisting of superintendents from member school districts. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Board of Education, who serves as fiscal agent, at 5700 West Canal Road, Valley View, Ohio 44125.

Ohio Schools Council - The Ohio Schools Council Association (the "Council") is a jointly governed organization comprised of 157 member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2014, the District paid \$382,538 to the Council for membership and other services as well as for the natural gas purchasing program. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period beginning after October 1, 2010. There are currently 146 participants in the program including the Lakewood City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

RELATED ORGANIZATION

The Lakewood Public Library - The Lakewood Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Lakewood City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Lakewood Public Library at 15425 Detroit Avenue, Lakewood, Ohio 44107.

INSURANCE PURCHASING POOLS

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

Suburban Health Consortium

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

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The following are the District's major governmental funds:

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

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

Building fund - The building fund is used to account for the bond and note proceeds that are restricted for the acquisition of buildings.

Classroom facilities fund - The classroom facilities fund is used to account for bond or note proceeds and intergovernmental revenues from the State that are restricted for building renovation under the Ohio School Facilities Commission (OSFC) program.

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

PROPRIETARY FUNDS

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

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

Internal service funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service fund accounts for workers' compensation activities.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and payments in lieu of taxes received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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

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

E. Budgets

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

The specific timetable for fiscal year 2014 is as follows:

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2014.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2014. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final appropriations for fiscal year 2014.
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 level.

F. Cash and Investments

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

During fiscal year 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities and governmental money market accounts. Investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

The District has invested funds in STAR Ohio during fiscal year 2014. 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 shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$99,154 and includes \$33,365 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. There were no interfund balances outstanding at June 30, 2014.

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability in the fund financial statements when due.

L. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Position

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

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

N. Parochial Schools

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

O. Operating Revenues and Expenses

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

P. Estimates

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

R. Interfund Activity

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

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

S. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Adult Basic Education	\$ 256
Title VI-B	113,807
Vocational Education	6,877
Title III	17,830
Refugee Children school Impact Act	4,407
Title I	258,516
IDEA Part-B Preschool Stimulus	7,811
Improving Teacher Quality	34,636
 <u>Nonmajor business-type activities fund</u>	
Recreation	6,210

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**LAKWOOD CITY SCHOOL DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits, including \$5,514,086 in nonnegotiable certificates of deposit, was \$22,837,596. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$9,684,117 of the District's bank balance of \$22,970,452 was exposed to custodial risk as discussed below, while \$13,286,335 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 2,004,500	\$ -	\$ -	\$ 2,004,500	\$ -	\$ -
FHLMC	5,009,290	-	-	-	-	5,009,290
STAR Ohio	10,902,856	10,902,856	-	-	-	-
Governmental money market	<u>52,481,662</u>	<u>52,481,662</u>	-	-	-	-
Total	<u>\$ 70,398,308</u>	<u>\$ 63,384,518</u>	<u>\$ -</u>	<u>\$ 2,004,500</u>	<u>\$ -</u>	<u>\$ 5,009,290</u>

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 2,004,500	2.85
FHLMC	5,009,290	7.12
STAR Ohio	10,902,856	15.49
Governmental money market	<u>52,481,662</u>	<u>74.54</u>
Total	<u>\$ 70,398,308</u>	<u>100.00</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 22,837,596
Investments	70,398,308
Total	<u>\$ 93,235,904</u>
<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 92,184,378
Business-type activities	874,566
Private-purpose trust fund	29,978
Agency funds	146,982
Total	<u>\$ 93,235,904</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental fund	\$ 20,000
<u>Transfers from debt service fund to:</u>	
Building fund	5,606,772
Classroom facilities fund	<u>23,008,228</u>
Total	<u>\$ 28,635,000</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers out of the debt service fund were to retire the series 2013 bond anticipation notes (See Note 11).

Interfund transfers between governmental funds are eliminated on the government-wide statement of activities.

NOTE 6 - PROPERTY TAXES

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$7,407,559 in the general fund, \$1,992,618 in the debt service fund and \$71,166 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$4,993,543 in the general fund and \$1,100,061 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 839,505,510	98.38	\$ 837,382,530	98.22
Public utility personal	<u>13,791,170</u>	<u>1.62</u>	<u>15,184,670</u>	<u>1.78</u>
Total	<u>\$ 853,296,680</u>	<u>100.00</u>	<u>\$ 852,567,200</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$104.83		\$108.73	
Debt Service	10.57		14.00	
Classroom facilities maintenance	-		0.50	

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes - current and delinquent	\$ 54,359,415
Payment in lieu of taxes	144,701
Accounts	7,172
Accrued interest	24,722
Intergovernmental	<u>46,291,182</u>
Total receivables	<u>\$ 100,827,192</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year with the exception of the \$45,328,364 OSFC grant receivable that will be collected over the course of the project.

NOTE 8 - CAPITAL ASSETS

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/14</u>
Capital assets, not being depreciated:				
Land	\$ 9,294,255	\$ -	\$ -	\$ 9,294,255
Total capital assets, not being depreciated	<u>9,294,255</u>	<u>-</u>	<u>-</u>	<u>9,294,255</u>
Capital assets, being depreciated:				
Land improvements	4,018,461	-	-	4,018,461
Building/improvements	149,881,357	-	-	149,881,357
Furniture/equipment	11,428,531	195,153	-	11,623,684
Vehicles	1,381,567	-	-	1,381,567
Total capital assets, being depreciated	<u>166,709,916</u>	<u>195,153</u>	<u>-</u>	<u>166,905,069</u>
Less: accumulated depreciation				
Land improvements	(3,079,584)	(94,012)	-	(3,173,596)
Building/improvements	(34,044,290)	(2,788,880)	-	(36,833,170)
Furniture/equipment	(8,830,084)	(602,514)	-	(9,432,598)
Vehicles	(1,316,838)	(24,262)	-	(1,341,100)
Total accumulated depreciation	<u>(47,270,796)</u>	<u>(3,509,668)</u>	<u>-</u>	<u>(50,780,464)</u>
Governmental activities capital assets, net	<u>\$ 128,733,375</u>	<u>\$ (3,314,515)</u>	<u>\$ -</u>	<u>\$ 125,418,860</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 2,339,068
Special	233,084
Vocational	181,728
Support services:	
Pupil	13,789
Instructional staff	222,243
Board of education	2,589
Administration	91,986
Business	714
Operations and maintenance of plant	55,019
Pupil transportation	6,280
Operation of non-instructional services	317,725
Extracurricular	<u>45,443</u>
Total depreciation expense	<u>\$ 3,509,668</u>

B. Business-Type Activities

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2014</u>
<i>Capital assets being depreciated:</i>				
Furniture/Equipment	\$ 195,078	\$ -	\$ -	\$ 195,078
Vehicles	<u>41,545</u>	<u>-</u>	<u>-</u>	<u>41,545</u>
Total capital assets being depreciated	<u>236,623</u>	<u>-</u>	<u>-</u>	<u>236,623</u>
<i>Less: accumulated depreciation</i>				
Furniture/Equipment	(183,497)	(2,438)	-	(185,935)
Vehicles	<u>(13,415)</u>	<u>(5,193)</u>	<u>-</u>	<u>(18,608)</u>
Total accumulated depreciation	<u>(196,912)</u>	<u>(7,631)</u>	<u>-</u>	<u>(204,543)</u>
Net capital assets	<u>\$ 39,711</u>	<u>\$ (7,631)</u>	<u>\$ -</u>	<u>\$ 32,080</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capital lease agreements for the acquisition of copiers. This lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Governmental activities capital assets consisting of copiers have been capitalized in the amount of \$2,195,685. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$1,737,731, leaving a current book value of \$457,954.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2014 fiscal year totaled \$198,668 and \$31,576, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2014:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 230,244
2016	230,244
2017	<u>95,935</u>
Total minimum lease payment	556,423
Less: amount representing interest	<u>(33,328)</u>
Present value of minimum lease payments	<u>\$ 523,095</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. General obligation bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 14.00 (average) mill bonded debt tax levy.

B. Series 2014A School Facilities Improvement Bonds

On May 14, 2014, the District issued \$49,950,000 in general obligation bonds to pay off the Series 2013 bond anticipation notes and to provide \$21,335,000 in additional funding for the District's Ohio School Facilities Commission (OSFC) project. The issue is comprised of current interest bonds, par value \$49,950,000. The interest rates on the current interest bonds range from 1.50% - 5.00% and have a final maturity date of November 1, 2043. Principal and interest payments are due on May 1 and November 1 each year. At June 30, 2014, there were \$49,834,349 in unspent bond proceeds.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 1,600,000	\$ 2,235,415	\$ 3,835,415
2016	380,000	2,300,912	2,680,912
2017	440,000	2,294,763	2,734,763
2018	500,000	2,287,712	2,787,712
2019	500,000	2,278,963	2,778,963
2020 - 2024	3,545,000	11,142,644	14,687,644
2025 - 2029	5,735,000	10,086,625	15,821,625
2030 - 2034	8,955,000	8,269,625	17,224,625
2035 - 2039	12,430,000	5,580,750	18,010,750
2040 - 2044	15,865,000	2,060,625	17,925,625
Total	<u>\$ 49,950,000</u>	<u>\$ 48,538,034</u>	<u>\$ 98,488,034</u>

C. Series 2014B School Facilities Improvement Refunding Bonds

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

The reacquisition price exceeded the net carrying amount of the old debt by \$1,776,646. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2024. This advance refunding was undertaken to reduce the combined total debt service payments over the next 11 years by \$1,114,378 and resulted in an economic gain of \$614,675.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 720,000	\$ 679,258	\$ 1,399,258
2016	385,000	691,999	1,076,999
2017	15,000	686,113	701,113
2018	420,000	677,600	1,097,600
2019	430,000	660,600	1,090,600
2020 - 2024	10,470,000	2,037,500	12,507,500
2025 - 2029	<u>2,570,000</u>	<u>64,250</u>	<u>2,634,250</u>
Total	<u>\$ 15,010,000</u>	<u>\$ 5,497,320</u>	<u>\$ 20,507,320</u>

D. Series 2013 Library Improvement Refunding Bonds

On July 31, 2012, the District issued \$7,770,000 in general obligation bonds on behalf of the Lakewood Public Library to partially refund \$8,515,000 of the Series 2003 Library Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The bonds were placed in the name of the Lakewood City School District. In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Lakewood City School District. The District, acting as taxing authority for the Library, collects levied taxes and makes required debt service payments. The library improvement bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds mature on December 1, 2023 and bear an annual interest rate of 2.00% - 3.00%. The source of payment is derived from a current bonded debt tax levy. At June 30, 2014, the balance of the bonds of \$7,745,000, bond premiums of \$486,061 and deferred charges on the refunding of \$403,244 have not been included in the calculation of net investment in capital assets because the capital assets purchased from this issuance are not included in the District's capital assets. At June 30, 2014, the balance of the refunding bonds was \$8,515,000.

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

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2012 library improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 565,000	\$ 232,350	\$ 797,350
2016	640,000	215,400	855,400
2017	655,000	196,200	851,200
2018	675,000	176,550	851,550
2019	765,000	156,300	921,300
2020 - 2024	4,445,000	417,300	4,862,300
Total	<u>\$ 7,745,000</u>	<u>\$ 1,394,100</u>	<u>\$ 9,139,100</u>

E. Series 2007 School Facilities Improvement Bonds

On August 9, 2007, the District issued \$43,779,967 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value \$42,275,000 and capital appreciation bonds, par value \$1,504,967. During fiscal year 2014, \$10,395,000 of the current interest bonds were refunded with the Series 2014B Refunding Bonds. The interest rates on the current interest bonds range from 4.00% - 5.00%. The capital appreciation bonds mature each December 1, 2015 through 2018 (stated interest rate 11.474-11.618%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2015, 2016, 2017 and 2018 are \$975,000, \$1,165,000, \$1,190,000 and \$1,210,000, respectively. Total accreted interest of \$1,729,730 has been included on the statement of net position.

The following is a summary of the future debt service requirements to maturity for the series 2007 school facilities improvement bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 65,000	\$ 1,500,831	\$ 1,565,831	\$ -	\$ -	\$ -
2016	-	1,499,450	1,499,450	385,738	589,262	975,000
2017	-	1,499,450	1,499,450	409,335	755,665	1,165,000
2018	-	1,499,450	1,499,450	372,578	817,422	1,190,000
2019	-	1,499,450	1,499,450	337,316	872,684	1,210,000
2020 - 2024	-	7,497,250	7,497,250	-	-	-
2025 - 2029	10,150,000	6,529,500	16,679,500	-	-	-
2030 - 2034	17,315,000	2,983,263	20,298,263	-	-	-
2035	4,035,000	90,788	4,125,788	-	-	-
Total	<u>\$ 31,565,000</u>	<u>\$ 24,599,432</u>	<u>\$ 56,164,432</u>	<u>\$ 1,504,967</u>	<u>\$ 3,035,033</u>	<u>\$ 4,540,000</u>

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Series 2007 Refunding General Obligation Bonds

On May 9, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2004 school improvement current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded current interest bonds at June 30, 2014, is \$47,140,000.

The refunding issue is comprised of both current interest bonds, par value \$45,195,000 and capital appreciation bonds par value \$1,944,953. The interest rates on the current interest bonds range from 4.00% - 4.50%. The capital appreciation bonds mature on each December 1, 2014 - 2017 (stated interest rate 15.821%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted values at maturity for the capital appreciation bonds maturing each December 1, 2014 - 2017 are \$495,000, \$2,675,000, \$2,450,000 and \$2,450,000, respectively. Total accreted interest of \$3,754,741 has been included on the statement of net position at June 30, 2014.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$2,865,968. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the series 2007 refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ -	\$ 1,846,696	\$ 1,846,696	\$ 156,528	\$ 338,472	\$ 495,000
2016	-	1,846,696	1,846,696	726,423	1,948,577	2,675,000
2017	-	1,846,696	1,846,696	571,340	1,878,660	2,450,000
2018	-	1,846,696	1,846,696	490,662	1,959,338	2,450,000
2019	2,445,000	1,796,268	4,241,268	-	-	-
2020 - 2024	13,925,000	7,231,212	21,156,212	-	-	-
2025 - 2029	16,160,000	3,835,351	19,995,351	-	-	-
2030 - 2032	8,835,000	527,964	9,362,964	-	-	-
Total	<u>\$ 41,365,000</u>	<u>\$ 20,777,579</u>	<u>\$ 62,142,579</u>	<u>\$ 1,944,953</u>	<u>\$ 6,125,047</u>	<u>\$ 8,070,000</u>

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

G. Series 2006 Construction Bonds

On August 30, 2006, the District issued \$13,499,995 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value \$13,330,000 and capital appreciation bonds, par value \$169,995. During fiscal year 2014, \$4,560,000 of the current interest bonds were refunded with the Series 2014B Refunding Bonds. The interest rates on the current interest bonds range from 3.50% - 5.00%. The capital appreciation bonds mature each December 1, 2015 through 2016 (stated interest rate 17.253%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2015 is \$400,000 and the accreted value at maturity for the capital appreciation bond maturing December 1, 2016 is \$450,000. Total accreted interest of \$439,607 has been included on the statement of net position.

The following is a summary of the future debt service requirements to maturity for the series 2006 construction bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 225,000	\$ 333,035	\$ 558,035	\$ -	\$ -	\$ -
2016	-	328,760	328,760	87,024	312,976	400,000
2017	-	328,760	328,760	82,971	367,029	450,000
2018	-	328,760	328,760	-	-	-
2019	-	328,760	328,760	-	-	-
2020 - 2024	-	1,643,800	1,643,800	-	-	-
2025 - 2029	3,315,000	1,369,841	4,684,841	-	-	-
2030 - 2033	4,235,000	387,297	4,622,297	-	-	-
Total	<u>\$ 7,775,000</u>	<u>\$ 5,049,013</u>	<u>\$ 12,824,013</u>	<u>\$ 169,995</u>	<u>\$ 680,005</u>	<u>\$ 850,000</u>

H. Series 2004 School Improvement Bonds

During fiscal year 2004, the District issued \$64,999,987 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value \$63,740,000 and capital appreciation bonds, par value \$1,259,987. The interest rates on the current interest bonds range from 2.75% - 5.25%. During fiscal year 2007, \$47,140,000 was refunded as described in Note 10.F. The capital appreciation bonds matured December 1, 2013 (stated interest 5.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

The following is a summary of the future debt service requirements to maturity for the series 2004 school improvement bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2015	<u>\$ 2,090,000</u>	<u>\$ 47,025</u>	<u>\$ 2,137,025</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

I. Series 2003 Library Improvement Bonds

On December 1, 2003, the District issued \$12,500,000 in general obligation bonds on behalf of the Lakewood Public Library. The bonds were placed in the name of the Lakewood City School District. In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Lakewood City School District. The District, acting as taxing authority for the Library, collects levied taxes and makes required debt service payments. The library improvement bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. During fiscal year 2013, \$8,515,000 of these bonds were refunded with the Series 2012 Library Improvement Refunding Bonds. There were no further obligations on this bond issuance.

J. Series 2002 Refunding General Obligation Bonds

On December 1, 2002, the District issued general obligation bonds (Series 2002 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1993 School Improvement General Obligation Bonds (principal \$4,385,000; interest rate 2.5%). The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$4,020,000 and capital appreciation bonds, par value \$364,993. The average interest rate on the current interest bonds was 2.79%. There is no further obligation on the current interest bonds. The capital appreciation bonds matured December 1, 2013 (stated interest rate 11.279%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. There were no further obligations on the capital appreciation bonds.

K. 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. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$2,875,000 and capital appreciation bonds, par value \$304,996. The average interest rate on the current interest bonds is 4.70%. There is no further obligation on the capital appreciation bonds. During fiscal year 2014, \$770,000 of the current interest bonds were refunded with the Series 2014B Refunding Bonds. There is no further obligation on this bond issuance.

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

L. The following is a summary of the bond and loan activity for fiscal year 2014:

	Balance <u>06/30/13</u>	Additions	Deletions	Balance <u>06/30/14</u>	Amounts due in <u>One Year</u>
<u>General Obligation Bonds:</u>					
Series 2014A School Facilities Improvement Bonds 1.50-5.00%, 11/1/43 maturing	\$ -	\$ 49,950,000	\$ -	\$ 49,950,000	\$ 1,600,000
Series 2014B School Facilities Improvement Refunding Bonds 1.50-5.00%, 11/1/24 maturing	-	15,010,000	-	15,010,000	720,000
Series 2013 Library Improvement 2.00-3.00%, 12/01/23 maturity	7,760,000	-	(15,000)	7,745,000	565,000
Series 2007 school facilities improvement current interest bonds 4.00-5.00%, 12/01/34 maturity	42,035,000	-	(10,470,000)	31,565,000	65,000
Series 2007 school facilities improvement capital appreciation bonds	1,504,967	-	-	1,504,967	-
Series 2007 school facilities improvement capital appreciation bonds accreted interest 11.474-11.618% (stated interest rate) 12/1/15-12/1/18 maturity	1,386,203	343,527	-	1,729,730	-
Series 2007, refunding current interest bonds (4.00-4.50%), 12/01/31 maturity	41,845,000	-	(480,000)	41,365,000	-
Series 2007, refunding capital appreciation bonds 15.821% (stated interest rate) 12/01/14 to 17, maturity	1,944,953	-	-	1,944,953	156,528
Series 2007, refunding capital appreciation bonds accreted interest	2,949,708	805,033	-	3,754,741	302,185
Series 2006, school construction current interest bonds 3.50-5.00%, 12/01/32 maturity	12,535,000	-	(4,760,000)	7,775,000	225,000
Series 2006, school construction capital appreciation bonds 17.253% (stated), 12/01/15 and 16, maturity	169,995	-	-	169,995	-
Series 2006, school construction capital appreciation bonds accreted interest	346,630	92,977	-	439,607	-
Series 2004, school improvement current interest bonds 2.75-5.25%, 12/01/14 maturity	2,090,000	-	-	2,090,000	2,090,000
Series 2004, school improvement capital appreciation bonds 5.55% (average effective), 12/01/13 maturity	1,259,987	-	(1,259,987)	-	-
Series 2004, school improvement bonds accreted interest	793,053	56,960	(850,013)	-	-
Series 2003, library improvement 1.20 - 5.00%, 12/01/13 maturity	555,000	-	(555,000)	-	-

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/14</u>	<u>Amounts due in One Year</u>
General Obligation Bonds:					
Series 2002, refunding capital appreciation bonds 11.279% (stated interest rate) 12/01/13	\$ 172,494	\$ -	\$ (172,494)	\$ -	\$ -
Series 2002, refunding capital appreciation bonds accreted interest	371,801	30,705	(402,506)	-	-
Series 2001, refunding current interest bonds 4.70%, 12/01/15 maturity	<u>1,135,000</u>	<u>-</u>	<u>(1,135,000)</u>	<u>-</u>	<u>-</u>
Total Bonds	<u>\$ 118,854,791</u>	<u>\$ 66,289,202</u>	<u>\$ (20,100,000)</u>	<u>\$ 165,043,993</u>	<u>\$ 5,723,713</u>

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

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Amount Due in One Year</u>
Governmental activities:					
Compensated absences payable	\$ 5,680,934	\$ 473,376	\$ (599,645)	\$ 5,554,665	\$ 718,028
Retirement incentives payable	5,832,182	-	(1,988,511)	3,843,671	1,609,443
General obligation bonds payable	118,854,791	66,289,202	(20,100,000)	165,043,993	5,723,713
Capital lease obligations	<u>721,763</u>	<u>-</u>	<u>(198,668)</u>	<u>523,095</u>	<u>208,832</u>
Total governmental activities long-term liabilities	<u>\$ 131,089,670</u>	<u>\$ 66,762,578</u>	<u>\$ (22,886,824)</u>	<u>174,965,424</u>	<u>\$ 8,260,016</u>
Add: Unamortized premium on refunding				<u>11,846,170</u>	
Total on statement of net position				<u>\$ 186,811,594</u>	

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Amount Due in One Year</u>
Business-type activities:					
Compensated absences	\$ 104,995	\$ 19,375	\$ (26,627)	\$ 97,743	\$ 656
Total business-type activities long-term liabilities	<u>\$ 104,995</u>	<u>\$ 19,375</u>	<u>\$ (26,627)</u>	<u>\$ 97,743</u>	<u>\$ 656</u>

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Governmental activities compensated absences and the retirement incentives will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund. See Note 12 for further detail on the District’s retirement incentive programs and Note 9 for further detail on the District’s capital lease obligations.

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

N. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014 are a voted debt margin of (\$70,499,597), including available funds of \$11,889,270 and an unvoted debt margin of \$852,567.

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

NOTE 11 - SHORT-TERM NOTES PAYABLE

A summary of the governmental activities short-term notes payable transactions for fiscal year 2014 follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>
Bond Anticipation Notes:							
Notes Series 2013	12/19/2013	6/4/2014	1.00	\$ <u> -</u>	\$ <u>28,615,000</u>	\$ <u>(28,615,000)</u>	\$ <u> -</u>

During fiscal year 2014, the District issued \$28,615,000 in notes in anticipation of the issuance of bonds for the purpose of improving facilities under the Ohio School Facilities Commission (OSFC) program to help satisfy the District’s local share of the project. The notes bore an interest rate of 1.00% and matured on June 4, 2014.

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - OTHER EMPLOYEE BENEFITS

Timely Retirement Incentive Program (TRIP)

The District Board of Education has approved a TRIP for certified and classified employees. 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 by the end of each fiscal year beginning in fiscal year 2007. Employees who elected to participate in the TRIP will receive a payment for their unused sick leave, to the extent allowed by the current labor agreement along with a payment of 60-75% of their annual salary. The payment for the TRIP is paid out over a five year period. The total liability for the TRIP at June 30, 2014 was \$3,843,671 of which \$1,609,443 is due within one year and \$2,234,228 is due in greater than one year. The liability is recorded in the governmental activities statement of net position as a component of “long-term liabilities”.

NOTE 13 - 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 2014, the District contracted with the Ohio School Plan for property, crime, and inland marine insurance coverage, the Ohio School Plan for boiler and machinery insurance coverage, the Ohio Casualty for fleet insurance coverage and the Ohio School Plan for general liability insurance coverage. The Ohio School Plan was formed in conjunction with the Ohio Revised Code 2744 which allows public entities to join together for coverage purposes. The Ohio School Plan is reinsured by Aspen Re, CAN, Everest Re Group, Odyssey America, Lexington Insurance, Markel, Maumee, QBE and SCOR. There is no deductible for general liability and a \$2,500 deductible for error and omissions. The limitations of coverages are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$273,651,101
Inland Marine Coverage (\$1,000 deductible)	Included in limit above
Boiler and Machinery (\$1,000)	\$100,000,000
Crime Insurance (\$1,000 deductible each coverage)	Various
Automobile Liability	3,000,000
Uninsured Motorists	1,000,000
General Liability:	
Per occurrence	3,000,000
Aggregate per year	5,000,000

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

B. Worker’s Compensation

During fiscal year 2014, the District has participated in the Ohio Bureau of Workers’ Compensation (Bureau) Retrospective Rating Plan. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the District assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau. The District’s stop-loss coverage through the plan is limited to \$200,000 per claim stop-loss coverage with an annual aggregate. The Plan is administered by KKSG & Associates.

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2014	\$ 77,491	\$ 205,671	\$ (220,906)	\$ 62,256
2013	35,300	340,445	(298,254)	77,491

C. Group Health and Dental Insurance

For the fiscal year 2014, the District was a participant in the Suburban Health Consortium (the "Consortium") to provide employee health, dental, vision and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the Orange City School District. The Treasurer of the fiscal agent pays monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums. The District's portion of the monthly insurance premiums is as follows:

	<u>Board Share of Premium</u>			
	<u>Full-Time Family</u>	<u>Part-Time Family</u>	<u>Full-Time Single</u>	<u>Part-Time Single</u>
Health:				
Suburban Health Consortium	\$1,048.84	\$ 524.42	\$ 419.53	\$ 209.77
Kaiser (HMO)	1,048.84	524.42	571.42	285.71
Prescription drug	236.95	118.48	94.78	47.39
Dental	76.22	38.11	26.29	13.15
Vision	9.83	4.92	2.30	1.15
Health/Employees covered by a working spouse:				
Suburban Health Consortium	891.51	445.76	419.53	209.77
Prescription drug	201.42	100.71	94.78	47.39

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,285,726, \$1,324,667 and \$1,311,260, respectively; 79.76 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$4,498,286, \$4,570,986 and \$4,625,659, respectively; 84.81 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$286,393 made by the District and \$225,023 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$177,380, \$164,767 and \$209,898, respectively; 79.76 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$74,592, \$74,828 and \$77,437, respectively; 79.76 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$346,022, \$351,614 and \$355,820, respectively; 84.81 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,649,014
Net adjustment for revenue accruals	2,641,229
Net adjustment for expenditure accruals	(218,625)
Net adjustment for other sources/uses	(1,514,000)
Funds budgeted elsewhere	18,363
Adjustment for encumbrances	1,367,116
GAAP basis	<u>\$ 3,943,097</u>

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	948,620
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,222,448)
Excess qualified expenditures from prior years	-
Current year offsets	(204,102)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (477,930)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

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

NOTE 19 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 19 - COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 923,838
Building fund	68,098
Classroom facilities fund	265,070
Other governmental	<u>188,666</u>
 Total	 <u>\$ 1,445,672</u>

NOTE 20 - LAKEWOOD CITY ACADEMY

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

Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 20 - LAKEWOOD CITY ACADEMY - (Continued)

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

Expenses are recognized at the time that they are incurred.

D. Budgetary Process

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

E. Cash

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

F. Capital Assets and Depreciation

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 20 - LAKEWOOD CITY ACADEMY - (Continued)

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

G. Net Position

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

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

H. Intergovernmental Revenue

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2014 was \$111,430.

I. Operating Revenues and Expenses

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

J. Estimates

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 20 - LAKEWOOD CITY ACADEMY - (Continued)

Deposits

At June 30, 2014, the carrying amount of the Academy's deposits was \$467,959. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$217,959 of the Academy's bank balance of \$467,959 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Capital Assets

Capital asset activity for the fiscal year 2014 was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Furniture and equipment	\$ 166,742	\$ 50,548	\$ -	\$ 217,290
Less: accumulated depreciation	<u>(149,671)</u>	<u>(11,731)</u>	<u>-</u>	<u>(161,402)</u>
Capital assets, net	<u>\$ 17,071</u>	<u>\$ 38,817</u>	<u>\$ -</u>	<u>\$ 55,888</u>

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2014, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer \$20,000.

Purchased Services

For the fiscal year 2014 purchased services expenses were as follows:

Professional and technical services	\$ 971,510
Property services	24,000
Travel mileage/meeting	2,239
Contracted craftor trade	<u>2,376</u>
Total	<u>\$ 1,000,125</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 20 - LAKEWOOD CITY ACADEMY - (Continued)

Contingencies

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

B. Litigation

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

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Academy owes \$14,241 to the Ohio Department of Education. This amount is reflected as an intergovernmental payable on the basic financial statements.

Service Agreements

A. Tri-Rivers Educational Computer Association

The Academy entered into an agreement on January 31, 2013, with Tri-Rivers Educational Computer Association ("TRECA") for planning, instructional, administrative and technical services required for the operation of the Academy. During the fiscal year 2014, the Academy paid TRECA \$22,132 for services under the agreement. Under the contract, TRECA is required to provide the following services:

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

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

- a. \$3,000 per student for the instructional services comprehensive service package
- b. \$80 per course, one-time set up fee of \$300 and \$300 annual support fee for HQT Plato Service package

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 20 - LAKEWOOD CITY ACADEMY - (Continued)

- c. \$45 per course; one-time set up fee of \$300; and \$300 annual support fee for Plato Curriculum Service package
- d. \$100 per student license; one-time set up fee of \$300; and \$300 annual support fee for Compass Curriculum Service Package
- e. \$250 per semester course per student for K-6 and 7-12 Credit Service Package
- f. \$350 per account for SIS User Account License

B. Lakewood City School District

The Community School Sponsorship Contract and the annual Purchased Services Contract between the Academy and Lakewood City School District outlined the specific payments to be made by the Academy to Lakewood City School District during the fiscal year 2014. In addition the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Lakewood City School District. The Academy paid Lakewood City School District \$917,189 during the fiscal year 2014 for services rendered under the Community School Sponsorship Contract and the annual Purchased Services Contract.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
National School Breakfast Program	10.553	\$ 140,154	\$ 0	\$ 140,154	\$ 0
National School Lunch Program	10.555	870,940	26,277	870,940	26,277
Total Child Nutrition Cluster		<u>1,011,094</u>	<u>26,277</u>	<u>1,011,094</u>	<u>26,277</u>
Total U.S. Department of Agriculture		<u>1,011,094</u>	<u>26,277</u>	<u>1,011,094</u>	<u>26,277</u>
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I - Grants to Local Educational Agencies	84.010	<u>1,794,176</u>	<u>0</u>	<u>1,762,838</u>	<u>0</u>
Special Education Cluster:					
Special Education Grants to States - IDEA Part B	84.027	1,389,907	0	1,374,194	0
Special Education - Preschool Grants - IDEA Preschool	84.173	69,629	0	89,505	0
Total Special Education Cluster		<u>1,459,536</u>	<u>0</u>	<u>1,463,699</u>	<u>0</u>
Adult Education - Basic Grants to States	84.002	<u>12,591</u>	<u>0</u>	<u>81,520</u>	<u>0</u>
Career and Technical Education-Basic Grants to States (Perkins IV)	84.048	<u>223,705</u>	<u>0</u>	<u>216,459</u>	<u>0</u>
English Language Acquisition Grants - Title III, Part A	84.365	<u>134,813</u>	<u>0</u>	<u>133,137</u>	<u>0</u>
Improving Teacher Quality State Grants - Title II, Part A	84.367	<u>291,131</u>	<u>0</u>	<u>305,503</u>	<u>0</u>
Education Jobs Fund	84.410	<u>9,100</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Education		<u>3,925,052</u>	<u>0</u>	<u>3,963,156</u>	<u>0</u>
U.S. Department of Health and Human Services					
<i>Passed through Educational Service Center of Cuyahoga County</i>					
Refugee Children Impact Program	93.576	<u>10,136</u>	<u>0</u>	<u>2,084</u>	<u>0</u>
Total U.S. Department of Health and Human Services		<u>10,136</u>	<u>0</u>	<u>2,084</u>	<u>0</u>
U.S. Department of Justice					
<i>Direct Award</i>					
Supporting Teens through Education and Protection	16.684	<u>164,043</u>	<u>0</u>	<u>107,531</u>	<u>0</u>
Total U.S. Department of Justice		<u>164,043</u>	<u>0</u>	<u>107,531</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 5,110,325</u>	<u>\$ 26,277</u>	<u>\$ 5,083,865</u>	<u>\$ 26,277</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2: CHILD NUTRITION CLUSTER

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

NOTE 3: FOOD DONATION PROGRAM

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

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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Lakewood City School District
Lakewood, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lakewood City School District, Ohio's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.22 09:56:04 -05'00'

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

December 10, 2014

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Lakewood City School District
Lakewood, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Lakewood City School District, Cuyahoga County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Lakewood City School District, Ohio's major federal programs for the year ended June 30, 2014. The Lakewood City School District, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lakewood City School District, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lakewood City School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Lakewood City School District, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Lakewood City School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lakewood City School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lakewood City School District, Ohio's internal control over compliance.

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

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.22 09:56:23 -05'00'

December 10, 2014

**LAKEWOOD CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & §.505
 JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinion:	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list): Special Education Cluster - CFDA #84.027 and #84.173 Improving Teacher Quality - CFDA #84.367	
2014(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2014(ix)	Low Risk Auditee?	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.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

The audit report for the prior year ended June 30, 2013 contained no findings or citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

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
MARCH 10, 2015**