

**LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

**Lakewood City School District**  
Cuyahoga County

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lakewood City School District, Cuyahoga County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures 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 not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO  
Auditor of State

January 10, 2000

**Lakewood City School District**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>ASSETS AND OTHER DEBITS</u></b>				
<b>ASSETS:</b>				
Equity in pooled cash, cash equivalents and investments	\$8,392,097	\$1,645,588	\$1,873,975	\$1,854,643
Equity in pooled cash and cash equivalents - nonexpendable trust fund				2,527
Cash with escrow agent				2,527
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	31,019,709		1,959,594	
Accounts	24,609	4,080		
Accrued interest	145,729	5,818		1,734
Interfund loan receivable	761,240			
Due from other funds				
Due from other governments	297,428	22,709		
Advances to other funds	17,801			
Prepayments	21,589			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	689,451			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>OTHER DEBITS:</b>				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total assets and other debits</b>	<b><u>\$41,369,653</u></b>	<b><u>\$1,678,195</u></b>	<b><u>\$3,833,569</u></b>	<b><u>\$1,858,904</u></b>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$681,774	\$120,203	\$67,145			\$14,635,425
		23,564			23,564
					2,527
					32,979,303
1,149	763				30,601
5,056		218			158,555
	563,694				761,240
82,886					563,694
					403,023
					17,801
					21,589
21,267					21,267
					689,451
75,126			\$42,290,766		42,365,892
				\$2,132,190	2,132,190
				24,760,802	24,760,802
<u>\$867,258</u>	<u>\$684,660</u>	<u>\$90,927</u>	<u>\$42,290,766</u>	<u>\$26,892,992</u>	<u>\$119,566,924</u>

(continued)

**Lakewood City School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$471,577	\$129,453		\$13,631
Accrued wages and benefits	4,912,264	104,290		
Compensated absences payable	180,900	3,948		
Pension obligation payable	835,352	29,180		526
Interfund loan payable		251,660		
Advances from other funds		17,801		
Deferred revenue	28,138,053	4,236	\$1,701,379	1,262
Due to other funds	535,250	14,804		
Due to other governments	7,506			
Due to students				
Retainage payable				2,527
Accrued interest payable	2,363			
Claims payable				
Bond anticipation note payable	250,000			
General obligation bonds payable				
Energy conservation loans payable				
Early retirement incentive payable				
Special termination benefits payable				
Obligation under capital lease				
<b>Total liabilities</b>	<b>35,333,265</b>	<b>555,372</b>	<b>1,701,379</b>	<b>17,946</b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets				
Accumulated deficit				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	3,092,500	402,039		1,069,963
Reserved for prepayments	21,589			
Reserved for debt service			1,876,548	
Reserved for tax revenue unavailable for appropriation	3,211,110		255,642	
Reserved for principal endowment				
Reserved for instructional materials	325,809			
Reserved for scholarships				
Reserved for capital improvements	32,500			
Reserved for budget stabilization	331,142			
Reserved for advances	17,801			
Unreserved-undesignated	(996,063)	720,784		770,995
<b>Total equity and other credits</b>	<b>6,036,388</b>	<b>1,122,823</b>	<b>2,132,190</b>	<b>1,840,958</b>
<b>Total liabilities, equity and other credits</b>	<b>\$41,369,653</b>	<b>\$1,678,195</b>	<b>\$3,833,569</b>	<b>\$1,858,904</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$22,942	\$586,334				\$1,223,937
41,405	249,353				5,307,312
39,399				\$6,287,019	6,511,266
73,305				534,803	1,473,166
740	508,700	\$140			761,240
					17,801
18,359		159			29,863,448
13,640					563,694
					7,506
		67,005			67,005
					2,527
					2,363
	574,498				574,498
					250,000
				15,035,000	15,035,000
				2,380,000	2,380,000
				2,250,000	2,250,000
				377,706	377,706
				28,464	28,464
<u>209,790</u>	<u>1,918,885</u>	<u>67,304</u>		<u>26,892,992</u>	<u>66,696,933</u>
			\$42,290,766		42,290,766
657,468	(1,234,225)				(1,234,225)
					657,468
					4,564,502
					21,589
					1,876,548
					3,466,752
		500			500
					325,809
		23,123			23,123
					32,500
					331,142
					17,801
					495,716
<u>657,468</u>	<u>(1,234,225)</u>	<u>23,623</u>	<u>42,290,766</u>		<u>52,869,991</u>
<u>\$867,258</u>	<u>\$684,660</u>	<u>\$90,927</u>	<u>\$42,290,766</u>	<u>\$26,892,992</u>	<u>\$119,566,924</u>

**Lakewood City School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
From local sources:		
Taxes	\$29,133,605	
Tuition	1,317,972	\$4,899,765
Earnings on investments	895,816	34,659
Other local revenues	1,065,473	1,169,643
Other revenue		251,475
Intergovernmental - State	20,021,862	2,117,674
Intergovernmental - Federal		2,340,056
	<u>52,434,728</u>	<u>10,813,272</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	20,913,051	1,001,517
Special	4,867,610	1,387,055
Vocational	640,782	4,301,487
Other	4,333,285	90,459
Support services:		
Pupil	3,562,677	514,022
Instructional staff	2,945,230	932,618
Board of Education	22,230	41,525
Administration	2,241,233	584,514
Fiscal	1,099,166	39,215
Business	343,453	
Operations and maintenance	6,609,338	34,040
Pupil transportation	489,496	27,111
Central	1,581,524	125,762
Community services	849,336	1,387,487
Extracurricular activities	360,433	465,327
Facilities services		25,218
Debt service:		
Principal retirement	40,122	
Interest and fiscal charges	14,231	
	<u>50,913,197</u>	<u>10,957,357</u>
Excess (deficiency) of revenues over (under) expenditures	1,521,531	(144,085)
Other financing sources (uses):		
Operating transfers in	102,919	21,458
Operating transfers out	(855,307)	(104,100)
Proceeds from sale of assets	31,163	1,000
	<u>(721,225)</u>	<u>(81,642)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	800,306	(225,727)
Fund balances, July 1	5,236,082	1,348,550
Fund balances, June 30	<u>\$6,036,388</u>	<u>\$1,122,823</u>

See accompanying notes to the general purpose financial statements



Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
\$1,990,466		\$31,124,071
	\$8,497	6,217,737
	17,476	938,972
		2,252,592
269,654	93,472	251,475
		22,502,662
		2,340,056
<u>2,260,120</u>	<u>119,445</u>	<u>65,627,565</u>
	273,303	22,187,871
		6,254,665
		4,942,269
		4,423,744
		4,076,699
		3,877,848
		63,755
1,740		2,827,487
1,241		1,139,622
		343,453
	275,916	6,919,294
		516,607
		1,707,286
		2,236,823
		825,760
	327,994	353,212
1,410,000		1,450,122
<u>1,182,945</u>		<u>1,197,176</u>
<u>2,595,926</u>	<u>877,213</u>	<u>65,343,693</u>
(335,806)	(757,768)	283,872
560,030	275,000	959,407
		(959,407)
		32,163
<u>560,030</u>	<u>275,000</u>	<u>32,163</u>
224,224	(482,768)	316,035
1,907,966	2,323,726	10,816,324
<u>\$2,132,190</u>	<u>\$1,840,958</u>	<u>\$11,132,359</u>

**Lakewood City School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
From local sources:			
Taxes	\$27,885,834	\$28,016,187	\$130,353
Tuition	1,548,914	1,570,351	21,437
Earnings on investments	767,000	836,660	69,660
Other local revenues	785,609	789,140	3,531
Other revenue			
Intergovernmental - State	20,069,194	20,063,430	(5,764)
Intergovernmental - Federal			
Total revenues	<u>51,056,551</u>	<u>51,275,768</u>	<u>219,217</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	23,961,691	23,531,005	430,686
Special	4,646,040	4,640,938	5,102
Vocational	19,968		19,968
Other	4,418,911	4,320,817	98,094
Support services:			
Pupil	3,521,871	3,507,248	14,623
Instructional staff	2,711,465	2,687,922	23,543
Board of Education	47,655	41,167	6,488
Administration	2,373,637	2,341,469	32,168
Fiscal	1,182,470	1,112,324	70,146
Business	350,167	345,006	5,161
Operations and maintenance	6,706,611	6,595,233	111,378
Pupil transportation	671,012	636,019	34,993
Central	1,655,465	1,591,362	64,103
Community services	890,111	854,703	35,408
Extracurricular activities	367,144	353,344	13,800
Facilities services			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>53,524,218</u>	<u>52,558,557</u>	<u>965,661</u>
Excess (deficiency) of revenues over (under) expenditures	(2,467,667)	(1,282,789)	1,184,878
Other financing sources (uses):			
Refund of prior year's expenditures		412	412
Operating transfers in	100,000	102,919	2,919
Operating transfers (out)	(1,475,000)	(891,057)	583,943
Advances in		79,097	79,097
Advances (out)		(761,240)	(761,240)
Proceeds from sale of notes			
Proceeds of sale of fixed assets	3,500	31,163	27,663
Total other financing sources (uses)	<u>(1,371,500)</u>	<u>(1,438,706)</u>	<u>(67,206)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(3,839,167)	(2,721,495)	1,117,672
Fund balances, July 1	6,556,973	6,556,973	0
Prior year encumbrances appropriated	<u>1,837,767</u>	<u>1,837,767</u>	<u>0</u>
Fund balances, June 30	<u>\$4,555,573</u>	<u>\$5,673,245</u>	<u>\$1,117,672</u>

See accompanying notes to the general purpose financial statements

Special Revenue		
Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$4,906,022	\$4,923,415	\$17,393
27,703	32,037	4,334
923,381	1,067,852	144,471
20,196	23,356	3,160
1,824,617	2,110,093	285,476
<u>2,004,070</u>	<u>2,317,623</u>	<u>313,553</u>
9,705,989	10,474,376	768,387
1,331,421	1,050,504	280,917
1,053,925	935,452	118,473
6,164,501	6,070,662	93,839
103,571	90,730	12,841
621,029	508,032	112,997
778,245	617,491	160,754
445,875	419,480	26,395
80,403	45,439	34,964
6,004	6,000	4
8,987	6,919	2,068
86,325	81,093	5,232
1,785,986	1,559,962	226,024
584,508	526,210	58,298
122,000	101,683	20,317
<u>13,172,780</u>	<u>12,019,657</u>	<u>1,153,123</u>
(3,466,791)	(1,545,281)	1,921,510
20,000	22,658	2,658
(104,100)	(104,100)	0
148,349	171,560	23,211
(74,251)	(74,251)	0
865	1,000	135
(9,137)	16,867	26,004
(3,475,928)	(1,528,414)	1,947,514
1,990,046	1,990,046	0
246,820	246,820	0
<u>(\$1,239,062)</u>	<u>\$708,452</u>	<u>\$1,947,514</u>

**Lakewood City School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	Debt Service		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$1,903,481	\$1,904,876	\$1,395
Tuition			
Earnings on investments			
Other local revenues			
Other revenue			
Intergovernmental - State	271,220	269,654	(1,566)
Intergovernmental - Federal			
Total revenues	2,174,701	2,174,530	(171)
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration	3,000	1,739	1,261
Fiscal	50,000	1,241	48,759
Business			
Operations and maintenance			
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services			
Debt service:			
Principal retirement	1,685,000	1,685,000	0
Interest and fiscal charges	1,314,260	1,193,695	120,565
Total expenditures	3,052,260	2,881,675	170,585
Excess (deficiency) of revenues over (under) expenditures	(877,559)	(707,145)	170,414
Other financing sources (uses):			
Refund of prior year's expenditures			
Operating transfers in	595,610	595,780	170
Operating transfers (out)			
Advances in			
Advances (out)			
Proceeds from sale of notes	250,000	250,000	0
Proceeds of sale of fixed assets			
Total other financing sources (uses)	845,610	845,780	170
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(31,949)	138,635	170,584
Fund balances, July 1	1,735,340	1,735,340	0
Prior year encumbrances appropriated			
Fund balances, June 30	\$1,703,391	\$1,873,975	\$170,584

See accompanying notes to the general purpose financial statements

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$29,789,315	\$29,921,063	\$131,748
			6,454,936	6,493,766	38,830
\$7,749	\$9,954	\$2,205	802,452	878,651	76,199
13,604	17,476	3,872	1,722,594	1,874,468	151,874
			20,196	23,356	3,160
72,765	93,472	20,707	22,237,796	22,536,649	298,853
			2,004,070	2,317,623	313,553
94,118	120,902	26,784	63,031,359	64,045,576	1,014,217
391,899	271,610	120,289	25,685,011	24,853,119	831,892
			5,699,965	5,576,390	123,575
			6,184,469	6,070,662	113,807
			4,522,482	4,411,547	110,935
			4,142,900	4,015,280	127,620
			3,489,710	3,305,413	184,297
			47,655	41,167	6,488
1,384	1,384	0	2,823,896	2,764,072	59,824
			1,312,873	1,159,004	153,869
			350,167	345,006	5,161
1,740,559	1,410,612	329,947	8,453,174	8,011,845	441,329
			679,999	642,938	37,061
			1,741,790	1,672,455	69,335
			2,676,097	2,414,665	261,432
			951,652	879,554	72,098
457,244	417,567	39,677	579,244	519,250	59,994
			1,685,000	1,685,000	0
			1,314,260	1,193,695	120,565
2,591,086	2,101,173	489,913	72,340,344	69,561,062	2,779,282
(2,496,968)	(1,980,271)	516,697	(9,308,985)	(5,515,486)	3,793,499
			0	412	412
235,889	303,018	67,129	951,499	1,024,375	72,876
(28,018)	(28,018)	0	(1,607,118)	(1,023,175)	583,943
			148,349	250,657	102,308
			(74,251)	(835,491)	(761,240)
			250,000	250,000	0
			4,365	32,163	27,798
207,871	275,000	67,129	(327,156)	(301,059)	26,097
(2,289,097)	(1,705,271)	583,826	(9,636,141)	(5,816,545)	3,819,596
1,614,914	1,614,914	0	11,897,273	11,897,273	0
875,039	875,039	0	2,959,626	2,959,626	0
\$200,856	\$784,682	\$583,826	\$5,220,758	\$9,040,354	\$3,819,596

**Lakewood City School District**  
 Combined Statement of Revenues, Expenses  
 and Changes in (Accumulated Deficit/Retained Earnings/Fund Balance) -  
 All Proprietary Fund Types and Nonexpendable Trust Fund  
 For the Fiscal year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Sales/charges for services	\$1,298,847	\$4,889,808	-	\$6,188,655
Investment earnings			\$1,224	1,224
Other operating revenues			1,000	1,000
<b>Total operating revenues</b>	<b>1,298,847</b>	<b>4,889,808</b>	<b>2,224</b>	<b>6,190,879</b>
Operating expenses:				
Personal services	934,143	813,047	200	1,747,390
Contract services	35,940	350,480		386,420
Materials and supplies	903,306			903,306
Depreciation	21,845			21,845
Other	110		1,000	1,110
Claims expense		4,777,722		4,777,722
<b>Total operating expenses</b>	<b>1,895,344</b>	<b>5,941,249</b>	<b>1,200</b>	<b>7,837,793</b>
Operating income (loss)	(596,497)	(1,051,441)	1,024	(1,646,914)
Nonoperating revenues:				
Operating grants	546,127			546,127
Federal commodities	48,875			48,875
Interest revenue	28,456			28,456
<b>Total nonoperating revenues</b>	<b>623,458</b>			<b>623,458</b>
Net income (loss)	26,961	(1,051,441)	1,024	(1,023,456)
(Accumulated deficit)/Retained earnings/fund balance July 1	630,507	(182,784)	22,599	470,322
(Accumulated deficit)/Retained earnings/fund balance June 30	<u>\$657,468</u>	<u>(\$1,234,225)</u>	<u>\$23,623</u>	<u>(\$553,134)</u>

See accompanying notes to the general purpose financial statements

**Lakewood City School District**  
**Combined Statement Cash Flows**  
**All Proprietary Fund Types and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
	Cash flows from operating activities:			
Cash received from sales/service charges	\$1,297,698	\$4,325,351		\$5,623,049
Cash received from other operations			\$1,000	1,000
Cash payments for personal services	(899,876)		(200)	(900,076)
Cash payments for contract services	(35,530)	(403,058)		(438,588)
Cash payments supplies and materials	(859,933)			(859,933)
Cash payments for claims expenses		(4,636,055)		(4,636,055)
Cash payments for other expenses	(110)		(1,000)	(1,110)
Net cash used in operating activities	(497,751)	(713,762)	(200)	(1,211,713)
Cash flows from noncapital financing activities:				
Cash received from operating grants	534,087			534,087
Cash received from interfund loans	740	508,700		509,440
Net cash provided by noncapital financing activities	534,827	508,700		1,043,527
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(7,590)			(7,590)
Net cash used in capital and related financing activities	(7,590)			(7,590)
Cash flows from investing activities:				
Interest received	27,842		1,200	29,042
Net cash provided by investing activities	27,842		1,200	29,042
Net increase (decrease) in cash and cash equivalents	57,328	(205,062)	1,000	(146,734)
Cash and cash equivalents at beginning of year	624,446	325,265	22,564	972,275
Cash and cash equivalents at end of year	<u>\$681,774</u>	<u>\$120,203</u>	<u>\$23,564</u>	<u>\$825,541</u>

See accompanying notes to the general purpose financial statements

(continued)

**Lakewood City School District**  
**Combined Statement Cash Flows**  
**All Proprietary Fund Types and Nonexpendable Trust Fund (continued)**  
**For the Fiscal Year Ended June 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	(\$596,497)	(\$1,051,441)	\$1,024	(\$1,646,914)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation	21,845			21,845
Federal donated commodities	48,875			48,875
Interest reported as operating income			(1,200)	(1,200)
Changes in assets and liabilities:				
Decrease in supplies inventory	4,864			4,864
Increase in accounts receivable	(1,149)	(763)		(1,912)
Decrease in prepayments	53			53
Increase in due from other funds		(563,694)		(563,694)
Increase in accrued interest receivable			(183)	(183)
Increase(Decrease) in accounts payable	(7,171)	585,834		578,663
Increase in accrued wages & benefits	3,614	249,353		252,967
Decrease in compensated absences payable	(23,574)			(23,574)
Increase(Decrease) in pension obligation payable	38,802	(23,973)		14,829
Increase in claims payable		90,922		90,922
Increase in due to other funds	13,640			13,640
Increase(Decrease) in deferred revenue	(1,053)		159	(894)
<b>Net cash used in operating activities</b>	<u><b>(\$497,751)</b></u>	<u><b>(\$713,762)</b></u>	<u><b>(\$200)</b></u>	<u><b>(\$1,211,713)</b></u>

See accompanying notes to the general purpose financial statements



**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

The Lakewood City School District ("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 32nd largest by enrollment among the 612 districts in the State, and the 3rd largest in Cuyahoga County. It currently operates 14 instructional buildings, 1 administrative building and 1 garage. The District employs 313 non-certified and 551 certified full-time and part-time employees to provide services to approximately 7,669 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

*Lakeshore Northeast Ohio Computer Association* - The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau among eleven public school districts. The primary function of LNOCA is to provide data services to the eleven member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software packages used. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, OH 44125.

*Ohio Schools Council Association* - The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the District participates. Each district supports the Council by an annual participation fee. The Council's Board consists of seven superintendents of the participating districts, whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. The District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

*Energy Acquisition Corp.* - The Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates the agreement, the school district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp. Financial information can be obtained by contacting the Treasurer of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

*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.

The District also participates in an insurance purchasing pool for workers' compensation insurance, discussed in Note 12.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**GOVERNMENTAL FUNDS**

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

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

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

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

**PROPRIETARY FUNDS**

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

*Enterprise Funds* - 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.

*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.

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

**FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Nonexpendable Trust and Agency Funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ACCOUNT GROUPS**

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

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

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

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

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

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

The modified accrual basis of accounting is followed for Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

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

**D. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than Agency Funds, consistent with statutory provisions.
7. 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 1999 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$ 1,837,767
Special Revenue Funds	2,278,558
Debt Service Fund	(1,611,398)
Capital Projects Funds	454,745
Enterprise Funds	151,213
Internal Service Funds	5,551,488
Agency Funds	80,465

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Proprietary Funds are disclosed in Note 13.

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, and Cash Equivalents and Investments" (both unrestricted and restricted) on the combined balance sheet.

The District also utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the combined balance sheet as "cash and cash equivalents with escrow agent" and represents deposits.

During 1999 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements and federal agency securities.

Nonparticipating investment contracts, including repurchase agreements, are reported at cost. Investments in STAR Ohio and federal agency securities are reported at fair market value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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

Fair value at June 30, 1999	\$ 10,482,149
Add: Proceeds of investments sold and matured fiscal 1999	6,000,000
Less: Cost of investments purchased	(10,472,884)
Less: Fair value at June 30, 1998	<u>(5,966,371)</u>
Change in fair value of investments	<u>\$ 42,894</u>

Under existing Ohio statutes and/or federal regulation, all investment earnings are assigned to the General Fund, the Auxiliary Services Fund, the Food Service Fund, Public School Support Fund, Building Fund and the Nonexpendable Trust Fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$895,816, which includes \$357,148 assigned from other District Funds. Interest revenue credited to the Special Revenue Auxiliary Services Fund during fiscal year 1999 amounted to \$21,459, which includes \$7,955 assigned from other District Funds.

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

**F. Inventory**

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

**G. Prepays**

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

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 5 years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

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

**I. Intergovernmental Revenues**

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various State and federal programs, categorized as follows:



Lakewood City School District  
Cuyahoga County, Ohio

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid  
Textbooks and Instructional Materials

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Preschool for the Handicapped  
Gifted Education  
Title VI  
Education Management Information System  
Professional Development  
Title VI-B  
Adult Basic Education  
Title I  
Effective Schools  
Auxiliary Services  
Drug-Free Schools  
Community Services Block Grant  
Eisenhower Mathematics and Science Education  
Goals 2000

Capital Projects Fund

SchoolNet Plus

Reimbursable Grants

General Fund

Driver Education Reimbursement  
Vocational Education Travel/Salary

Special Revenue Funds

Underground Storage Tank

Proprietary

National School Milk Program  
National School Lunch Program  
Government Donated Commodities

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

Grants and entitlements amounted to over 38% of the District's total operating revenue during the 1999 fiscal year.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The District records a liability for accumulated unused sick leave for employees with ten (10) years of current service with the District.

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

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

**K. Long-Term Obligations**

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

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

**L. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, tax revenue unavailable for appropriation, budget stabilization, advances, capital improvements, and instructional materials. In addition, although the Nonexpendable Trust Fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**M. Statutory Reserves**

The District is required by State law to set-aside certain General Fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$331,142	\$ 331,142
Current year set-aside requirement	776,814	776,814	0	1,553,628
Current year offsets	0	0	0	0
Qualifying disbursements	<u>(451,005)</u>	<u>(744,314)</u>	<u>0</u>	<u>(1,195,319)</u>
Total	<u>325,809</u>	<u>32,500</u>	<u>331,142</u>	<u>689,451</u>
Cash balance carried forward to FY 2000	<u>\$ 325,809</u>	<u>\$ 32,500</u>	<u>\$331,142</u>	<u>\$ 689,451</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for capital improvements	\$ 32,500
Amount restricted for budget stabilization	331,142
Amount restricted for instructional materials	<u>325,809</u>
Total restricted assets	<u>\$689,451</u>

**N. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency Funds, which do not report transfers of resources as operating transfers.

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

**O. Parochial Schools**

Within the District boundaries, St. Augustine High School, St. Clement, St. Cyril and Methodius, St. Edward High School, St. James and St. Luke are operated through the Cleveland Catholic Diocese. Lakewood Lutheran School is also in the District. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic schools by the Treasurer of the District, as directed by the nonpublic schools. The activity of these State monies by the District are reflected in a Special Revenue Fund for *financial reporting purposes*.

**P. Statement of Cash Flows**

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

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

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

**R. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by state statute to be set-aside by the School District. Fund balance reserves have also been established. See Note 2. M. for statutory reserves.

**S. Estimates**

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

**T. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

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

Fund balances/retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Rotary Services	\$ (9,093)
Career Development	(7,247)
Title VI-B	(3,240)
Vocational Education	(53,690)
<u>Internal Service Fund</u>	
Self-Insurance Fund	(1,075,778)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

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

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

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

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

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

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

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

*Cash with Escrow Agent:* At year end, \$2,527 was on deposit in the District's escrow account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

*Cash on Hand:* At year end, the District had \$6,430 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

*Deposits:* At year-end the carrying amount (including cash in escrow accounts) of the District's deposits was \$1,839,830 and the bank balance was \$1,702,727 (both amounts include \$1,700,000 in non-negotiable certificates of deposit but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$102,727 was covered by federal deposit insurance; and
2. \$1,600,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	Category of Risk		Fair Value
	2	3	
Repurchase Agreements		\$387,865	\$ 387,865
Federal Agency Securities	\$10,482,149		10,482,149
Not Subject to Categorization:			
Investment in State			
Treasurer's Investment Pool			2,634,693
<b>Total Investments</b>	<b>\$10,482,149</b>	<b>\$387,865</b>	<b>\$13,504,707</b>

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

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

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 15,348,440	
Investments of the Cash		
Management Pool:		
Federal Agency Securities	(10,482,149)	\$10,482,149
Repurchase Agreements	(387,865)	387,865
State Treasurer's Investment Pool	(2,634,693)	2,634,693
Cash on hand	(6,430)	
Cash with escrow agent	2,527	
GASB Statement No. 3	<u>\$ 1,839,830</u>	<u>\$13,504,707</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan (Payable)</u>
General Fund	\$761,240	
<u>Special Revenue Funds</u>		
Rotary		\$ (80,100)
Public School Support		(2,300)
Other Grant		(350)
District Managed Student Activity		(260)
Career Development		(7,900)
Title VI-B		(20,800)
Vocational Education		(83,600)
Title I	(56,350)	
Total Special Revenue Funds		(251,660)
<u>Enterprise Fund</u>		
Food Service		(740)
<u>Internal Service Fund</u>		
Self-Insurance Fund		(508,700)
<u>Agency Fund</u>		
Student Managed Activity		(140)
Total All Fund Types	<u>\$761,240</u>	<u>\$(761,240)</u>



**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

B. The following is a reconciliation of the District's operating transfers for fiscal year 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$102,919	\$(855,307)
<u>Special Revenue Funds</u>		
Special Trusts	1,458	(331)
Rotary		(102,919)
Public School		(850)
District Managed Student Activity	<u>20,000</u>	<u>          </u>
Total Special Revenue Funds	21,458	(104,100)
Debt Service Fund	560,030	
<u>Capital Projects Funds</u>		
Permanent Improvement	<u>275,000</u>	<u>          </u>
Total All Fund Types	<u>\$959,407</u>	<u>\$(959,407)</u>

C. The District had the following long-term advances outstanding at June 30, 1999:

<u>Fund</u>	<u>Advances To Other Funds</u>	<u>Advances (From) Other Funds</u>
General	\$17,801	
<u>Special Revenue Funds</u>		
Special Trusts		\$(12,801)
Disadvantaged Pupil Impact Aid		<u>(5,000)</u>
Totals	<u>\$17,801</u>	<u>\$(17,801)</u>

**NOTE 6 - PROPERTY TAXES**

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

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year.

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

Tangible personal property assessments are 25% of true value.

The assessed values upon which the fiscal year 1999 taxes were collected were as follows:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$666,891,474	92.35%	\$674,308,020	92.52%
Public Utility Personal	25,565,370	3.54	24,235,630	3.33
Tangible Personal Property	29,693,104	4.11	30,270,945	4.15
	<u>\$722,149,948</u>	<u>100.00%</u>	<u>\$728,814,595</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$91.40	\$91.40
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 1999 totaled \$3,211,110 in the General fund and \$255,642 in the Debt Service fund.

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees) interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$31,019,709
Due from other governments-tuition	294,828
Accrued interest	145,729
 <u>Special Revenue Fund</u>	
<u>Vocational Education</u>	
Due from other governments-reimbursing federal grant	22,031
 <u>Debt Service Fund</u>	
Taxes - Current & Delinquent	1,959,594
 <u>Enterprise Fund</u>	
<u>Food Service</u>	
Due from other governments-nonoperating grant	82,886
 <u>Internal Service Fund</u>	
Employee benefits self-insurance	
Due from other funds-charges for services	\$563,694

**NOTE 8 - FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/				
Improvements	\$ 1,976,791			\$ 1,976,791
Buildings/				
Improvements	25,269,849			25,269,849
Furniture/				
Equipment	13,501,585	\$696,140		14,197,725
Vehicles	789,584	33,715		823,299
Construction				
in progress	<u>0</u>	<u>23,102</u>	<u>0</u>	<u>23,102</u>
<b>Total</b>	<u>\$41,537,809</u>	<u>\$752,957</u>	<u>\$ 0</u>	<u>\$42,290,766</u>

Cost incurred as of June 30, 1999 for new construction were related to a new modular classroom for the Sts. Cyril and Methodius parochial school.

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

A summary of the Proprietary Funds' fixed assets at June 30, 1999 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$ 985,704
Less: Accumulated Depreciation	<u>(910,578)</u>
Net Fixed Assets	<u>\$ 75,126</u>

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

In prior fiscal years, the District has entered into capitalized leases for the acquisition of equipment. These leases were accounted for as capital outlay expenditures and other financing sources in the General Fund.

Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease were capitalized in the General Fixed Assets Account Group in the amount of \$257,754, which was the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$40,122. This amount is reflected as debt service principal retirement in 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, 1999.

<u>Fiscal Year Ending June 30</u>	<u>General Long-Term Obligations</u>
2000	<u>\$29,271</u>
Total future minimum lease payments	29,271
Less: amount representing interest	<u>(807)</u>
Present value of minimum lease payments	<u>\$28,464</u>

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 10 - LONG-TERM DEBT**

- A. General obligation bonds and Energy Conservation loans are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current 3.02 mill bonded debt tax levy for the General Obligation bonds and from current operating revenues for the Energy Conservation loan.

The following is a description of the District's bonds and loan outstanding as of June 30, 1999:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds/Loans Outstanding 07/01/98</u>	<u>Retired In 1999</u>	<u>Bonds/Loans Outstanding 06/30/1999</u>
<u>General Obligation Bonds:</u>						
School Improvement Bond	7.875%	6/1/86	12/01/06	\$ 5,670,000	\$ 630,000	\$ 5,040,000
School Improvement Bond	2.5%	3/1/93	12/01/13	6,090,000	250,000	5,840,000
Safe and Sound Building Improvement Bond	6.902%	11/1/94	12/01/15	<u>4,280,000</u>	<u>125,000</u>	<u>4,155,000</u>
Total General Obligation Bonds				<u>16,040,000</u>	<u>1,005,000</u>	<u>15,035,000</u>
Energy Conservation Loan	3.35%	12/30/92	12/01/03	<u>2,785,000</u>	<u>405,000</u>	<u>2,380,000</u>
Total Long-Term Bonds and Loan				<u>\$18,825,000</u>	<u>\$1,410,000</u>	<u>\$17,415,000</u>

- B. Principal and interest requirements to retire general obligation bonds and energy conservation loans outstanding at June 30, 1999, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 1,455,000	\$1,083,384	\$ 2,538,384
2001	1,500,000	976,046	2,476,046
2002	1,550,000	874,675	2,424,675
2003	1,600,000	773,519	2,373,519
2004	1,660,000	668,286	2,328,286
2005 - 2009	4,870,000	2,157,446	7,027,446
2010 - 2014	4,015,000	905,432	4,920,432
2015 - 2016	<u>765,000</u>	<u>54,036</u>	<u>819,036</u>
Total	<u>\$17,415,000</u>	<u>\$7,492,824</u>	<u>\$24,907,824</u>

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, pension benefit obligation, early retirement incentive and special termination benefits will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated Absences	\$ 5,932,663	\$ 354,356		\$ 6,287,019
General Obligation Bonds	16,040,000		\$ (1,005,000)	15,035,000
Energy Conservation Loan	2,785,000		(405,000)	2,380,000
Early Retirement Incentive	4,292,798		(2,042,798)	2,250,000
Special Termination Benefits	894,734	304,166	(821,194)	377,706
Capital Leases	68,586		(40,122)	28,464
Pension Benefit Obligation	<u>326,659</u>	<u>534,803</u>	<u>(326,659)</u>	<u>534,803</u>
<b>Total General</b>				
Long-Term Obligations	<u>\$30,340,440</u>	<u>\$1,193,325</u>	<u>\$ (4,640,773)</u>	<u>\$26,892,992</u>

D. 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 effects of these debt limitations at June 30, 1999 are an overall debt margin of \$52,690,504 (including available funds of \$2,132,190) and an unvoted debt margin of \$728,815.

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 11 - NOTES PAYABLE**

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

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

	Interest Rate	Issue Date	Maturity Date	Notes Outstanding 07/01/98	Issued	Retired	Notes Outstanding 6/30/99
Bond Anticipation Notes:							
School Improvement	3.78%	4/1/99	3/30/00	\$ 0	\$250,000	\$ 0	\$250,000
School Improvement	3.92%	4/2/98	4/1/99	<u>275,000</u>	<u>0</u>	<u>275,000</u>	<u>0</u>
Totals				<u>\$275,000</u>	<u>\$250,000</u>	<u>\$275,000</u>	<u>\$250,000</u>

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with Wausau National Insurance Company for property and fleet insurance, general liability insurance, and inland marine coverage. The limitations of coverages provided by Wausau are as follows:

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

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

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

Prior to 1995, the District participated in the State Workers' Compensation retrospective rating and payment system. The plan involved the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured. During 1995, the District switched to the coverage provided by the State. The District retains a liability for claims incurred while the District participated in the plan. A third party, Navisource, reviews all claims which are then paid by the District. Incurred but not reported claims of \$29,036 have been accrued as a liability in the workers' compensation internal service fund based on an estimate by the claims administrator as this estimate changes it results in positive or negative claims expense in the internal service fund.

The District operates and manages employee health benefits on a self-insured basis. The District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. A third party, Self-Funded Plans, Inc., reviews all claims, which are then paid by the District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$574,498 reported in the fund at June 30, 1999, is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the District's third party administrator. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability for the current and past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
1997	\$812,319	\$3,724,471	\$3,840,393	\$696,397
1998	696,397	3,921,007	4,133,828	483,576
1999	483,576	4,777,722	4,686,800	574,498

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



**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two Enterprise Funds to account for the operations of food service and recreation. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the fiscal year ended June 30, 1999:

	<u>Food Service</u>	<u>Recreation</u>	<u>Total</u>
Operating Revenue	\$1,086,894	\$211,953	\$1,298,847
Depreciation	21,845		21,845
Operating Income (Loss)	(581,660)	(14,837)	(596,497)
Operating Grants	546,127		546,127
Net Income (Loss)	41,798	(14,837)	26,961
Fixed Assets:			
Additions	7,590		7,590
Net Working Capital	512,001	105,901	617,902
Total Assets	737,193	130,065	867,258
Long-Term Liabilities			
Payable from			
Fund Revenues	35,560		35,560
Total Liabilities	185,626	24,164	209,790
Total Equity	551,567	105,901	657,468
Encumbrances Outstanding as of 6/30/99	11,748	3,069	14,817

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,312,586, \$810,848 and \$848,017, respectively; 49 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$673,428, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$3,724,016, \$2,832,921, and \$3,135,504, respectively; 82.3 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$654,530, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$2,128,009 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$604,299 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

**NOTE 16 - OTHER EMPLOYEE BENEFITS**

**A. Early Retirement Incentive**

The District Board of Education has approved an early retirement incentive program for certified employees. The Board will purchase, from STRS, additional service credit for those employees who elect to participate in the plan. Participation was open to employees who were at least fifty years old, qualified for retirement with the years purchased by the Board, and agreed to retire either at the end of fiscal year 1998 or at the end of fiscal year 1999. The enrollment period for the early retirement incentive was between January 29, 1998 and February 6, 1998. The credit could not exceed the lesser of three years or one-fifth of each member's total Ohio service. The Board did not limit the number of employees participating in the plan in any one year. The Board has the option of paying the liability in its entirety or in installments. The Board elected to pay, in fiscal year 1999, the entire liability for those employees who retired at the end of the 1998 fiscal year, which totaled \$1,278,389. It is anticipated that purchased credit for fiscal year 1999 retirees will be paid during fiscal year 2000. In addition, employees who elected to participate in the plan will receive a lump sum payment for their unused sick leave, to the extent allowed by the current labor agreement. June 30, 1998 retirees will receive their severance payment in September, 2001, while June 30, 1999 retirees will receive their severance in September, 2002.

A liability for purchased service credit, in the amount of \$2,250,000, and a liability for unpaid severance, in the amount of \$783,927 (included as part of the total liability for compensated absences), have both been recorded in the General Long-Term Obligations Account Group at June 30, 1999. Both obligations will ultimately be paid from the fund in which the employee was paid.

**B. Special Termination Benefits**

A Timely Retirement Incentive Plan (TRIP) was also offered to both certified and non-certified employees. In order to take advantage of the TRIP, employees were required to meet the criteria established by the respective retirement system to which the employee belonged, and retire by the end of fiscal year 1998 or 1999. The enrollment period for STRS employees was between January 29, 1998 and February 6, 1998. There was no specified enrollment period for SERS employees. The retirees will receive sixty percent of his/her final salary (excluding extended days and supplemental contracts) in addition to payment for unused sick leave credit, to the extent allowed by current labor agreements. Payments will be made in two equal installments beginning in January following the employee's retirement for certified employees and within 90 days of retirement for non-certified employees. TRIP payments in fiscal 1999 totaled \$118,407 (including both the salary and the severance portions).

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 16 - OTHER EMPLOYEE BENEFITS - (Continued)**

A liability of \$377,706 for the salary portion of TRIP, and \$260,821 for the severance portion of TRIP (included as part of the total liability for compensated absences) have both been recorded in the General Long-Term Obligations Account Group at June 30, 1999. Both obligations will ultimately be paid from the fund in which the employee was paid.

A liability of \$8,202 for TRIP severance has been reported as a compensated absences liability in the Enterprise funds at June 30, 1999.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable in Governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) The District repays short-term note debt from the Debt Service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been reclassified accordingly.

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$(2,721,495)	\$(1,528,414)	\$138,635	\$(1,705,271)
Net Adjustment for Revenue Accruals	864,081	(338,896)	85,590	(1,457)
Net Adjustment for Expenditure Accruals	(1,264,243)	1,284,531	285,749	153,997
Net Adjustment for Other Financing Sources/(Uses)	717,481	(98,509)	(285,750)	
Net Adjustment for Fund Reclassification	(31,334)			
Adjustment for Encumbrances	<u>3,235,816</u>	<u>455,561</u>	<u>          </u>	<u>1,069,963</u>
GAAP Basis	<u>\$ 800,306</u>	<u>\$(225,727)</u>	<u>\$224,224</u>	<u>\$ (482,768)</u>

**NOTE 18 - CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

**B. Litigation**

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

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 18 - CONTINGENT LIABILITIES - (Continued)**

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$15,515,584 of school foundation total support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 19 - YEAR 2000 ISSUE**

"The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations."

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System [EMIS]).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Equipment Inventory System for its fixed assets accounting. The State is responsible for remediating these systems.

A letter dated February 19, 1998, from the Ohio Department of Education, Division of Information Management Services, State Software Development Team, addressed to All Users of the OECN State Software and Interested Parties, provided the following concerning the status of the OECN State Software in regards to the compliance requirements for the Year 2000.

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software will be compliant with the

**Lakewood City School District  
Cuyahoga County, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 19 - YEAR 2000 ISSUE - (Continued)**

Year 2000, beginning with the June 1998 release of USAS V6.1.

- The education management information system software supported with the OECN

State Software will be compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

Cuyahoga County collects property taxes for distribution to the District. Cuyahoga County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 10, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**NOTE 20 - OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 1999, the District had the following outstanding contractual commitments:

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
Sts. Cyril and Methodius modular classroom	Williams, Scotsman, Inc.	\$77,628

Lakewood City School District

Cuyahoga County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$47,817	\$0	\$48,875
School Breakfast Program	044198 05-PU-99	10.553	18,732	0	18,732	0
National School Lunch Program	044198 04-PU-99	10.555	387,835	0	387,835	0
Child and Adult Care Food Program	044198 21-ML-99	10.558	106,760	0	106,760	0
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>513,327</b>	<b>47,817</b>	<b>513,327</b>	<b>48,875</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	044198 6B-PM 98	84.027	0	0	9,127	0
	044198 6B-SF 98		40,788	0	70,269	0
	044198 6B-PM 99		22,500	0	17,692	0
	044198 6B-SF 99		384,216	0	349,668	0
Total CFDA			447,504	0	446,756	0
Special Education - Preschool Grants	044198 PG-S1 98	84.173	0	0	20,941	0
	044198 PG-S1 99		65,709	0	47,976	0
Total CFDA			65,709	0	68,917	0
<b>Total Special Education Cluster</b>			<b>513,213</b>	<b>0</b>	<b>515,673</b>	<b>0</b>
Title I - Grants to Local Educational Agencies	044198 C1-S1 98	84.010	(46,348)	0	112,359	0
	044198 C1-S1 98C		46,348	0	46,348	0
	044198 C1-S1 99		1,139,951	0	925,993	0
Total CFDA			1,139,951	0	1,084,700	0
Even Start - State Educational Agencies	044198 EV-S4 98	84.213	(1,799)	0	35,746	0
	044198 EV-S4 99		1,799	0	1,799	0
	044198 EV-S4 99		111,000	0	97,364	0
Total CFDA			111,000	0	134,909	0
Safe and Drug-Free Schools and Communities - State Grants	044198 DR-S1 97C	84.186	0	0	7,518	0
	044198 DR-S1 98		(12,649)	0	26,705	0
	044198 DR-S1 98C		12,649	0	0	0
	044198 DR-S1 99		83,324	0	67,351	0
Total CFDA			83,324	0	101,574	0
Eisenhower Professional Development State Grants	044198 MS-S1-97C	84.281	0	0	777	0
	044198 MS-S1-98		(1,769)	0	21,353	0
	044198 MS-S1-98C		1,769	0	0	0
	044198 MS-S1-99		9,745	0	7,569	0
Total CFDA			9,745	0	29,699	0
Adult Education - State Grant Program	044198 AB-S1-98	84.002	0	0	5,538	0
	044198 AB-S1-98C		0	0	7,179	0
	044198 AB-S1-99		72,739	0	60,447	0
Total CFDA			72,739	0	73,164	0



**Lakewood City School District**  
**Cuyahoga County**

**Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>						
<i>Passed Through Ohio Department of Education: (Continued)</i>						
Vocational Education - Basic Grants to States	044198 20-A5 98	84.048	24,537	0	23,959	0
	044198 20-A5 98N		3,000	0	2,865	0
	044198 20-A5 99		144,267	0	166,013	0
	044198 20-C1 09N		17,000	0	20,000	0
	044198 WK-BE 99		13,853	0	19,860	0
	N/A		27,017	0	67,485	0
	Total CFDA		229,674	0	300,182	0
Goals 2000	044198 G2-S2 99	84.276	20,000	0	7,731	0
	Total CFDA		20,000	0	7,731	0
Innovative Education Program Strategies	044198 C2-S1 97C	84.298	0	0	6,215	0
	044198 C2-S1 98		(15,371)	0	4,883	0
	044198 C2-S1 98C		15,371	0	7,168	0
	044198 C2-S1 99		39,734	0	35,366	0
	Total CFDA		39,734	0	53,632	0
Immigrant Education	044198 EI-S1 99	84.162	11,122	0	13,927	0
	Total CFDA		11,122	0	13,927	0
<b>Total U.S. Department of Education</b>			<b>2,230,502</b>	<b>0</b>	<b>2,315,191</b>	<b>0</b>
<b>U.S. DEPARTMENT OF LABOR</b>						
<i>Passed Through Ohio Department of Education:</i>						
School to Work	043612 WK-BE-98	17.249	12,000	0	23,963	0
	043612 WK-BE-99		68,000	0	78,329	0
<b>Total U.S. Department of Labor</b>			<b>80,000</b>	<b>0</b>	<b>102,292</b>	<b>0</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
<i>Passed Through the City of Lakewood:</i>						
Community Development Block Grant/ Entitlement Grants	CAMP CAN DO	14.218	4,364	0	4,364	0
	S.T.O.P.		5,121	0	5,121	0
	CHILDCARE		10,551	0	12,081	0
	Total CFDA		20,036	0	21,566	0
<b>Total U.S. Department of Housing and Urban Development</b>			<b>20,036</b>	<b>0</b>	<b>21,566</b>	<b>0</b>
<b>Totals</b>			<b>\$2,843,865</b>	<b>\$47,817</b>	<b>\$2,952,376</b>	<b>\$48,875</b>

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

**Lakewood City School District  
Cuyahoga County**

**Notes to Schedule of Federal Awards Expenditures  
For The Year Ended June 30, 1999**

**NOTE A — SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 1999, the District had no significant food commodities in inventory.

**NOTE C - NATIONAL SCHOOL LUNCH AND SPECIAL MILK PROGRAM**

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

N/A - Not applicable

CFDA - Catalog of Federal Domestic Assistance



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a large, stylized "X" mark.

**JIM PETRO**  
Auditor of State

January 10, 2000



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

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

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

**Compliance**

We have audited the compliance of the Lakewood City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2000.

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



**JIM PETRO**  
Auditor of State

January 10, 2000

**Lakewood City School District**

June 30, 1999

**SCHEDULE OF FINDINGS**

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

A-133 § .505

(d)(1)(i)	<b>Type of Financial Statement Opinion</b>	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Sec. .510?	No
(d)(1)(vii)	Major Programs (list)	Safe and Drug Free Schools - State Grants, CFDA No. 84.186 and Title I, Part A, IASA, CFDA No. 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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LAKWOOD CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: FEB 01 2000