



GENERAL PURPOSE FINANCIAL STATEMENTS

of the

Lakewood Local School District

for the

Fiscal Year Ended June 30, 1999

**LAKEWOOD LOCAL SCHOOL DISTRICT
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STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
Lakewood Local School District
Hebron, Ohio

We have reviewed the independent auditor's report of the Lakewood Local School District, Licking County, prepared by Jones, Cochenour & Co., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

April 18, 2000



INDEPENDENT AUDITORS' REPORT

Board of Education
Lakewood Local School District
Hebron, Ohio

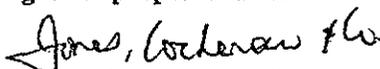
We have audited the accompanying general purpose financial statements of Lakewood Local School District, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Lakewood Local School District's management. Our 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 aspects, the financial position of Lakewood Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type 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 April 5, 2000 on our consideration of Lakewood Local School 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 taken as a whole. The accompanying schedule of federal receipts and 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 of Lakewood Local School District. 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.


Jones, Cochenour & Co.
April 5, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$1,882,337	\$316,117	\$151,270	\$346,884
Investments	0	0	0	14,019,777
Cash and Cash Equivalents in Segregated Accounts	0	539	0	0
Receivables:				
Property Taxes	7,861,724	0	1,282,885	0
Accounts Intergovernmental	225	6,308	0	6,056
Accrued Interest	10,287	175	0	0
Materials and Supplies Inventory	8,165	0	0	55,872
Inventory Held for Resale	53,776	0	0	0
Prepaid Items	0	0	0	0
Prepaid Items	86,826	3,011	0	0
Restricted Assets:				
Cash and Cash Equivalents	173,251	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$10,076,591	\$326,150	\$1,434,155	\$14,428,589
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$78,356	\$22,690	\$0	\$26,003
Contracts Payable	2,823	0	0	415,455
Retainage Payable	0	0	0	38,880
Accrued Salaries and Benefits Payable	1,143,471	56,679	0	0
Intergovernmental Payable	250,643	13,919	0	601
Due to Students	0	0	0	0
Deferred Revenue	7,052,698	0	1,179,063	0
Compensated Absences Payable	78,390	0	0	0
Retirement Incentive Payable	75,000	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
School Improvement Bonds Payable	0	0	0	0
Total Liabilities	8,681,381	93,288	1,179,063	480,939
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	280,436	22,427	0	2,037,631
Reserved for Inventory	53,776	0	0	0
Reserved for Budget Stabilization	171,906	0	0	0
Reserved for Bus Purchases	1,345	0	0	0
Reserved for Property Taxes	316,700	0	48,300	0
Reserved for Unclaimed Monies	2,306	0	0	0
Unreserved, Designated for Budget Stabilization	8,979	0	0	0
Unreserved, Undesignated	559,762	210,435	206,792	11,910,019
Total Fund Equity and Other Credits	1,395,210	232,862	255,092	13,947,650
Total Liabilities, Fund Equity and Other Credits	\$10,076,591	\$326,150	\$1,434,155	\$14,428,589

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$71,279	\$11,488	\$0	\$0	\$2,779,375
0	0	0	0	14,019,777
0	0	0	0	539
0	0	0	0	9,144,609
454	0	0	0	13,043
27,638	0	0	0	38,100
0	0	0	0	64,037
1,250	0	0	0	55,026
8,479	0	0	0	8,479
8,076	0	0	0	97,913
0	0	0	0	173,251
9,232	0	9,568,036	0	9,577,268
0	0	0	255,092	255,092
0	0	0	16,927,054	16,927,054
<u>\$126,408</u>	<u>\$11,488</u>	<u>\$9,568,036</u>	<u>\$17,182,146</u>	<u>\$53,153,563</u>

\$591	\$0	\$0	\$0	\$127,640
0	0	0	0	418,278
0	0	0	0	38,880
49,641	0	0	0	1,249,791
28,232	0	0	99,318	392,713
0	8,769	0	0	8,769
5,711	0	0	0	8,237,472
19,498	0	0	499,064	596,952
0	0	0	0	75,000
0	0	0	265,536	265,536
0	0	0	670,000	670,000
0	0	0	56,358	56,358
0	0	0	15,591,870	15,591,870
<u>103,673</u>	<u>8,769</u>	<u>0</u>	<u>17,182,146</u>	<u>27,729,259</u>
0	0	9,568,036	0	9,568,036
22,735	0	0	0	22,735
0	0	0	0	2,340,494
0	0	0	0	53,776
0	0	0	0	171,906
0	0	0	0	1,345
0	0	0	0	365,000
0	0	0	0	2,306
0	0	0	0	8,979
0	2,719	0	0	12,889,727
<u>22,735</u>	<u>2,719</u>	<u>9,568,036</u>	<u>0</u>	<u>25,424,304</u>
<u>\$126,408</u>	<u>\$11,488</u>	<u>\$9,568,036</u>	<u>\$17,182,146</u>	<u>\$53,153,563</u>

See accompanying notes to the general purpose financial statements

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property Taxes	\$7,545,748	\$0	\$459,614	\$139,300
Intergovernmental	4,788,913	672,418	0	218,246
Interest	164,713	0	0	427,429
Tuition and Fees	29,445	0	0	0
Gifts and Donations	16,643	8,570	0	3,190
Extracurricular Activities	0	174,413	0	0
Miscellaneous	18,190	33,040	0	10,185
Total Revenues	12,563,652	888,441	459,614	798,350
Expenditures:				
Current:				
Instruction:				
Regular	5,718,186	159,452	0	23,686
Special	784,481	393,344	0	0
Vocational	265,867	7,099	0	0
Other	95,048	0	0	0
Support Services:				
Pupils	637,548	50,222	0	0
Instructional Staff	374,192	7,076	0	0
Board of Education	44,482	0	0	0
Administration	1,262,781	60,115	0	0
Fiscal	328,228	965	7,044	0
Business	6,364	0	0	0
Operation and Maintenance of Plant	1,255,397	2,568	0	0
Pupil Transportation	793,761	0	0	0
Central	80,628	8,418	0	0
Operation of Non-Instructional Services	8,150	0	0	0
Extracurricular Activities	149,523	186,734	0	0
Capital Outlay	0	0	0	2,395,747
Debt Service:				
Principal Retirement	34,436	0	157,514	0
Interest and Fiscal Charges	7,117	0	162,732	138,150
Total Expenditures	11,846,189	875,993	327,290	2,557,583
Excess of Revenues Over (Under) Expenditures	717,463	12,448	132,324	(1,759,233)
Other Financing Sources (Uses):				
Inception of Capital Lease	225,084	0	0	0
Proceeds from Sale of Bonds	0	0	1,029	15,591,870
Operating Transfers Out	(25,000)	0	0	0
Total Other Financing Sources (Uses)	200,084	0	1,029	15,591,870
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	917,547	12,448	133,353	13,832,637
Fund Balances at Beginning of Year (Restated - Note 3)	469,608	220,414	121,739	115,013
Increase in Reserve for Inventory	8,055	0	0	0
Fund Balances at End of Year	\$1,395,210	\$232,862	\$255,092	\$13,947,650

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$0	\$8,144,662
0	5,679,577
0	592,142
0	29,445
0	28,403
0	174,413
0	61,415
0	14,710,057
0	5,901,324
0	1,177,825
0	272,966
0	95,048
0	687,770
0	381,268
0	44,482
0	1,322,896
0	336,237
0	6,364
0	1,257,965
0	793,761
0	89,046
500	8,650
0	336,257
0	2,395,747
0	191,950
0	307,999
500	15,607,555
(500)	(897,498)
0	225,084
0	15,592,899
0	(25,000)
0	15,792,983
(500)	14,895,485
3,219	929,993
0	8,055
<u>\$2,719</u>	<u>\$15,833,533</u>

See accompanying notes to the general purpose financial statements

Lakewood Local School District, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$7,231,816	\$7,544,746	\$312,930
Intergovernmental	4,582,091	4,780,369	198,278
Interest	143,070	149,840	6,770
Tuition and Fees	67,333	70,252	2,919
Gifts and Donations	15,950	16,643	693
Extracurricular Activities	0	0	0
Miscellaneous	15,238	16,628	1,390
Total Revenues	12,055,498	12,578,478	522,980
Expenditures:			
Current:			
Instruction:			
Regular	5,745,505	5,652,251	93,254
Special	838,725	759,556	79,169
Vocational	298,518	265,540	32,978
Other	90,000	99,077	(9,077)
Support Services:			
Pupils	704,904	688,479	16,425
Instructional Staff	446,735	376,065	70,670
Board of Education	42,555	41,779	776
Administration	1,375,218	1,368,328	6,890
Fiscal	394,327	330,607	63,720
Business	18,146	6,353	11,793
Operation and Maintenance of Plant	1,237,541	1,148,909	88,632
Pupil Transportation	1,045,358	950,440	94,918
Central	95,508	80,835	14,673
Operation of Non-Instructional Services	11,729	8,066	3,663
Extracurricular Activities	150,872	149,783	1,089
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	12,495,641	11,926,068	569,573
Excess of Revenues Over (Under)			
Expenditures	(440,143)	652,410	1,092,553
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	0	0	0
Proceeds from Sale of Bonds	0	0	0
Operating Transfer In	0	0	0
Operating Transfer Out	(25,000)	(25,000)	0
Total Other Financing Sources (Uses)	(25,000)	(25,000)	0
Excess of Revenues and Other			
Financing Sources Over (Under)			
Expenditures and Other Financing Uses	(465,143)	627,410	1,092,553
Fund Balances at Beginning of Year	980,435	980,435	0
Prior Year Encumbrances Appropriated	121,457	121,457	0
Fund Balances (Deficits) at End of Year	\$636,749	\$1,729,302	\$1,092,553

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$716,914	\$569,928	(\$146,986)
643,653	672,453	28,800	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
7,779	8,570	791	0	0	0
157,436	173,938	16,502	0	0	0
0	27,032	27,032	5,070	5,703	633
808,868	881,993	73,125	721,984	575,631	(146,353)
146,847	161,891	(15,044)	0	0	0
508,779	391,995	116,784	0	0	0
8,969	8,492	477	0	0	0
0	0	0	0	0	0
60,020	52,434	7,586	0	0	0
10,575	7,475	3,100	0	0	0
0	0	0	0	0	0
64,190	60,410	3,780	0	0	0
1,860	860	1,000	8,000	7,044	956
0	0	0	0	0	0
2,568	2,568	0	0	0	0
2,500	2,396	104	0	0	0
17,814	18,672	(858)	0	0	0
0	0	0	0	0	0
187,187	180,858	6,329	0	0	0
0	0	0	0	0	0
0	0	0	10,107,645	10,107,514	131
0	0	0	310,583	307,605	2,978
1,011,309	888,051	123,258	10,426,228	10,422,163	4,065
(202,441)	(6,058)	196,383	(9,704,244)	(9,846,532)	(142,288)
0	0	0	0	0	0
0	0	0	1,025	1,029	4
0	0	0	0	9,949,870	9,949,870
0	0	0	0	0	0
0	0	0	1,025	9,950,899	9,949,874
(202,441)	(6,058)	196,383	(9,703,219)	104,367	9,807,586
243,410	243,410	0	46,903	46,903	0
43,544	43,544	0	0	0	0
\$84,513	\$280,896	\$196,383	(\$9,656,316)	\$151,270	\$9,807,586

(Continued)

See accompanying notes to the general purpose financial statements

Lakewood Local School District, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999
(Continued)

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$0	\$0	\$0
Intergovernmental	0	218,246	218,246
Interest	12,000	238,106	226,106
Tuition and Fees	0	0	0
Gifts and Donations	3,000	3,190	190
Extracurricular Activities	0	0	0
Miscellaneous	4,129	4,129	0
Total Revenues	19,129	463,671	444,542
Expenditures:			
Current:			
Instruction:			
Regular	290,141	197,581	92,560
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	47,099	47,099	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	2,920,433	4,208,079	(1,287,646)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	3,257,673	4,452,759	(1,195,086)
Excess of Revenues Over (Under) Expenditures	(3,238,544)	(3,989,088)	(750,544)
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	9,950,000	9,951,020	1,020
Proceeds from Sale of Bonds	5,642,000	15,591,870	9,949,870
Operating Transfer In	0	0	0
Operating Transfer Out	0	(9,949,870)	(9,949,870)
Total Other Financing Sources (Uses)	15,592,000	15,593,020	1,020
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	12,353,456	11,603,932	(749,524)
Fund Balances at Beginning of Year	71,926	71,926	0
Prior Year Encumbrances Appropriated	43,397	43,397	0
Fund Balances (Deficits) at End of Year	\$12,468,779	\$11,719,255	(\$749,524)

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$7,948,730	\$8,114,674	\$165,944
0	0	0	5,225,744	5,671,068	445,324
0	0	0	155,070	387,946	232,876
0	0	0	67,333	70,252	2,919
0	0	0	26,729	28,403	1,674
0	0	0	157,436	173,938	16,502
0	0	0	24,437	53,492	29,055
0	0	0	13,605,479	14,499,773	894,294
0	0	0	6,182,493	6,011,723	170,770
0	0	0	1,347,504	1,151,551	195,953
0	0	0	307,487	274,032	33,455
0	0	0	90,000	99,077	(9,077)
0	0	0	764,924	740,913	24,011
0	0	0	457,310	383,540	73,770
0	0	0	42,555	41,779	776
0	0	0	1,439,408	1,428,738	10,670
0	0	0	404,187	338,511	65,676
0	0	0	18,146	6,353	11,793
0	0	0	1,287,208	1,198,576	88,632
0	0	0	1,047,858	952,836	95,022
0	0	0	113,322	99,507	13,815
500	500	0	12,229	8,566	3,663
0	0	0	338,059	330,641	7,418
0	0	0	2,920,433	4,208,079	(1,287,646)
0	0	0	10,107,645	10,107,514	131
0	0	0	310,583	307,605	2,978
500	500	0	27,191,351	27,689,541	(498,190)
(500)	(500)	0	(13,585,872)	(13,189,768)	396,104
0	0	0	9,950,000	9,951,020	1,020
0	0	0	5,643,025	15,592,899	9,949,874
0	0	0	0	9,949,870	9,949,870
0	0	0	(25,000)	(9,974,870)	(9,949,870)
0	0	0	15,568,025	25,518,919	9,950,894
(500)	(500)	0	1,982,153	12,329,151	10,346,998
3,219	3,219	0	1,345,893	1,345,893	0
0	0	0	208,398	208,398	0
\$2,719	\$2,719	\$0	\$3,536,444	\$13,883,442	\$10,346,998

See accompanying notes to the general purpose financial statements

Lakewood Local School District, Ohio
Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise
<u>Revenues:</u>	
Sales	\$393,265
Other Revenues	29
	393,294
<u>Expenses:</u>	
Salaries	238,010
Fringe Benefits	122,100
Purchased Services	5,366
Materials and Supplies	12,451
Cost of Sales	271,898
Depreciation	1,748
Other	1,388
	652,961
Total Expenses	652,961
Operating Loss	(259,667)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	27,860
Interest Income	580
Federal and State Subsidies	188,424
	216,864
Total Non-Operating Revenues	216,864
Net Loss before Operating Transfers	(42,803)
Operating Transfers In	25,000
Net Loss after Operating Transfers	(17,803)
Retained Earnings at Beginning of Year (Restated - Note 3)	40,538
Total Retained Earnings at End of Year	\$22,735

See accompanying notes to the general purpose financial statements

Lakewood Local School District, Ohio
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$376,685	\$393,860	\$17,175
Interest	580	580	0
Federal and State Subsidies	160,785	160,789	4
Total Revenues	538,050	555,229	17,179
<u>Expenses:</u>			
Salaries	229,800	231,840	(2,040)
Fringe Benefits	112,350	117,556	(5,206)
Purchased Services	5,575	4,891	684
Materials and Supplies	295,007	255,999	39,008
Capital Outlay	7,500	6,998	502
Other	2,000	1,943	57
Total Expenses	652,232	619,227	33,005
Excess of Revenues Under Expenses before Operating Transfers	(114,182)	(63,998)	50,184
Operating Transfer In	25,000	25,000	0
Operating Transfer Out	(50,000)	0	50,000
Excess of Revenues Under Expenses after Operating Transfers	(139,182)	(38,998)	100,184
Retained Earnings at Beginning of Year	109,149	109,149	0
Retained Earnings (Deficit) at End of Year	(\$30,033)	\$70,151	\$100,184

See accompanying notes to the general purpose financial statements

Lakewood Local School District, Ohio
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$393,860
Cash Payments for Employee Services and Benefits	(349,396)
Cash Payments to Suppliers for Goods and Services	(259,762)
Other Operating Revenues	(1,943)
	<u>(217,241)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Operating Transfers In	25,000
Operating Grants Received	160,789
	<u>185,789</u>
<u>Cash Flows Used for Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(6,998)
<u>Cash Flows from Investing Activities:</u>	
Interest	580
	<u>(37,870)</u>
Net Decrease in Cash and Cash Equivalents	(37,870)
Cash and Cash Equivalents at Beginning of Year	109,149
Cash and Cash Equivalents at End of Year	<u>\$71,279</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$259,667)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	1,748
Donated Commodities Used During the Year	27,860
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	567
Increase in Prepaid Items	(7,606)
Decrease in Materials and Supplies Inventory	632
Decrease in Inventory Held for Resale	400
Increase in Accounts Payable	591
Increase in Accrued Salaries and Benefits Payable	18,846
Decrease in Intergovernmental Payable	(2,577)
Increase in Compensated Absences Payable	1,965
	<u>(217,241)</u>

See accompanying notes to the general purpose financial statements

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lakewood Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

Lakewood Local School District was established in 1957 through the consolidation of the Hebron Local School District and the Lynnwood-Jacksontown Local School District. The School District serves an area of approximately 105 square miles, which is 15 miles in length and 7 miles in width. It is located in Licking County, and serves the villages of Hebron, Buckeye Lake and Jacksonstown. It is staffed by 110 classified employees, 173 certificated full-time teaching personnel, and 7 administrative employees who provide services to 2,347 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one bus garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Lakewood Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are the Licking Area Computer Association, Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lakewood Local School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described as follows:

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 expenditure for specified purposes.

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

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental 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 a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they 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 revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, 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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. 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. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet. During fiscal year 1999, the Treasurer invested the classroom facilities capital projects fund separately from the pool.

During fiscal year 1999, investments were limited to STAR Ohio, repurchase agreements, bankers acceptances, commercial paper, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$164,713, which includes \$56,002 assigned from other School District funds. The building construction capital projects fund and the food service enterprise fund also received interest during fiscal year 1999 of \$427,429 and \$580, respectively.

The School District has separate bank accounts for payroll and athletic account monies. The athletic checking account is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury. The payroll account balance of approximately \$1,300 at June 30, 1999 is not included in the combined balance sheet.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not part of the pool are reported as investments.

Lakewood Local School District, 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. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for budget stabilization. See Note 21 for the calculation of the year end restricted asset balance and the corresponding fund balance reserve.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not capitalize infrastructure, as these assets are immovable and of value only to the School District.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years.

Lakewood Local School District, 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. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

- General Fund
 - State Foundation Program
 - State Property Tax Relief
 - School Bus Purchase Reimbursement
- Special Revenue Funds
 - Disadvantage Pupil Impact Aid

Non-Reimbursable Grants

- Special Revenue Funds
 - Career Development
 - Continuous Improvement
 - Data Communications
 - Drug-Free Schools
 - Education Management Information Systems
 - Eisenhower
 - Financial Literacy
 - Goals 2000
 - Textbook and Instructional Material Subsidy
 - Professional Development
 - Special Education Transition Funding
 - Title I
 - Title VI
 - Title VI-B
 - Wellness Block Grant
- Capital Projects Funds
 - SchoolNet

Reimbursable Grants

- General Fund
 - Driver Education
- Proprietary Funds
 - National School Lunch Program
 - National School Breakfast Program
 - Government Donated Commodities

Lakewood Local School District, 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 received in governmental funds amounted to forty-four percent of the governmental fund revenue during the 1999 fiscal year.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees with ten or more years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and 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, 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. In general, payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds, long-term loans, and capital leases 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 Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally Accepted Accounting Principles require that allocation of the debt liability among the appropriate funds and the General Long-Term Obligations Account Group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the bond retirement debt service fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Bond Premiums and Discounts:

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, unclaimed monies, bus purchases, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by Statute to protect against cyclical changes in revenues and expenditures. The reserve for unclaimed monies represents money required to be reserved because it is not available for appropriation until five years have elapsed.

O. Fund Balance Designation

The School District has a fund balance designation on the balance sheet for money set-aside by the Board of Education which exceeded the set-aside for budget stabilization required by State statute.

P. 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.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

The School District had several mispostings that when corrected caused a change in the excess of revenues and other financing sources over (under) expenditures and other uses/net income as previously reported for the year ended June 30, 1998:

	<u>General</u>	<u>Special Revenue</u>
Excess as previously reported	\$363,342	\$66,069
Overstatement of Interfund Receivable	(50,000)	0
Overstatement of Taxes Revenue	(407,091)	0
Restatement for SERS Surcharge Payable	8,965	0
Overstatement of Intergovernmental Receivable	(81,284)	(32,167)
Restated amount for the year ended June 30, 1998	<u>(\$166,068)</u>	<u>\$33,902</u>

	<u>Enterprise</u>
Net Income as previously reported	\$76,760
Understatement of Inventory held for Resale	3,168
Overstatement of Interfund Payable	50,000
Restated amount for the year ended June 30, 1998	<u>\$129,928</u>

The mispostings of information had the following effects on fund balance/retained earnings as it was previously reported as of June 30, 1998.

	<u>General</u>	<u>Special Revenue</u>
Balances as previously reported	\$2,319,424	\$247,303
Reclassification of funds	(4,127)	4,127
Understatement of Cash and Cash Equivalents	0	1,151
Overstatement of Interfund Receivable	(50,000)	0
Overstatement of Taxes Revenue	(1,742,663)	0
Overstatement of SERS Surcharge Payable	28,258	0
Overstatement of Intergovernmental Receivable	(81,284)	(32,167)
Restated Balances as of July 1, 1998	<u>\$469,608</u>	<u>\$220,414</u>

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES (continued)

	Enterprise
Balances as previously reported	(\$12,630)
Understatement of Inventory held for Resale	3,168
Overstatement of Interfund Payable	50,000
Restated Balances as of July 1, 1998	\$40,538

The general long-term obligations account group total liabilities increased from \$1,294,337 to \$1,372,685 as of June 30, 1998, due to the understatement of capital leases and the understatement of the SERS surcharge payable.

The general fixed assets account group total fixed assets increased from \$7,197,544 to \$7,216,384 as of June 30, 1998, due to the understatement of fixed assets.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had deficit fund balances/retained earnings as of June 30, 1999:

	Deficit Fund Balances/ Retained Earnings
<u>Special Revenue Funds:</u>	
Education Management Information System	\$40
Disadvantaged Pupil Impact Aid	5,714
Title VI-B	6,026
<u>Enterprise Fund:</u>	
Food Service	29,872

The deficits in the special revenue and enterprise funds are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. The general fund provides transfers to cover special revenue fund deficit balances; however, this is done when cash is needed rather than when accruals occur.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Legal Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code:

	<u>Excess</u>
<u>General Fund:</u>	
General	
Instruction	
Regular Instruction	
Fringe Benefits	\$5,664
Vocational Instruction	
Purchased Services	616
Other Instruction	
Purchased Services	9,077
Support Services	
Pupils	
Fringe Benefits	7,770
Purchased Services	119
Board of Education	
Purchased Services	1,162
Administration	
Salaries	16,017
Other	9,057
Operation and Maintenance of Plant	
Salaries	26,887
Central	
Materials and Supplies	928
Extracurricular Activities	
Academic Orientated Activities	
Salaries	3,624
 <u>Special Revenue Funds:</u>	
Public Support	
Extracurricular Activities	
School and Public Service Co-Curricular Activities	
Purchased Services	244
Materials and Supplies	2,602
Wave Grant	
Instruction	
Regular Instruction	
Salaries	9,907

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

	<u>Excess</u>
<u>Special Revenue Funds: (continued)</u>	
District Managed Activities	
Extracurricular Activities	
Academic Oriented Activities	
Purchased Services	\$23
Capital Outlay - New	27
Sport Oriented Activities	
Purchased Services	683
Capital Outlay - New	55
School and Public Service Co-Curricular Activities	
Purchased Services	35
Teacher Development	
Instruction	
Special	
Materials and Supplies	2,317
Education Management Information System	
Support Services	
Central	
Salaries	1,558
Disadvantaged Pupil Impact Aid	
Instruction	
Regular Instruction	
Salaries	11,242
Special Transition Funding	
Instruction	
Regular Instruction	
Purchased Services	20,602
Wellness Block Grant	
Instruction	
Vocational Instruction	
Purchased Services	1,836
<u>Capital Projects Funds:</u>	
Building Fund	
Capital Outlay	
Site Acquisition Services	
Capital Outlay - New	468,955

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

	<u>Excess</u>
<u>Capital Projects Funds:</u> (continued)	
<u>Building Fund</u> (continued)	
Architecture and Engineering Services	
Purchased Services	\$21,378
Building Acquisition and Construction Service	
Capital Outlay - New	1,025,000
Operating Transfer Out	9,949,870
SchoolNet	
Instruction	
Regular Instruction	
Salaries	2,130
<u>Enterprise Fund:</u>	
Food Service	
Salaries	2,040
Fringe Benefits	5,206

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999.

Fund Type/Fund	Estimated Resources	Appropriations	Excess
<u>Special Revenue Funds:</u>			
Wave Grant	\$8,738	\$17,577	\$8,839
Teacher Development	13,879	16,633	2,754
Financial Literacy	18,000	21,074	3,074
Textbook Subsidy	31,793	58,854	27,061
Eisenhower	10,780	11,516	736
Title VI	10,269	10,359	90
Drug-Free Schools	12,440	16,655	4,215
Goals 2000	2,602	4,358	1,756
<u>Debt Service Fund:</u>			
Bond Retirement	769,912	10,426,228	9,656,316
<u>Capital Projects Fund:</u>			
SchoolNet	28,956	246,744	217,788
<u>Enterprise Fund:</u>			
Food Service	595,825	664,800	68,975

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Budget Basis)-Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$917,547	\$12,448	\$133,353	\$13,832,637	(\$500)
Revenue Accruals	14,826	(6,448)	(23,283)	(195,379)	0
Expenditure Accruals	83,905	20,152	0	480,630	0
Prepaid Items	(69,289)	3,011	0	0	0
Transfer In	0	0	9,949,870	0	0
Transfer Out	0	0	0	(9,949,870)	0
Note Proceeds	0	0	0	9,951,020	0
Reclass of Taxes Revenue	0	0	139,300	(139,300)	0
Principal Payment	0	0	(9,950,000)	0	0
Interest Payment	0	0	(144,873)	138,150	0
Encumbrances	(319,579)	(35,221)	0	(2,513,956)	0
Budget Basis	\$627,410	(\$6,058)	\$104,367	\$11,603,932	(\$500)

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$17,803)
Revenue Accruals	(27,069)
Expense Accruals	18,826
Materials and Supplies Inventory	632
Inventory Held for Resale	400
Capital Outlay	(6,998)
Depreciation Expense	1,748
Prepaid Items	(7,606)
Encumbrances	(1,128)
Budget Basis	(\$38,998)

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 or deposit accounts including pass book accounts.

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

Interim monies to 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;

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date 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 interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Undeposited Cash: At fiscal year end, the School District had \$5,000 in undeposited cash on hand which is included on the balance sheet of the School District as part of "cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$13,132 and the bank balance was \$126,443. Of the bank balance, \$100,000 was covered by federal depository insurance and \$26,443 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying and Fair Value</u>
Repurchase Agreement	\$0	\$139,439	\$139,439
STAR Ohio	0	0	1,574,512
Banker's Acceptances	0	218,478	218,478
Commercial Paper	0	3,440,913	3,440,913
Federal Home Loan Bank Bonds	2,490,626	0	2,490,626
Federal National Mortgage Association Discount Notes	5,049,829	0	5,049,829
Federal Home Loan Mortgage Corporation Discount Notes	<u>4,041,013</u>	<u>0</u>	<u>4,041,013</u>
Total	<u>\$11,581,468</u>	<u>\$3,798,830</u>	<u>\$16,954,810</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "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 and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,953,165	\$14,019,777
Investments of the Cash Management Pool:		
Undeposited Cash	(5,000)	0
Repurchase Agreement	(139,439)	139,439
STAR Ohio	(1,574,512)	1,574,512
Banker's Acceptances	(218,478)	218,478
Commercial Paper	(504,166)	504,166
Federal Home Loan Bank Bonds	(498,438)	498,438
GASB Statement 3	<u>\$13,132</u>	<u>\$16,954,810</u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 7 - PROPERTY TAXES (continued)

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$176,338,070	67.5%	\$184,066,960	64.8%
Public Utility	19,346,020	7.4	20,964,300	7.4
Tangible Personal Property	65,714,580	25.1	79,105,530	27.8
Total Assessed Value	<u>\$261,398,670</u>	<u>100.0%</u>	<u>\$284,136,790</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$40.80		\$44.50	

The School District receives property taxes from Licking County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 7 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible 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, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. Also intended to finance current fiscal year operations is the June 30, 1999 personal property tax settlement that was not received until July, 1999, in the amount of \$492,326 in the general fund and \$55,522 in the bond retirement debt service fund. The amount available as an advance at June 30, 1999, was \$365,000 and is recognized as revenue. \$316,700 was available to the general fund and \$48,300 was available to the bond retirement debt service fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Driver's Education	\$5,050
State Foundation Fiscal Year 1999 Adjustment	3,494
Vocational Education Reimbursement	1,399
Bus Trip Reimbursements	206
Miscellaneous Reimbursements	138
Total General Fund	10,287
Special Revenue Funds	
Ohio High School Athletic Association	175
Enterprise Fund	
National School Lunch	27,638
Total Intergovernmental Receivables	\$38,100

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$276,596
Less Accumulated Depreciation	<u>(267,364)</u>
Net Fixed Assets	<u>\$9,232</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$73,401	\$230,517	\$0	\$303,918
Buildings and Improvements	4,324,989	494,304	0	4,819,293
Furniture, Fixtures and Equipment	1,389,207	478,430	0	1,867,637
Vehicles	1,428,787	51,980	0	1,480,767
Construction in Progress	<u>0</u>	<u>1,096,421</u>	<u>0</u>	<u>1,096,421</u>
Total General Fixed Assets	<u>\$7,216,384</u>	<u>\$2,351,652</u>	<u>\$0</u>	<u>\$9,568,036</u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for all of their insurance coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$33,216,800
Inland Marine (\$100 deductible)	15,918
Automobile Liability (\$1,000 for buses and \$100 for other autos collision deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	50,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 10 - RISK MANAGEMENT (continued)

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 percentage 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 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$111,119, \$136,343 and \$156,692, respectively; 49 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$56,233 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$352,989, \$673,285 and \$743,268, respectively; 80 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$72,345 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$470,651 for fiscal year 1999.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$128,452.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 to 60 days, depending upon length of service, for all employees.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 13 - EMPLOYEE BENEFITS (continued)

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Horace Mann Companies in the amount of \$20,000 for all certified and non-certified employees enrolled. Administrators have coverage of \$40,000 and the superintendent has coverage of \$50,000.

C. Retirement Incentive

The School District offers a \$10,000 retirement incentive to certified employees that retire as soon as the employee is eligible with 30 years of experience.

D. Employee Medical Benefits

The School District has contracted with Medical Mutual, Licking Memorial Hospital, and Delta Dental Insurance to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The employees share the cost of the monthly premium with the Board. For fiscal year 1999, the School District's and the employees' premiums are listed below:

<u>Staff</u>	<u>Medical Mutual</u>		<u>Licking Memorial Hospital</u>		<u>Delta Dental</u>	
	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>
Certified	\$50.00	\$25.00	\$50.00	\$26.14	\$37.64	\$0.00
Classified	40.00	20.00	40.00	21.14	37.64	0.00
Certified Board Share	363.50	123.32	351.30	129.28	25.00	22.26
Classified Board Share	373.50	128.32	361.30	134.28	25.00	22.26
Administration	5.00	10.00	0.00	0.00	25.00	0.00
Administration Board Share	413.50	138.32	0.00	0.00	25.00	22.26

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copier and band equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

General fixed assets consisting of copiers and band equipment have been capitalized in the general fixed assets account group in the amount of \$312,439. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$34,436 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	
2000	\$105,098
2001	95,285
2002	74,860
2003	62,230
2004	43,007
Total	380,480
Less: Amount Representing Interest	(114,944)
Present Value of Net Minimum Lease Payments	\$265,536

NOTE 15 - NOTES PAYABLE

A summary of the note transactions for the year ended June 30, 1999 follows:

	Outstanding 6/30/98	Additions	Retired	Outstanding 6/30/99
Capital Projects Fund				
4.00% School Improvement Bond				
Anticipation Note	\$0	\$9,950,000	\$9,950,000	\$0
	\$0	\$9,950,000	\$9,950,000	\$0

The notes were bond anticipation notes, backed by the full faith and credit of Lakewood Local School District.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 16 - CONTRACT OBLIGATIONS

As of June 30, 1999, the School District had contractual purchase commitments for six projects. The amount for each project is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 6/30/99</u>	<u>Amounts Remaining on Contracts</u>
Layton Excavating	Building Fund	\$11,137,175	\$500,281	\$10,636,894
Quandel Group, Inc.	Building Fund	650,000	117,000	533,000
BCL, Inc.	Building Fund	8,800	5,271	3,529
Bird/Hock and Assoc.	Building Fund	793,600	578,321	215,279
McCann Builders, Inc.	Building Fund	41,551	27,524	14,027
Phillips Masonry Restoration, Inc.	Building Fund	<u>24,646</u>	<u>13,546</u>	<u>11,100</u>
Totals		<u>\$12,655,772</u>	<u>\$1,241,943</u>	<u>\$11,413,829</u>

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Principal Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/99</u>
Energy Conservation Notes	\$820,000	\$0	\$150,000	\$670,000
Asbestos Federal EPA Loan	63,872	0	7,514	56,358
School Improvement Bonds Series 1999a	0	5,642,000	0	5,642,000
School Improvement Bonds Series 1999b	0	9,949,870	0	9,949,870
Capital Leases	74,888	225,084	34,436	265,536
Pension Obligation	83,090	99,318	83,090	99,318
Compensated Absences	<u>330,835</u>	<u>242,540</u>	<u>74,311</u>	<u>499,064</u>
Total General Long-Term Obligations	<u>\$1,372,685</u>	<u>\$16,158,812</u>	<u>\$349,351</u>	<u>\$17,182,146</u>

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

On April 1, 1992, and on July 1, 1994, the School District issued \$999,000 with 6.1% interest and \$461,500 with 5.15% interest, unvoted energy conservation notes for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period each with final maturity during fiscal year 2002 for the 1992 issue and 2004 for the 1994 issue. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

On July 1, 1987, the School District borrowed \$135,259 from the United States Environmental Protection Agency (EPA) through the Asbestos School Hazard Abatement Act of 1984. The purpose of was to remove asbestos in the School District's classrooms. The zero interest loan was for a twenty year period with final maturity during fiscal year 2007. Current fiscal year obligations were retired through tax revenues allocated from the general fund to the bond retirement debt service fund.

The School District issued School Improvement Bonds, Series 1999a for \$5,642,000, with a variable interest rate of 3.0 - 5.0%, and Series 1999b for \$9,949,870, with a variable interest rate of 3.15 - 5.0%, as a result of the School District passing a new bond levy in November, 1998, for construction of a new high school and renovations on existing buildings. Both bonds were issued for a twenty-eight year period with final maturity in fiscal year 2027. The bonds will be retired through levy proceeds paid into the bond retirement debt service fund.

The School District's overall legal debt margin was \$10,235,533, with an unvoted debt margin of \$284,137 at June 30, 1999.

Principal and interest debt service requirements to maturity on the outstanding notes, loan, and bonds, including \$12,733,713 interest, are as follows:

Year Ending June 30	General Long-Term Obligations Account Group
2000	\$1,193,463
2001	1,238,875
2002	1,241,869
2003-2005	3,311,686
2006-2008	2,549,357
2009-2011	3,102,963
2012-2014	3,097,478
2015-2017	3,084,659
2018-2020	3,075,841
2021-2023	3,074,500
2024-2026	3,061,375
2027	1,019,875
Total	<u>\$29,051,941</u>

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Capital leases will be paid from the general fund. Compensated absences and pension obligation will be paid from the fund and appropriate expenditure which pays the employees' salaries.

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Lakewood Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$361,884	\$31,410	\$393,294
Depreciation Expense	1,748	0	1,748
Operating Income (Loss)	(269,737)	10,070	(259,667)
Donated Commodities	27,860	0	27,860
Interest Income	580	0	580
Operating Grants	188,424	0	188,424
Operating Transfers In	25,000	0	25,000
Net Income (Loss)	(27,873)	10,070	(17,803)
Additions to Fixed Assets	6,998	0	6,998
Net Working Capital	(19,606)	52,607	33,001
Total Assets	73,214	53,194	126,408
Long-Term Liabilities to be Paid from Fund Revenues	19,498	0	19,498
Total Equity (Deficit)	(29,872)	52,607	22,735
Encumbrances Outstanding at June 30, 1999	0	1,128	1,128

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Licking Counties. These entities consist of public school districts and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's payments to LACA for fiscal year 1999 was \$38,286. Financial statements for LACA can be obtained from their fiscal agent - the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts), and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 1999 was \$675. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, representatives of universities, and student and persons with disabilities representations. The School District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, Early Childhood Services Project, and the Ohio Resource Center for Low Incidence and Severely Handicapped Project. These services are to assist the School District in complying with mandates of Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for COSERRC. The School District made no contributions to COSERRC during fiscal year 1999.

NOTE 20 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

The School District also receives resources from the State of Ohio which are restricted by State law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the general fund at fiscal year end.

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$70,726	\$70,726
Current Year Set-aside Requirement	202,361	202,361	101,180	505,902
Current Year Offsets	(34,619)	0	0	(34,619)
Qualifying Disbursements	(311,700)	(2,246,922)	0	(2,558,622)
Total	<u>(\$143,958)</u>	<u>(\$2,044,561)</u>	<u>\$171,906</u>	<u>(\$2,016,613)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$171,906</u>	<u>\$171,906</u>
Amount restricted for bus purchases				1,345
Total Restricted Assets				<u>\$173,251</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 22 - CONTINGENCIES

A. Grants

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

Lakewood Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 22 - CONTINGENCIES (continued)

B. Litigation

The School District is currently not a party to any legal proceedings.

NOTE 23 - STATE FOUNDATION FUNDING

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 School District. During the fiscal year ended June 30, 1999, the School District received \$4,125,360 of school foundation support for its general fund.

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

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LAKEWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
For the Year Ended June 30, 1999

<u>Federal Grantor/ Pass-Through Grantor/ Program Grant Title</u>	<u>Pass-Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<i>U.S. Department of Agriculture/ Ohio Department of Education</i>				
National School Breakfast Program	05-PU 98 & 99	10.553	\$ 20,727	\$ 20,727
National School Lunch Program	03-PU 98 & 99 04-PU 98 & 99	10.555	<u>129,411</u>	<u>129,411</u>
	Total Special Education Cluster		150,138	150,138
Commodities		10.550	<u>27,865</u>	<u>27,865</u>
	Total U.S. Department of Agriculture		178,003	178,003
<i>U.S. Department of Education/ Ohio Department of Education</i>				
Title I				
Grants to Local Educational Agencies	C1-S1 98 & 99	84.010	367,171	351,065
Title VI-B				
Special Education Grants to State	6B-SF 98	84.027	108,272	120,704
Drug Free Educational Subsidy	DR-S1 99	84.186	12,440	12,111
Innovative Education Program Strategies	C2-S1 99	84.298	8,963	8,724
Goals 2000	G2-S2 99	84.276	<u>10,000</u>	<u>2,602</u>
	Total U.S. Department of Education		506,846	495,206
<i>Federal Communications Commission</i>				
Telecommunications Grant		32.001	<u>17,032</u>	<u>-</u>
	Total Federal Award Receipts And Expenditures		<u>\$ 701,881</u>	<u>\$ 673,209</u>



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

Board of Education
Lakewood Local School District
Hebron, Ohio

We have audited the general purpose financial statements of Lakewood Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated April 5, 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 Lakewood Local School District's general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 1999-2252-001 through 1999-2252-007. We also noted certain immaterial instances of noncompliance that we have reported to management of Lakewood Local School District in a separate letter dated April 5, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lakewood Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lakewood Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1999-2252-008 through 1999-2252-011.

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 general purpose 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-2252-008

to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Lakewood Local School District in a separate letter dated April 5, 2000.

This report is intended solely for the information and use of the board of education, management, Auditor of State 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.

Jones, Cochenour & Co.

Jones, Cochenour & Co.

April 5, 2000



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

Board of Education
Lakewood Local School District
Hebron, Ohio

Compliance

We have audited the compliance of Lakewood Local School 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. Lakewood Local School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lakewood Local School District's management. Our responsibility is to express an opinion on Lakewood Local School 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lakewood Local School 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 Lakewood Local School District's compliance with those requirements.

In our opinion, Lakewood Local School 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 Lakewood Local School 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 Lakewood Local School 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Lakewood Local School District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 1999-2252-008.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. The reportable condition described above is considered a material weakness.

This report is intended solely for the information and use of the board of education, management, Auditor of State 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.



Jones, Cochenour & Co.
April 5, 2000

LAKWOOD LOCAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 § .505
 JUNE 30, 1999

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I CFDA Number 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

**LAKWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999**

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

FINDING NUMBER	1999-2252-001
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Ohio Rev. Code Section 5705.36 allows subdivisions to request increased or decreased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The last amended certificate before the District's year end June 30, 1999, was dated January 20, 1999. The Board of Education approved an updated amended certificate on June 24, 1999. The treasurer, however, did not take the amended certificate to the County Auditor until July 19, 1999. As a result, the amended certificate dated January 28, 1999 was determined to be the final certificate. This resulted in citations where appropriations exceeded estimated revenues.

FINDING NUMBER	1999-2252-002
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Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue. We noted that appropriations exceeded total estimated resources in several funds. We recommend that the District monitor the estimated resources throughout the fiscal year and obtain an amended certificate of estimated resources when needed.

FINDING NUMBER	1999-2252-003
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. We noted that expenditures exceeded appropriations in several funds and at the legal level of control within selected funds. We recommend the District monitor appropriations throughout the fiscal year and obtain amended appropriations as needed.

FINDING NUMBER	1999-2252-004
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Ohio Rev. Code Section 4705.41(D) states that no orders or contracts involving the expenditures of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collections to the credit of an appropriate fund free from any previous encumbrances. The District had instances where expenditures were made prior to certification. We recommend the District obtain proper certification of funds prior to expenditure.

FINDING NUMBER	1999-2252-005
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Ohio Rev. Code Section 5705.09 requires each subdivision to establish required funds. The District had two bond issues during the fiscal year and did not establish a special fund for each bond issue. We recommend that the District approve the special bond funds for each bond issue.

**LAKWOOD LOCAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 § .505
 JUNE 30, 1999**

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

FINDING NUMBER	1999-2252-006
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Ohio Rev. Code Section 133.10 authorizes taxing authorities of any subdivision to issue notes in anticipation of the collection of current property taxes and/or any other current revenues and states that these notes cannot exceed ½ of the projected revenues remaining to be received during the fiscal year. During our audit we noted that the anticipation notes issued totaled 64% of bond revenues received during the fiscal year.

FINDING NUMBER	1999-2252-007
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Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository within 24 hours of collection. During our testing, we noted that many receipts by the individual schools were not deposited within 24 hours of receipt to the treasurer. We recommend the District implement policies and procedures to be followed for collection and depositing of funds.

FINDING NUMBER	1999-2252-008
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REPORTABLE CONDITION - MATERIAL WEAKNESS - WRITTEN INTERNAL CONTROL POLICIES

We noted during our audit that the District could not provide to us written policies and procedures for internal controls relating to expenditures and receipts of the District. We recommend the District study its internal control processes and document and approve written policies and procedures that employees of the District should follow.

FINDING NUMBER	1999-2252-009
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REPORTABLE CONDITION - PAYROLL RECONCILIATION

We noted during our audit that the District was unable to provide documentation on the payroll account reconciliation at year end and throughout the year. Subsequent to year end, the payroll account has been reconciled through June 30, 1999. We recommend that the District implement procedures for monthly review of bank reconciliations, that documentation of the reconciliation be maintained and that any reconciliation adjustments be investigated and corrected timely.

**LAKESWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999**

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

FINDING NUMBER

1999-2252-010

REPORTABLE CONDITION - EXTRACURRICULAR ACTIVITIES

During our audit on tests of controls over extracurricular activities, we noted that the "Sales Project Request Form" (the first step in beginning an extracurricular activity) could not be located for many of the activities occurring during the fiscal year. This form is used to submit requests to perform activities for fund raising and other revenue producing events. This form also contains the signatures of approval to continue, along with the estimated receipts at the start of the project and the actual receipts at the end of the project. We recommend the District adopt and enforce policies on completion of the "Sales Project Request Form" as well as identifying who is responsible for retaining these forms for future use when needed.

FINDING NUMBER

1999-2252-011

REPORTABLE CONDITION - PAYROLL

During our audit we noted that some of the required federal and state payroll reports (Ex. Form 941, Bureau of Workers Compensation, Ohio Bureau of Employment Services) were filed to the required agency with variances between the reported wages and the gross payroll summary reports. We recommend the District implement procedures where payroll reporting is reviewed and any reconciliation between reported wages and payroll summaries be maintained and attached to the District's copy of reports.

3. FINDINGS RELATED TO FEDERAL AWARDS

See finding #1999-2252-008 above; this finding is also required to be reported in accordance with OMB Circular A-133.

LAKWOOD LOCAL SCHOOL DISTRICT
JUNE 30, 1999

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-2252-008	The Treasurer and Superintendent will work cooperatively to analyze current internal control processes relating to expenditures and receipts of the District. They will then develop, document and implement necessary changes to these processes. The written policies and procedures for school district employees to follow will be presented to the Board of Education for their approval no later than June 12, 2000.	6/30/00	Louis L. Staffilino, Superintendent

**LAKESWOOD LOCAL SCHOOL DISTRICT
CONCLUSION STATEMENT
JUNE 30, 1999**

A post-audit conference with the Lakewood Local School District officials was conducted on March 24, 2000 at which time they were notified they had five business days to respond to the preliminary report. All responses were reviewed.



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OFFICE OF THE AUDITOR

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LAKWOOD LOCAL SCHOOL DISTRICT

LICKING 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: MAY 2, 2000