

# **GENERAL PURPOSE FINANCIAL STATEMENTS**

**of the**

**Lakewood Local School District**

**for the**

**Fiscal Year Ended June 30, 2000**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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Board of Education  
Lakewood Local School District  
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We have reviewed the independent auditor's report of the Lakewood Local School District, Licking County, prepared by Jones, Cochenour & Co., for the audit period July 1, 1999 through June 30, 2000. 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

January 8, 2001

**LAKESWOOD LOCAL SCHOOL DISTRICT  
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## 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, 2000, 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, 2000, 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 November 20, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.  
November 20, 2000

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2000**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$119,539	\$409,924	\$241,119	\$1,411,837
Investments	799,345	0	0	2,296,590
Cash and Cash Equivalents in Segregated Accounts	0	1,875	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	7,803,750	0	1,184,790	0
Accounts	660	0	0	0
Intergovernmental	2,507	98,426	0	0
Interest	0	0	0	34,947
Inventory of Supplies at Cost	64,646	0	0	0
Prepaid Items	92,339	3,214	0	0
Restricted Assets:				
Cash and Cash Equivalents	352,383	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$9,235,169</u>	<u>\$513,439</u>	<u>\$1,425,909</u>	<u>\$3,743,374</u>
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$100,217	\$45,382	\$0	\$1,927,462
Accrued Wages and Benefits	995,114	53,552	0	0
Intergovernmental Payables	251,337	8,029	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	6,936,650	0	1,071,890	0
Deferred Revenue	0	0	0	0
Long-Term Notes Payable	0	0	0	0
EPA Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Compensated Absences Payable	0	0	0	0
Total Liabilities	<u>8,283,318</u>	<u>106,963</u>	<u>1,071,890</u>	<u>1,927,462</u>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings - Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	22,541	50,542	0	1,417,773
Reserved for Property Taxes	321,400	0	58,600	0
Statutory Reserves	351,038	0	0	0
Reserved for Supplies Inventory	64,646	0	0	0
Reserved for Prepaid Items	92,339	3,214	0	0
Reserved for Bus Purchase	1,345	0	0	0
Reserved for Debt Service	0	0	295,419	0
Unreserved - Undesignated	98,542	352,720	0	398,139
Total Equity and Other Credits	<u>951,851</u>	<u>406,476</u>	<u>354,019</u>	<u>1,815,912</u>
Total Liabilities, Equity and Other Credits	<u>\$9,235,169</u>	<u>\$513,439</u>	<u>\$1,425,909</u>	<u>\$3,743,374</u>

The notes to the general purpose financial statements are an integral part of this statement.

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2000**

<i>Proprietary</i> <u>Fund Type</u>	<i>Fiduciary</i> <u>Fund Types</u>	<i>Account</i> <u>Groups</u>		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$66,601	\$12,131	\$0	\$0	\$2,261,151
0	0	0	0	3,095,935
0	0	0	0	1,875
0	0	0	0	8,988,540
0	0	0	0	660
0	0	0	0	100,933
0	0	0	0	34,947
7,749	0	0	0	72,395
7,403	0	0	0	102,956
0	0	0	0	352,383
14,457	0	23,180,611	0	23,195,068
0	0	0	295,419	295,419
0	0	0	16,429,845	16,429,845
<u>\$96,210</u>	<u>\$12,131</u>	<u>\$23,180,611</u>	<u>\$16,725,264</u>	<u>\$54,932,107</u>
\$15,254	\$1,136	\$0	\$0	\$2,089,451
43,087	0	0	0	1,091,753
28,198	0	0	99,175	386,739
0	9,236	0	0	9,236
0	0	0	0	8,008,540
4,398	0	0	0	4,398
0	0	0	510,000	510,000
0	0	0	48,844	48,844
0	0	0	15,301,870	15,301,870
0	0	0	207,293	207,293
20,439	0	0	558,082	578,521
<u>111,376</u>	<u>10,372</u>	<u>0</u>	<u>16,725,264</u>	<u>28,236,645</u>
0	0	23,180,611	0	23,180,611
5,895	0	0	0	5,895
(21,061)	0	0	0	(21,061)
0	0	0	0	1,490,856
0	0	0	0	380,000
0	0	0	0	351,038
0	0	0	0	64,646
0	0	0	0	95,553
0	0	0	0	1,345
0	0	0	0	295,419
0	1,759	0	0	851,160
(15,166)	1,759	23,180,611	0	26,695,462
<u>\$96,210</u>	<u>\$12,131</u>	<u>\$23,180,611</u>	<u>\$16,725,264</u>	<u>\$54,932,107</u>

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	
<b>Revenues:</b>						
Local Sources:						
Taxes	\$7,821,037	\$0	\$1,186,456	\$0	\$0	\$9,007,493
Tuition	140,950	0	0	0	0	140,950
Investment Earnings	152,204	0	0	473,856	0	626,060
Extracurricular Activities	0	191,797	0	0	0	191,797
Class Material and Fees	2,788	0	0	0	0	2,788
Intergovernmental - State	4,471,858	148,989	88,649	1,000	0	4,710,496
Intergovernmental - Federal	0	575,152	0	0	0	575,152
All Other Revenues	21,736	48,100	0	10,200	940	80,976
Total Revenues	<u>12,610,573</u>	<u>964,038</u>	<u>1,275,105</u>	<u>485,056</u>	<u>940</u>	<u>15,335,712</u>
<b>Expenditures:</b>						
Current:						
Instruction	7,041,872	496,072	0	73,968	0	7,611,912
Supporting Services:						
Pupils	694,706	45,754	0	0	0	740,460
Instructional Staff	398,651	4,745	0	0	0	403,396
Board of Education	21,042	0	0	0	0	21,042
Administration	1,189,841	59,260	0	0	0	1,249,101
Fiscal Services	445,053	1,820	23,453	0	0	470,326
Business	6,790	0	0	0	0	6,790
Operation and Maintenance of Plant	1,398,746	0	0	0	0	1,398,746
Pupil Transportation	964,566	3,844	0	0	0	968,410
Central	51,725	8,146	0	0	0	59,871
Community Services	0	0	0	0	1,900	1,900
Extracurricular Activities	147,532	207,900	0	0	0	355,432
Other Expenditures	4,894	0	0	6,935	0	11,829
Capital Outlay	36,051	0	0	13,130,891	0	13,166,942
Debt Service:						
Principal Retirement	58,243	0	457,514	0	0	515,757
Interest and Fiscal Charges	37,522	0	735,949	0	0	773,471
Total Expenditures	<u>12,497,234</u>	<u>827,541</u>	<u>1,216,916</u>	<u>13,211,794</u>	<u>1,900</u>	<u>27,755,385</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	113,339	136,497	58,189	(12,726,738)	(960)	(12,419,673)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	1,200	0	0	90,000	0	91,200
Operating Transfers In	26,970	0	0	505,000	0	531,970
Operating Transfers Out	(555,000)	0	0	0	0	(555,000)
Total Other Financing Sources (Uses)	<u>(526,830)</u>	<u>0</u>	<u>0</u>	<u>595,000</u>	<u>0</u>	<u>68,170</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(413,491)	136,497	58,189	(12,131,738)	(960)	(12,351,503)
Fund Balance Beginning of Year	1,354,472	269,979	295,830	13,947,650	2,719	15,870,650
Increase in Inventory Reserve	10,870	0	0	0	0	10,870
Fund Balance End of Year	<u>\$951,851</u>	<u>\$406,476</u>	<u>\$354,019</u>	<u>\$1,815,912</u>	<u>\$1,759</u>	<u>\$3,530,017</u>

The notes to the general purpose financial statements are an integral part of this statement.

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources:						
Taxes	\$7,762,963	\$7,762,963	\$0	\$0	\$0	\$0
Tuition	140,998	140,998	0	0	0	0
Investment Earnings	156,695	156,695	0	0	0	0
Extracurricular Activities	0	0	0	190,936	190,936	0
Class Material and Fees	2,788	2,788	0	0	0	0
Intergovernmental - State	4,568,101	4,479,452	(88,649)	148,989	148,989	0
Intergovernmental - Federal	0	0	0	618,499	513,843	(104,656)
All Other Revenues	23,128	23,128	0	54,108	54,108	0
Total Revenues	<u>12,654,673</u>	<u>12,566,024</u>	<u>(88,649)</u>	<u>1,012,532</u>	<u>907,876</u>	<u>(104,656)</u>
<b>Expenditures:</b>						
Current:						
Instruction	7,377,760	7,326,135	51,625	720,094	526,914	193,180
Supporting Services:						
Pupils	730,548	714,972	15,576	97,014	62,613	34,401
Instructional Staff	419,986	405,540	14,446	5,513	4,762	751
Board of Education	26,771	26,174	597	0	0	0
Administration	1,308,067	1,290,613	17,454	70,408	60,459	9,949
Fiscal Services	469,037	453,954	15,083	1,925	1,925	0
Business	8,620	6,893	1,727	0	0	0
Operation and Maintenance of Plant	1,431,589	1,405,584	26,005	0	0	0
Pupil Transportation	987,102	980,995	6,107	3,839	3,839	0
Central	54,795	51,864	2,931	16,095	8,332	7,763
Extracurricular Activities	154,664	146,609	8,055	239,662	235,700	3,962
Other Expenditures	7,659	6,869	790	0	0	0
Capital Outlay	36,500	36,051	449	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>13,013,098</u>	<u>12,852,253</u>	<u>160,845</u>	<u>1,154,550</u>	<u>904,544</u>	<u>250,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(358,425)	(286,229)	72,196	(142,018)	3,332	145,350
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	1,200	1,200	0	0	0	0
Operating Transfers In	101,387	101,387	0	0	0	0
Operating Transfers Out	(656,387)	(656,387)	0	0	0	0
Advances In	72,328	72,328	0	47,238	47,238	0
Advances Out	(72,328)	(72,328)	0	(47,238)	(47,238)	0
Total Other Financing Sources (Uses)	<u>(553,800)</u>	<u>(553,800)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(912,225)	(840,029)	72,196	(142,018)	3,332	145,350
Fund Balance at Beginning of Year	1,688,564	1,688,564	0	280,896	280,896	0
Prior Year Encumbrances	319,579	319,579	0	35,221	35,221	0
Fund Balance at End of Year	<u>\$1,095,918</u>	<u>\$1,168,114</u>	<u>\$72,196</u>	<u>\$174,099</u>	<u>\$319,449</u>	<u>\$145,350</u>

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)



**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Debt Service Fund</u>			<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources:						
Taxes	\$1,177,378	\$1,177,378	\$0	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Investment Earnings	0	0	0	593,719	593,719	0
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intergovernmental - State	0	88,649	88,649	1,000	1,000	0
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	99,321	99,321	0
Total Revenues	<u>1,177,378</u>	<u>1,266,027</u>	<u>88,649</u>	<u>694,040</u>	<u>694,040</u>	<u>0</u>
<b>Expenditures:</b>						
Current:						
Instruction	0	0	0	134,475	91,209	43,266
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	23,500	23,453	47	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	15,191,209	14,996,683	194,526
Debt Service:						
Principal Retirement	457,514	457,514	0	0	0	0
Interest and Fiscal Charges	735,950	735,949	1	0	0	0
Total Expenditures	<u>1,216,964</u>	<u>1,216,916</u>	<u>48</u>	<u>15,325,684</u>	<u>15,087,892</u>	<u>237,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,586)	49,111	88,697	(14,631,644)	(14,393,852)	237,792
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Operating Transfers In	0	0	0	505,000	505,000	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>505,000</u>	<u>505,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(39,586)	49,111	88,697	(14,126,644)	(13,888,852)	237,792
Fund Balance at Beginning of Year	192,008	192,008	0	11,719,255	11,719,255	0
Prior Year Encumbrances	0	0	0	2,513,956	2,513,956	0
Fund Balance at End of Year	<u>\$152,422</u>	<u>\$241,119</u>	<u>\$88,697</u>	<u>\$106,567</u>	<u>\$344,359</u>	<u>\$237,792</u>

(Continued)

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Totals (Memorandum Only)</u>		
	Revised	Actual	Variance:
	Budget		Favorable (Unfavorable)
<u>Revenues:</u>			
Local Sources:			
Taxes	\$8,940,341	\$8,940,341	\$0
Tuition	140,998	140,998	0
Investment Earnings	750,414	750,414	0
Extracurricular Activities	190,936	190,936	0
Class Material and Fees	2,788	2,788	0
Intergovernmental - State	4,718,090	4,718,090	0
Intergovernmental - Federal	618,499	513,843	(104,656)
All Other Revenues	176,557	176,557	0
Total Revenues	<u>15,538,623</u>	<u>15,433,967</u>	<u>(104,656)</u>
<u>Expenditures:</u>			
Current:			
Instruction	8,232,329	7,944,258	288,071
Supporting Services:			
Pupils	827,562	777,585	49,977
Instructional Staff	425,499	410,302	15,197
Board of Education	26,771	26,174	597
Administration	1,378,475	1,351,072	27,403
Fiscal Services	494,462	479,332	15,130
Business	8,620	6,893	1,727
Operation and Maintenance of Plant	1,431,589	1,405,584	26,005
Pupil Transportation	990,941	984,834	6,107
Central	70,890	60,196	10,694
Extracurricular Activities	394,326	382,309	12,017
Other Expenditures	7,659	6,869	790
Capital Outlay	15,227,709	15,032,734	194,975
Debt Service:			
Principal Retirement	457,514	457,514	0
Interest and Fiscal Charges	735,950	735,949	1
Total Expenditures	<u>30,710,296</u>	<u>30,061,605</u>	<u>648,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,171,673)	(14,627,638)	544,035
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	1,200	1,200	0
Operating Transfers In	606,387	606,387	0
Operating Transfers Out	(656,387)	(656,387)	0
Advances In	119,566	119,566	0
Advances Out	(119,566)	(119,566)	0
Total Other Financing Sources (Uses)	<u>(48,800)</u>	<u>(48,800)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(15,220,473)	(14,676,438)	544,035
Fund Balance at Beginning of Year	13,880,723	13,880,723	0
Prior Year Encumbrances	2,868,756	2,868,756	0
Fund Balance at End of Year	<u>\$1,529,006</u>	<u>\$2,073,041</u>	<u>\$544,035</u>

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**PROPRIETARY FUND TYPE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Sales	\$413,730
Total Operating Revenues	<u>413,730</u>
<u>Operating Expenses:</u>	
Salaries and Wages	247,001
Fringe Benefits	131,119
Contractual Services	3,455
Materials and Supplies	306,154
Depreciation	670
Other Operating Expenses	<u>1,003</u>
Total Operating Expenses	<u>689,402</u>
Operating Loss	(275,672)
<u>Non-Operating Revenues:</u>	
Operating Grants	179,415
Federally Donated Commodities	28,080
Investment Earnings	<u>1,351</u>
Total Non-Operating Revenues	<u>208,846</u>
Loss before Operating Transfers	(66,826)
<u>Operating Transfers:</u>	
Operating Transfers In	50,000
Operating Transfers Out	<u>(26,970)</u>
Total Operating Transfers	<u>23,030</u>
Net Loss	(43,796)
Retained Earnings at Beginning of Year	<u>22,735</u>
Accumulated Deficit at End of Year	<u><u>(\$21,061)</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$414,184
Cash Payments for Goods and Services	(266,647)
Cash Payments to Employees for Services and Benefits	(383,649)
Net Cash Used by Operating Activities	<u>(236,112)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	207,053
Operating Transfers In	50,000
Operating Transfers Out	(26,970)
Advance Received from General Fund	25,000
Repayment of Advance from General Fund	(25,000)
Net Cash Provided by Noncapital Financing Activities	<u>230,083</u>
<u>Cash Flows from Investing Activities:</u>	
Receipt of Interest	<u>1,351</u>
Net Cash Provided by Investing Activities	<u>1,351</u>
Net Decrease in Cash and Cash Equivalents	(4,678)
Cash and Cash Equivalents at Beginning of Year	<u>71,279</u>
Cash and Cash Equivalents at End of Year	<u><u>\$66,601</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$275,672)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	670
Donated Commodities Used During the Year	28,080
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	454
Decrease in Inventory	1,980
Decrease in Prepaid Items	673
Increase in Accounts Payable	14,663
Decrease in Accrued Wages and Benefits	(6,554)
Decrease in Intergovernmental Payables	(34)
Decrease in Deferred Revenue	(1,313)
Increase in Compensated Absences	941
Total Adjustments	<u>39,560</u>
Net Cash Used by Operating Activities	<u><u>(\$236,112)</u></u>

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2000, the Food Service Fund received \$5,895 of capital assets from other funds.

The notes to the general purpose financial statements are an integral part of this statement.

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Lakewood Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 113 non-certified and approximately 186 certified teaching personnel and administrative employees providing education to 2,335 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

Lakewood Local School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the Licking Area Computer Association (LACA), Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Information regarding these organizations is presented in Notes 17 and 18.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

**B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting** (Continued)

The following fund types and account groups are used by the District:

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's governmental fund types:

**General Fund** - This fund is the general operating fund of the district and is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - These 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** - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

***Proprietary Funds*** - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)*Fiduciary Funds*

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and an agency fund. The expendable trust fund is accounted for and reported similarly to a governmental fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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

General Fixed Assets Account Group - This account group is established to account for fixed assets of the 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 debt and other long-term liabilities of the District except those accounted for in the proprietary funds.

**C. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes available for advance, tuition, grants, student fees, and interest on investments.

Current property taxes measurable at June 30, 2000, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****C. Basis of Accounting (Continued)**

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

**1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

Prior to March 15, the Board 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 District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2000.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

**5. 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 appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**6. Budgetary Basis of Accounting**

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$413,491)	\$136,497	\$58,189	(\$12,131,738)
Increase (Decrease):				
Accrued Revenues at June 30, 2000, received during FY 2001	(870,267)	(99,762)	(112,900)	(34,947)
Accrued Revenues at June 30, 1999, received during FY 2000	827,703	43,600	103,822	61,928
Accrued Expenditures at June 30, 2000, paid during FY 2001	1,346,668	106,963	0	1,927,462
Accrued Expenditures at June 30, 1999, paid during FY 2000	(1,628,683)	(93,288)	0	(480,939)
FY 1999 Prepays for FY 2000	86,826	3,011	0	0
FY 2000 Prepays for FY 2001	(92,339)	(3,214)	0	0
Adjustment to Fair Value	(3,674)	0	0	98,938
Encumbrances Outstanding at June 30, 2000	(92,772)	(90,475)	0	(3,329,556)
Budget Basis	<u>(\$840,029)</u>	<u>\$3,332</u>	<u>\$49,111</u>	<u>(\$13,888,852)</u>

**E. Cash and Cash Equivalents**

During fiscal year 2000, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash and Cash Equivalents."

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 4, "Cash and Cash Equivalents."

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

**G. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

**H. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not capitalize infrastructure, as these assets are immovable and of value only to the District.

General fixed asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation (Continued)**

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Machinery, Equipment, Furniture and Fixtures	10

**I. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bonds Payable	General Obligation Bond Retirement Fund
Long-Term Notes Payable	General Obligation Bond Retirement Fund
EPA Loan Payable	General Obligation Bond Retirement Fund
Intergovernmental Payable	General Fund
Compensated Absences	General Fund, Food Services Fund
Capital Leases	General Fund

**J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 220 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 55 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability. The remaining pension liability, if any, is recorded in the General Long-Term Obligations Account Group for governmental funds.

**L. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Operating Transfers In” by the recipient fund, and “Operating Transfers Out” by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, a reserve for textbook purchases and a reserve for capital maintenance. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established for these amounts.

**N. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, endowments, property taxes, budget stabilization, textbook purchase, capital maintenance and encumbered amounts which have not been accrued at year end. 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, textbook purchase and capital maintenance are required by State statute.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Estimates**

The preparation of the 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 could differ from those estimates.

**P. Total Columns on Combined Financial Statements - Overview**

Total columns on the “Combined Financial Statements-Overview” are captioned “Memorandum Only” to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 – PRIOR PERIOD ADJUSTMENTS**

The fund balances at June 30, 1999 of the General Fund, the Title I (special revenue) Fund and General Obligation Bond Retirement Fund were restated from amounts previously reported to reclassify Intergovernmental Revenue between the two funds. The fund balance of the Title I (special revenue) Fund was restated from amounts previously reported to correct an error in recording intergovernmental receivables.

The reclassification resulted in adjustments to June 30, 1999 fund balances as follows:

<u>Description</u>	General Fund	Special Revenue Fund	General Obligation Bond Retirement Fund
Balance at June 30, 1999 (as reported)	\$1,395,210	\$232,862	\$255,092
Correction of Intergovernmental Receivables	0	37,117	0
Reclassification of			
Intergovernmental Revenues	(40,738)	0	40,738
Restated Balance at July 1, 1999	<u>\$1,354,472</u>	<u>\$269,979</u>	<u>\$295,830</u>

In addition to the above noted changes to fund balances, the prior period adjustments had the following effect on prior year excess of revenues and other financing sources over (under) expenditures and other financing uses:

<u>Description</u>	General Fund	Special Revenue Fund	General Obligation Bond Retirement Fund
Balance at June 30, 1999 (as reported)	\$917,547	\$220,414	\$133,353
Correction of Intergovernmental Receivables	0	37,117	0
Reclassification of			
Intergovernmental Revenues	(40,738)	0	40,738
Restated Balance at July 1, 1999	<u>\$876,809</u>	<u>\$257,531</u>	<u>\$174,091</u>

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficits at June 30, 2000 of \$4,388 in the Disadvantaged Pupil Impact Aid Fund and \$148 in the Other Federal Grants Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides transfers when cash is required rather than when accrual occur. The fund deficit at June 30, 2000 of \$45,565 in the Food Service Fund (enterprise fund) arose from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. These deficits do not exist under the cash basis of accounting.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

**NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)**

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

*Deposits:*

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

*Investments:*

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.



**NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)**

**A. Deposits**

At year end the carrying amount of the District's deposits was an overdraft of \$9,220 and the bank balance was \$141,875. Federal depository insurance covered \$100,000 of the bank balance and all remaining deposits were classified as Category 3.

Investment earnings of \$63,389 earned by other funds was credited to the General Fund as required by state statute.

**B. Investments**

The District's investments at June 30, 2000 were as follows:

	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
<b>Categorized Investments</b>			
Repurchase Agreements	\$0	\$1,614,512	\$1,614,512
Bankers Acceptance	0	612,146	612,146
Federal Home Loan Bank Bonds	500,000	0	500,000
Federal Home Loan Bank Discount Note	994,983	0	994,983
Federal Home Loan Mortgage Corporation	992,654	0	992,654
Commercial Paper	0	988,806	988,806
<b>Noncategorized Investments</b>			
STAR Ohio	N/A	N/A	17,463
Total Investments	<u>\$2,487,637</u>	<u>\$3,215,464</u>	<u>\$5,720,564</u>

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,615,409	\$3,095,935
Government Agency Securities		
(with maturities of less than 3 months)	(992,654)	992,654
Repurchase Agreements	(1,614,512)	1,614,512
STAR Ohio	<u>(17,463)</u>	<u>17,463</u>
Per GASB Statement No. 3	<u>(\$9,220)</u>	<u>\$5,720,564</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Lakewood Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2000 receipts were based are:

	1999 Second Half <u>Collections</u>	2000 First Half <u>Collections</u>
Agricultural/Residential and Other Real Estate	\$184,066,960	\$218,224,200
Public Utility Personal	20,964,300	18,991,850
Tangible Personal Property	<u>79,105,530</u>	<u>71,015,660</u>
Total Assessed Value	<u>\$284,136,790</u>	<u>\$308,231,710</u>
Tax rate per \$1,000 of assessed valuation	\$42.50	\$42.11

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts, interest receivable and intergovernmental receivables.

**NOTE 7 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds at June 30, 2000:

Fund	Transfer In	Transfer Out
General Fund	\$26,970	\$555,000
Capital Project Fund:		
Building Fund	505,000	0
Enterprise Funds:		
Food Service Fund	50,000	0
Uniform School Supplies Fund	0	26,970
Total Enterprise Funds	50,000	26,970
Total All Funds	\$581,970	\$581,970

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets at June 30, 2000:

Class	June 30, 1999	Additions	Deletions	June 30, 2000
Land and Improvements	\$303,918	\$165,866	\$0	\$469,784
Buildings and Improvements	4,819,293	673,190	(158,000)	5,334,483
Furniture, Fixtures and Equipment	1,867,637	320,188	0	2,187,825
Vehicles	1,480,767	171,780	0	1,652,547
Construction In Progress	1,096,421	12,439,551	0	13,535,972
Totals	\$9,568,036	\$13,770,575	(\$158,000)	\$23,180,611

**B. Proprietary Fixed Assets**

Summary by Category at June 30, 2000:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$282,491	(\$268,034)	\$14,457
Total Property, Plant and Equipment	\$282,491	(\$268,034)	\$14,457

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

**A. School Employees Retirement System of Ohio (SERS of Ohio)**

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2000, 5.5% was allocated to fund the pension benefit and 8.5% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2000, 1999, and 1998 were \$254,310, \$269,970, and \$211,619, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 8.5%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2000, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$186,689.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 51,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available) were \$126,380,984 and the target level was \$189.6 million. Net assets available for payment of benefits at June 30, 1999 was \$188.0 million.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio (STRS of Ohio)**

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2000, 6% was allocated to fund the pension benefit and 8% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2000, 1999, and 1998 were \$978,660, \$949,164, and \$897,713, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 2% of covered payroll, to a Health Care Reserve Fund. However, for the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund, which amounted to \$559,234 for the District. The balance of the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, the net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

**NOTE 10 - COMPENSATED ABSENCES**

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2000, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$510,550	\$47,532	\$558,082

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

**NOTE 11 - LONG-TERM DEBT AND OTHER GENERAL LONG-TERM OBLIGATIONS**

Details of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2000 are as follows:

		<u>Balance</u> <u>June 30, 1999</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>June 30, 2000</u>
<b>General Long-Term Debt:</b>				
(Long-Term Notes Payable)				
Energy Conservation Project	6.10%	\$365,000	(\$115,000)	\$250,000
Energy Conservation Project	5.15%	<u>305,000</u>	<u>(45,000)</u>	<u>260,000</u>
Total Long-Term Notes Payable		670,000	(160,000)	510,000
(EPA Loan Payable)				
Asbestos Federal EPA Loan	0.00%	56,358	(7,514)	48,844
(General Obligation Bonds Payable)				
School Improvement Bonds 1999a	3.0-5.0%	5,642,000	(150,000)	5,492,000
School Improvement Bonds 1999b	3.15-5.0%	<u>9,949,870</u>	<u>(140,000)</u>	<u>9,809,870</u>
Total General Obligation Bonds Payable		<u>15,591,870</u>	<u>(290,000)</u>	<u>15,301,870</u>
Total General Long-Term Debt		<u>16,318,228</u>	<u>(457,514)</u>	<u>15,860,714</u>
<b>Other General Long-Term Obligations:</b>				
Intergovernmental Payable		99,318	(143)	99,175
Capital Leases Payable		265,536	(58,243)	207,293
Compensated Absences		<u>499,064</u>	<u>59,018</u>	<u>558,082</u>
Total Other General Long-Term Obligations		<u>863,918</u>	<u>632</u>	<u>864,550</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$17,182,146</u>	<u>(\$456,882)</u>	<u>\$16,725,264</u>

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2000, follows:

Years	<u>Long-Term Notes Payable</u>		<u>EPA Loan Payable</u>		<u>General Obligation Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2001	\$165,000	\$27,481	\$7,514	\$0	\$350,000	\$688,880
2002	180,000	17,715	7,514	0	360,000	676,640
2003	50,000	7,210	7,514	0	375,000	663,263
2004	55,000	4,506	7,514	0	390,000	648,915
2005	60,000	1,545	7,514	0	400,000	633,705
2006-2027	<u>0</u>	<u>0</u>	<u>11,274</u>	<u>0</u>	<u>13,426,870</u>	<u>8,627,905</u>
Totals	<u>\$510,000</u>	<u>\$58,457</u>	<u>\$48,844</u>	<u>\$0</u>	<u>\$15,301,870</u>	<u>\$11,939,308</u>

**NOTE 12 - CAPITAL LEASE COMMITMENTS**

The District leases copiers and band equipment under capital leases. The cost of the equipment obtained under capital leases is \$312,439, which is included in the General Fixed Assets Account Group and the related liability is included in the General Long-Term Obligations Account Group.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2000

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2001	\$95,285
2002	74,860
2003	62,230
2004	<u>43,007</u>
Minimum Lease Payments	275,382
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(68,089)</u>
Present Value of minimum lease payments	<u><u>\$207,293</u></u>

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

The District maintains two Enterprise Funds to account for the operation of Food Services and Uniform School Supply Sales. The key financial information for the year ended June 30, 2000 for these enterprise activities is as follows:

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Total</u>
Operating Revenues	\$386,265	\$27,465	\$413,730
Depreciation Expense	670	0	670
Operating Loss	(274,539)	(1,133)	(275,672)
Net Loss	(15,693)	(28,103)	(43,796)
Transfers In	50,000	0	50,000
Transfers Out	0	(26,970)	(26,970)
Property, Plant and Equipment:			
Additions	5,895	0	5,895
Federally Donated Commodities	28,080	0	28,080
Operating Grants	179,415	0	179,415
Current Capital Contributions	5,895	0	5,895
Total Assets	56,921	39,289	96,210
Net Working Capital	(33,688)	24,504	(9,184)
Total Equity	(39,670)	24,504	(15,166)

**NOTE 14 - CONTRIBUTED CAPITAL**

A schedule of changes in contributed capital is presented below:

	Food Service Fund
Balance at Beginning of Year	\$0
Additions:	
Contributions by Other Funds	5,895
Balance at End of Year	<u>\$5,895</u>

**NOTE 15 - CONSTRUCTION COMMITMENTS**

As of June 30, 2000, the District had the following commitments with respect to capital projects:

Contractor	Purchase Commitments	Amounts Paid as of 6/30/00	Remaining Construction Commitment
Layton Excavating	\$567,245	\$516,639	\$50,606
Quandel Group, Inc.	650,000	568,000	82,000
Bird/Hock and Associates	793,600	753,631	39,969
Kenton Structural Steel	1,025,000	985,723	39,277
Cody Zeigler, Inc.	3,259,829	2,421,251	838,578
Thyssen Dover Elevator, Inc.	36,136	33,245	2,891
Republic Storage Systems	96,000	61,297	34,703
The Kenny Huston Co.	1,563,093	1,503,698	59,395
Howard's Sheet Metal, Inc.	1,768,241	1,498,217	270,024
Franklin Fire Sprinkler Co.	238,138	199,541	38,597
Farnham Equipment Co.	597,415	224,523	372,892
Chemcote Roofing	425,847	389,159	36,688
Brewer-Garrett	587,520	483,862	103,658
Beck Studios	172,627	40,314	132,313
Claypool Electric, Inc.	1,334,875	1,055,480	279,395
IROC Painting	159,100	93,179	65,921
Glass Service Co., Inc.	182,937	177,373	5,564
Wenger Corporation	36,653	33,120	3,533
Shelly & Company	231,849	0	231,849
Total	<u>\$13,726,105</u>	<u>\$11,038,252</u>	<u>\$2,687,853</u>



**NOTE 16 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2000 the District contracted with Nationwide Insurance for various insurance coverages, as follows:

Coverages	Deductible	Coverage Amount
Building and Contents	\$1,000	\$33,216,800
Inland Marine	\$250	15,918
Automobile Liability	\$1,000 for buses \$100 for other vehicles	1,000,000
Uninsured Motorists	\$250	50,000
General Liability		
Per occurrence		2,000,000
Total per year	\$0	5,000,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State, based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 & Company provides administrative, cost control and actuarial services to the GRP.

**NOTE 17 - INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* – The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 18 - JOINTLY GOVERNED ORGANIZATIONS****A. Licking Area Computer Association**

The District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. 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 thirteen members made up of the thirteen district superintendents. The continued existence of LACA is not dependent on the 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 District paid LACA \$38,028 for services provided during the year. Financial information can be obtained from their fiscal agent, the Licking County Joint Vocational School, Shirley Dupps, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

**B. Metropolitan Education Council**

The 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 school, educational service centers and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurance, 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 District's membership payment to MEC for fiscal year 2000 was \$950. 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.

**C. Central Ohio Special Education Regional Resource Center**

The Central Ohio Special Educational 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 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 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 District and the District does not maintain an equity interest in or financial responsibility for COSERRC. The District made no contributions to COSERRC during fiscal year 2000.

**NOTE 19 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. The 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. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$171,906	\$171,906
Current Year Set-Aside Requirement	308,952	308,952	102,984	720,888
Current Year Offset Credits	(34,619)	0	0	(34,619)
Qualifying Disbursements	<u>(198,185)</u>	<u>(12,113,218)</u>	<u>0</u>	<u>(12,311,403)</u>
Total	<u>\$76,148</u>	<u>(\$11,804,266)</u>	<u>\$274,890</u>	<u>(\$11,453,228)</u>
Cash Balance Carried Forward to FY 2001	<u>\$76,148</u>	<u>\$0</u>	<u>\$274,890</u>	\$351,038
Amount Restricted for bus purchases				<u>1,345</u>
Total Restricted Assets				<u>\$352,383</u>

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

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

**B. Litigation**

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2000.

**NOTE 20 – CONTINGENCIES (Continued)**

**C. State School 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 the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,840,961 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program. The Court decided to maintain jurisdiction over these issues and continue the case at least until June 15, 2001. 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 this program and on its financial operations.

**NOTE 21 – SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES – SIGNIFICANT ACCOUNTING POLICIES**

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

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Balance June 30, 1999	Additions	Deductions	Balance June 30, 2000
<b><u>Student Managed Activity Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$8,769	\$26,287	(\$25,584)	\$9,472
Total Assets	<u>\$8,769</u>	<u>\$26,287</u>	<u>(\$25,584)</u>	<u>\$9,472</u>
Liabilities:				
Accounts Payable	\$0	\$236	\$0	\$236
Due to Students	8,769	26,051	(25,584)	9,236
Total Liabilities	<u>\$8,769</u>	<u>\$26,287</u>	<u>(\$25,584)</u>	<u>\$9,472</u>

**LAKWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
For the Year Ended June 30, 2000**

<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 99 & 00	10.553	\$ 28,146	\$ 28,146
National School Lunch Program	03-PU 99 & 00 04-PU 99 & 00	10.555	<u>162,561</u>	<u>162,561</u>
	Total Nutrition Cluster		190,707	190,707
Commodities		10.550	<u>26,766</u>	<u>28,080</u>
	Total U.S. Department of Agriculture		217,473	218,787
<i>U.S. Department of Education/ Ohio Department of Education</i>				
Title I				
Grants to Local Educational Agencies	C1-S1 99 & 00	84.010	276,540	311,022
Title VI-B				
Special Education Grants to State	6B-SF 99	84.027	122,237	99,976
Drug Free Educational Subsidy Innovative Education Program Strategies	DR-S1 00	84.186	10,024	12,070
Title VI-R Class Size Reduction	C2-S1 00	84.298	13,349	3,654
		84.340	<u>56,752</u>	<u>52,818</u>
	Total U.S. Department of Education		<u>478,902</u>	<u>479,540</u>
	Total Federal Award Receipts And Expenditures		<u>\$ 696,375</u>	<u>\$ 698,327</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, 2000, and have issued our report thereon dated November 20, 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 2000-2252-001 through 2000-2252-004. We also noted certain immaterial instances of noncompliance that we have reported to management of Lakewood Local School District in a separate letter dated November 20, 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 2000-2252-005 through 2000-2252-007.

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 items 2000-2252-005 and 2000-2252-006 to be material weaknesses. 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 November 20, 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.  
November 20, 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, 2000. 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, 2000.

**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.

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

**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.  
November 20, 2000**

**LAKWOOD LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 § .505  
 JUNE 30, 2000**

**1. SUMMARY OF AUDITORS' RESULTS**

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

**LAKWOOD LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 § .505  
 JUNE 30, 2000**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED        TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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FINDING NUMBER	2000-2252-001
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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. At year end, the District was in compliance with this ORC section. However, when compliance was tested throughout the fiscal period under audit, we noted 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	2000-2252-002
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Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board.

The District had instances where expenditures were made prior to certification. These commitments were not subsequently approved by the Board within the aforementioned 30 day time period. We recommend the District obtain proper certification of funds prior to expenditure.

FINDING NUMBER	2000-2252-003
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Ohio Rev. Code Section 5705.41(D) restricts so-called ‘blanket purchase orders’ to be “not in excess of five thousand dollars, ... , over a period not exceeding three months and not extending beyond the end of the fiscal year”. During our testing we noted that blanket purchase orders extended beyond three months, extended beyond the end of the fiscal year, and exceeded the \$5,000 limit. We recommend that a purchase order policy be implemented and followed to ensure that blanket purchase orders do not extend beyond three months, extend beyond the end of the fiscal year, or exceed the \$5,000 limit.

LAKEWOOD LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 § .505  
 JUNE 30, 2000

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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FINDING NUMBER	2000-2252-004
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Ohio Rev. Code Section 9.38 states that a person shall deposit all public monies received by that person with the treasurer of the public office on the next business day following the day of the receipt, if the total amount of such monies exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the next business day following the day of the receipt, unless the public office adopts a policy permitting a different time period. The time period cannot exceed three business days following the day of the receipt. The person must also be able to safeguard the monies until they are deposited. During our receipt testing, there were instances that receipts were not deposited timely. We recommend the District implement policies and procedures to be followed for collection and depositing of funds.

FINDING NUMBER	2000-2252-005
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**REPORTABLE CONDITION – MATERIAL WEAKNESS: CLASSROOM FEES AND MATERIALS**

We noted during our sample testing of classroom fees and materials that the District does not have sufficient controls of this activity. There were two instances from the high school testing that reflected the following discrepancies:

	<u>Teacher 1</u>	<u>Teacher 2</u>
Total receipts per the teacher’s documentation	\$ 1,075	\$ 1,805
Total receipts per the secretary’s receipts	<u>840</u>	<u>1,642</u>
<b>DIFFERENCE UNSUPPORTED</b>	<b>\$ <u>235</u></b>	<b>\$ <u>163</u></b>

The difference was determined to be unsupported. Upon inquiry of the teachers, they had spent the difference on supplies for the classroom. The teachers were unable to provide receipts for these supplies purchased. We were unable to test other schools for the District due to the lack of record keeping for this activity and/or a different procedure for the financial activity taking place. We recommend that the District implement a standardized policy for classroom fees and materials and ensure that the policy is being followed.

FINDING NUMBER	2000-2252-006
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**REPORTABLE CONDITION – MATERIAL WEAKNESS: ATHLETIC ADMISSIONS RECEIPTS**

We noted during our testing of athletic admissions receipts that the pay-in receipts lacked the date received in, the signature of the Treasurer and the pay-in number. With the pay-in date, it was difficult to determine when the monies had been deposited to the Treasurer. The policies and procedures for these receipts state that the Athletic Director will deposit the money in the night depository at the bank for large amounts, however, it was noted that an amount exceeding \$2,000 was not deposited for over five days. The policies and procedures manual states that LAKEWOOD

LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 § .505  
 JUNE 30, 2000

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED          TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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FINDING NUMBER	2000-2252-006
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**REPORTABLE CONDITION – MATERIAL WEAKNESS: ATHLETIC ADMISSIONS RECEIPTS - CONTINUED**

shortages are to be explained on the Gate Record Form and it was noted that there were no explanations to any shortages related to ticket sales. Finally, it was noted that a Gate Record Form had been filled out for the same event twice and it was apparent that the ticket sales had been backed into. It was further noted that the ticket prices were different on both forms. Upon our inquiry there was no reason given for the differences. We recommend that the District begin recording the beginning and ending ticket number for every sporting event that charges admission, that all monies collected be deposited in a night box at the end of the event or to the treasurer on the next business day. Additionally, it is recommended that all pay-in Gate Record Forms be completely filled out and reviewed by a responsible person.

FINDING NUMBER	2000-2252-007
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**REPORTABLE CONDITION: FOOD SERVICE RECEIPTS**

We noted during our testing that there were not explanations noted for variances in the lunch room receipts as described in the policies and procedures of the District. According to the Food Service Director, the cashiers are to explain occasions when there is a decline in food service receipts, such as field trips or exams. It is recommended that the District enforce the policy of writing down explanations for the variances to ensure proper accountability for the food service receipts and that these explanations are reviewed by a responsible person or revise the procedures to fit the District’s needs.

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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NONE.

**LAKWOOD LOCAL SCHOOL DISTRICT  
STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2000**

<b><u>Finding Number/Brief Description</u></b>	<b><u>Status</u></b>	<b><u>Response</u></b>
1999-2252-001/ORC Section 5705.36	Corrected	N/A
1999-2252-002/ORC Section 5705.39	No Change	Treasurer to monitor more closely.
1999-2252-003/ORC Section 5705.41(B)	Corrected	N/A
1999-2252-004/ORC Section 5705.41(D)	No Change	Treasurer to monitor more closely.
1999-2252-005/ORC Section 5705.09	Corrected	N/A
1999-2252-006/ORC Section 133.10	Corrected	N/A
1999-2252-007/ORC Section 9.38	No Change	Treasurer to monitor more closely.
1999-2252-008/Written Internal Control Policies	Corrected	N/A
1999-2252-009/Payroll reconciliation	Corrected	N/A
1999-2252-010/Extracurricular Activity	Corrected	N/A
1999-2252-011/Payroll	Partially Corrected	Treasurer to follow-up.

**LAKWOOD LOCAL SCHOOL DISTRICT  
CONCLUSION STATEMENT  
JUNE 30, 2000**

**A post-audit conference with the Lakewood Local School District officials was conducted on December 12, 2000 at which time they were notified they had five business days to respond to the preliminary report. All responses were reviewed.**





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**LAKEWOOD 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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 23, 2001**