

***LAKWOOD LOCAL  
SCHOOL DISTRICT, OHIO***

LICKING COUNTY

GENERAL PURPOSE  
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2001

*Prepared by:*  
Ms. Glenna Plaisted, CPA  
Treasurer/CFO





**STATE OF OHIO**  
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Board of Education  
Lakewood Local School District  
525 E. Main Street P.O. Box 70  
Hebron, Ohio 43025

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, 2000 through June 30, 2001. 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 4, 2002

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**LAKEWOOD 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, 2001, 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 auditing standards generally accepted in the United States 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, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001 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 Statement of Changes in Assets and Liabilities – Agency Fund is presented for purposes of additional analysis. 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*. The aforementioned are 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.  
October 31, 2001

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2001**

|  | <i>Governmental</i>       |                             |                           |                              |
|--|---------------------------|-----------------------------|---------------------------|------------------------------|
|  | <i>Fund Types</i>         |                             |                           |                              |
|  | General<br>Fund           | Special<br>Revenue<br>Funds | Debt<br>Service<br>Fund   | Capital<br>Projects<br>Funds |
| <u>Assets and Other Debits:</u>                            |                           |                             |                           |                              |
| Assets:  |                           |                             |                           |                              |
| Cash and Cash Equivalents                                  | \$300,406                 | \$350,680                   | \$223,599                 | \$297,786                    |
| Investments  | 466,004                   | 0                           | 0                         | 0                            |
| Cash and Cash Equivalents in Segregated Accounts           | 0                         | 1,360                       | 0                         | 0                            |
| Receivables (net of allowance for doubtful accounts):      |                           |                             |                           |                              |
| Taxes  | 8,445,742                 | 0                           | 1,240,907                 | 0                            |
| Accounts   | 30,913                    | 2,569                       | 0                         | 0                            |
| Intergovernmental  | 90,180                    | 77,953                      | 0                         | 0                            |
| Inventory of Supplies at Cost                              | 67,198                    | 0                           | 0                         | 0                            |
| Prepaid Items  | 107,402                   | 4,212                       | 0                         | 0                            |
| Restricted Assets:   |                           |                             |                           |                              |
| Cash and Cash Equivalents                                  | 387,805                   | 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<br>General Long-Term Obligations | 0                         | 0                           | 0                         | 0                            |
| <b>Total Assets and Other Debits</b>                       | <b><u>\$9,895,650</u></b> | <b><u>\$436,774</u></b>     | <b><u>\$1,464,506</u></b> | <b><u>\$297,786</u></b>      |
| <u>Liabilities, Equity and Other Credits:</u>              |                           |                             |                           |                              |
| Liabilities:   |                           |                             |                           |                              |
| Accounts Payable   | \$50,527                  | \$31,899                    | \$0                       | \$122,195                    |
| Accrued Wages and Benefits                                 | 1,044,271                 | 71,130                      | 0                         | 0                            |
| Intergovernmental Payables                                 | 243,807                   | 14,277                      | 0                         | 0                            |
| Due to Students  | 0                         | 0                           | 0                         | 0                            |
| Deferred Revenue - Taxes                                   | 7,312,142                 | 0                           | 1,089,507                 | 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                               | 16,222                    | 0                           | 0                         | 0                            |
| <b>Total Liabilities</b>                                   | <b><u>8,666,969</u></b>   | <b><u>117,306</u></b>       | <b><u>1,089,507</u></b>   | <b><u>122,195</u></b>        |
| 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                                  | 50,695                    | 38,064                      | 0                         | 0                            |
| Reserved for Property Taxes                                | 504,600                   | 0                           | 90,400                    | 0                            |
| Statutory Reserves   | 343,213                   | 0                           | 0                         | 0                            |
| Reserved for Supplies Inventory                            | 67,198                    | 0                           | 0                         | 0                            |
| Reserved for Prepaid Items                                 | 107,402                   | 4,212                       | 0                         | 0                            |
| Reserved for Bus Purchase                                  | 44,592                    | 0                           | 0                         | 0                            |
| Reserved for Debt Service                                  | 0                         | 0                           | 284,599                   | 0                            |
| Unreserved - Undesignated                                  | 110,981                   | 277,192                     | 0                         | 175,591                      |
| <b>Total Equity and Other Credits</b>                      | <b><u>1,228,681</u></b>   | <b><u>319,468</u></b>       | <b><u>374,999</u></b>     | <b><u>175,591</u></b>        |
| <b>Total Liabilities, Equity and Other Credits</b>         | <b><u>\$9,895,650</u></b> | <b><u>\$436,774</u></b>     | <b><u>\$1,464,506</u></b> | <b><u>\$297,786</u></b>      |

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



**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2001**

| <i><b>Proprietary<br/>Fund Type</b></i> | <i><b>Fiduciary<br/>Fund Types</b></i> | <i><b>Account<br/>Groups</b></i> |                                     | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--|----------------------------------|-------------------------------------|---|
| Enterprise<br>Funds                     | Trust and<br>Agency<br>Funds           | General<br>Fixed<br>Assets       | General<br>Long-Term<br>Obligations |   |
| \$49,969                                | \$11,774                               | \$0                              | \$0                                 | \$1,234,214                             |
| 0                                       | 0                                      | 0                                | 0                                   | 466,004                                 |
| 0                                       | 0                                      | 0                                | 0                                   | 1,360                                   |
| 0                                       | 0                                      | 0                                | 0                                   | 9,686,649                               |
| 59                                      | 0                                      | 0                                | 0                                   | 33,541                                  |
| 0                                       | 0                                      | 0                                | 0                                   | 168,133                                 |
| 11,492                                  | 0                                      | 0                                | 0                                   | 78,690                                  |
| 6,769                                   | 0                                      | 0                                | 0                                   | 118,383                                 |
| 0                                       | 0                                      | 0                                | 0                                   | 387,805                                 |
| 37,697                                  | 0                                      | 24,867,370                       | 0                                   | 24,905,067                              |
| 0                                       | 0                                      | 0                                | 284,599                             | 284,599                                 |
| 0                                       | 0                                      | 0                                | 16,001,490                          | 16,001,490                              |
| <u>\$105,986</u>                        | <u>\$11,774</u>                        | <u>\$24,867,370</u>              | <u>\$16,286,089</u>                 | <u>\$53,365,935</u>                     |
| \$260                                   | \$369                                  | \$0                              | \$0                                 | \$205,250                               |
| 42,258                                  | 0                                      | 0                                | 0                                   | 1,157,659                               |
| 29,179                                  | 0                                      | 0                                | 106,093                             | 393,356                                 |
| 0                                       | 9,646                                  | 0                                | 0                                   | 9,646                                   |
| 0                                       | 0                                      | 0                                | 0                                   | 8,401,649                               |
| 6,434                                   | 0                                      | 0                                | 0                                   | 6,434                                   |
| 0                                       | 0                                      | 0                                | 345,000                             | 345,000                                 |
| 0                                       | 0                                      | 0                                | 41,330                              | 41,330                                  |
| 0                                       | 0                                      | 0                                | 14,951,870                          | 14,951,870                              |
| 0                                       | 0                                      | 0                                | 284,620                             | 284,620                                 |
| 21,263                                  | 0                                      | 0                                | 557,176                             | 594,661                                 |
| <u>99,394</u>                           | <u>10,015</u>                          | <u>0</u>                         | <u>16,286,089</u>                   | <u>26,391,475</u>                       |
| 0                                       | 0                                      | 24,867,370                       | 0                                   | 24,867,370                              |
| 31,395                                  | 0                                      | 0                                | 0                                   | 31,395                                  |
| (24,803)                                | 0                                      | 0                                | 0                                   | (24,803)                                |
| 0                                       | 0                                      | 0                                | 0                                   | 88,759                                  |
| 0                                       | 0                                      | 0                                | 0                                   | 595,000                                 |
| 0                                       | 0                                      | 0                                | 0                                   | 343,213                                 |
| 0                                       | 0                                      | 0                                | 0                                   | 67,198                                  |
| 0                                       | 0                                      | 0                                | 0                                   | 111,614                                 |
| 0                                       | 0                                      | 0                                | 0                                   | 44,592                                  |
| 0                                       | 0                                      | 0                                | 0                                   | 284,599                                 |
| 0                                       | 1,759                                  | 0                                | 0                                   | 565,523                                 |
| <u>6,592</u>                            | <u>1,759</u>                           | <u>24,867,370</u>                | <u>0</u>                            | <u>26,974,460</u>                       |
| <u>\$105,986</u>                        | <u>\$11,774</u>                        | <u>\$24,867,370</u>              | <u>\$16,286,089</u>                 | <u>\$53,365,935</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, 2001**

|   | <i>Governmental<br/>Fund Types</i> |                             |                         | <i>Fiduciary<br/>Fund</i>    |                              | Totals<br>(Memorandum<br>Only) |
|---|------------------------------------|-----------------------------|-------------------------|------------------------------|------------------------------|--------------------------------|
|   | General<br>Fund                    | Special<br>Revenue<br>Funds | Debt<br>Service<br>Fund | Capital<br>Projects<br>Funds | Expendable<br>Trust<br>Funds |                                |
| <b>Revenues:</b>                                |                                    |                             |                         |                              |                              |                                |
| <b>Local Sources:</b>                           |                                    |                             |                         |                              |                              |                                |
| Taxes   | \$8,054,807                        | \$0                         | \$1,186,758             | \$0                          | \$0                          | \$9,241,565                    |
| Tuition   | 270,058                            | 0                           | 0                       | 0                            | 0                            | 270,058                        |
| Investment Earnings                             | 220,724                            | 0                           | 0                       | 59,448                       | 0                            | 280,172                        |
| Extracurricular Activities                      | 22,481                             | 190,972                     | 0                       | 0                            | 0                            | 213,453                        |
| Class Material and Fees                         | 20,176                             | 0                           | 0                       | 0                            | 0                            | 20,176                         |
| Intermediate Sources                            | 30,250                             | 18,885                      | 0                       | 0                            | 0                            | 49,135                         |
| Intergovernmental - State                       | 4,782,444                          | 290,047                     | 90,357                  | 72,959                       | 0                            | 5,235,807                      |
| Intergovernmental - Federal                     | 0                                  | 571,041                     | 0                       | 0                            | 0                            | 571,041                        |
| All Other Revenues                              | 60,636                             | 46,168                      | 0                       | 36,728                       | 0                            | 143,532                        |
| <b>Total Revenues</b>                           | <b>13,461,576</b>                  | <b>1,117,113</b>            | <b>1,277,115</b>        | <b>169,135</b>               | <b>0</b>                     | <b>16,024,939</b>              |
| <b>Expenditures:</b>                            |                                    |                             |                         |                              |                              |                                |
| <b>Current:</b>                                 |                                    |                             |                         |                              |                              |                                |
| Instruction                                     | 7,824,777                          | 615,766                     | 0                       | 113,109                      | 0                            | 8,553,652                      |
| <b>Supporting Services:</b>                     |                                    |                             |                         |                              |                              |                                |
| Pupils  | 774,964                            | 130,132                     | 0                       | 0                            | 0                            | 905,096                        |
| Instructional Staff                             | 715,116                            | 68,706                      | 0                       | 2,028                        | 0                            | 785,850                        |
| Board of Education                              | 17,346                             | 0                           | 0                       | 0                            | 0                            | 17,346                         |
| Administration                                  | 1,188,954                          | 74,077                      | 0                       | 0                            | 0                            | 1,263,031                      |
| Fiscal Services                                 | 359,412                            | 3,103                       | 17,259                  | 0                            | 0                            | 379,774                        |
| Business  | 9,525                              | 0                           | 0                       | 0                            | 0                            | 9,525                          |
| Operation and Maintenance of Plant              | 1,214,499                          | 17,254                      | 0                       | 0                            | 0                            | 1,231,753                      |
| Pupil Transportation                            | 859,607                            | 0                           | 0                       | 0                            | 0                            | 859,607                        |
| Central   | 47,538                             | 18,212                      | 0                       | 15,000                       | 0                            | 80,750                         |
| Community Services                              | 0                                  | 50,534                      | 0                       | 0                            | 0                            | 50,534                         |
| Extracurricular Activities                      | 157,678                            | 212,651                     | 0                       | 0                            | 0                            | 370,329                        |
| Other Expenditures                              | 23,714                             | 0                           | 0                       | 0                            | 0                            | 23,714                         |
| Capital Outlay                                  | 0                                  | 0                           | 0                       | 1,679,319                    | 0                            | 1,679,319                      |
| <b>Debt Service:</b>                            |                                    |                             |                         |                              |                              |                                |
| Principal Retirement                            | 215,408                            | 0                           | 522,514                 | 0                            | 0                            | 737,922                        |
| Interest and Fiscal Charges                     | 35,181                             | 0                           | 716,362                 | 0                            | 0                            | 751,543                        |
| <b>Total Expenditures</b>                       | <b>13,443,719</b>                  | <b>1,190,435</b>            | <b>1,256,135</b>        | <b>1,809,456</b>             | <b>0</b>                     | <b>17,699,745</b>              |
| <b>Excess (Deficiency) of</b>                   |                                    |                             |                         |                              |                              |                                |
| Revenues Over (Under) Expenditures              | 17,857                             | (73,322)                    | 20,980                  | (1,640,321)                  | 0                            | (1,674,806)                    |
| <b>Other Financing Sources (Uses):</b>          |                                    |                             |                         |                              |                              |                                |
| Other Financing Sources-Capital Leases          | 292,735                            | 0                           | 0                       | 0                            | 0                            | 292,735                        |
| Operating Transfers In                          | 13,686                             | 0                           | 0                       | 0                            | 0                            | 13,686                         |
| Operating Transfers Out                         | (50,000)                           | (13,686)                    | 0                       | 0                            | 0                            | (63,686)                       |
| <b>Total Other Financing Sources (Uses)</b>     | <b>256,421</b>                     | <b>(13,686)</b>             | <b>0</b>                | <b>0</b>                     | <b>0</b>                     | <b>242,735</b>                 |
| <b>Excess (Deficiency) of Revenues</b>          |                                    |                             |                         |                              |                              |                                |
| <b>and Other Financing Sources Over (Under)</b> |                                    |                             |                         |                              |                              |                                |
| Expenditures and Other Financing Uses           | 274,278                            | (87,008)                    | 20,980                  | (1,640,321)                  | 0                            | (1,432,071)                    |
| Fund Balance Beginning of Year                  | 951,851                            | 406,476                     | 354,019                 | 1,815,912                    | 1,759                        | 3,530,017                      |
| Increase in Inventory Reserve                   | 2,552                              | 0                           | 0                       | 0                            | 0                            | 2,552                          |
| <b>Fund Balance End of Year</b>                 | <b>\$1,228,681</b>                 | <b>\$319,468</b>            | <b>\$374,999</b>        | <b>\$175,591</b>             | <b>\$1,759</b>               | <b>\$2,100,498</b>             |

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

**LAKESWOOD 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, 2001**

|  | <u>General Fund</u> |                    |   | <u>Special Revenue Funds</u> |                  |   |
|--|---------------------|--------------------|---|------------------------------|------------------|---|
|  | Revised<br>Budget   | Actual             | Variance:<br>Favorable<br>(Unfavorable) | Revised<br>Budget            | Actual           | Variance:<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>   |                     |                    |   |                              |                  |   |
| Local Sources:   |                     |                    |   |                              |                  |   |
| Taxes  | \$7,717,452         | \$7,717,452        | \$0                                     | \$0                          | \$0              | \$0                                     |
| Tuition  | 252,012             | 252,012            | 0                                       | 0                            | 0                | 0                                       |
| Investment Earnings  | 225,000             | 224,519            | (481)                                   | 0                            | 0                | 0                                       |
| Extracurricular Activities   | 22,481              | 22,481             | 0                                       | 189,000                      | 188,992          | (8)                                     |
| Class Material and Fees  | 20,155              | 20,155             | 0                                       | 0                            | 0                | 0                                       |
| Intermediate Sources   | 250                 | 250                | 0                                       | 18,885                       | 18,885           | 0                                       |
| Intergovernmental - State  | 4,778,344           | 4,783,394          | 5,050                                   | 215,865                      | 215,865          | 0                                       |
| Intergovernmental - Federal  | 0                   | 0                  | 0                                       | 743,649                      | 665,696          | (77,953)                                |
| All Other Revenues   | 60,465              | 60,489             | 24                                      | 46,168                       | 46,168           | 0                                       |
| <b>Total Revenues</b>  | <b>13,076,159</b>   | <b>13,080,752</b>  | <b>4,593</b>                            | <b>1,213,567</b>             | <b>1,135,606</b> | <b>(77,961)</b>                         |
| <b>Expenditures:</b>   |                     |                    |   |                              |                  |   |
| Current:   |                     |                    |   |                              |                  |   |
| Instruction  | 7,975,558           | 7,872,803          | 102,755                                 | 800,705                      | 636,329          | 164,376                                 |
| Supporting Services:   |                     |                    |   |                              |                  |   |
| Pupils   | 888,287             | 771,313            | 116,974                                 | 173,791                      | 128,546          | 45,245                                  |
| Instructional Staff  | 515,257             | 484,950            | 30,307                                  | 93,198                       | 63,751           | 29,447                                  |
| Board of Education   | 18,826              | 17,246             | 1,580                                   | 0                            | 0                | 0                                       |
| Administration   | 1,407,976           | 1,362,168          | 45,808                                  | 89,146                       | 78,294           | 10,852                                  |
| Fiscal Services  | 373,954             | 361,225            | 12,729                                  | 3,244                        | 3,099            | 145                                     |
| Business   | 10,234              | 9,528              | 706                                     | 0                            | 0                | 0                                       |
| Operation and Maintenance of Plant   | 1,333,244           | 1,253,884          | 79,360                                  | 17,275                       | 17,254           | 21                                      |
| Pupil Transportation   | 901,665             | 859,808            | 41,857                                  | 274                          | 274              | 0                                       |
| Central  | 53,068              | 47,533             | 5,535                                   | 47,291                       | 26,389           | 20,902                                  |
| Community Services   | 0                   | 0                  | 0                                       | 55,068                       | 54,991           | 77                                      |
| Extracurricular Activities   | 173,652             | 157,749            | 15,903                                  | 305,534                      | 234,298          | 71,236                                  |
| Other Expenditures   | 31,407              | 26,332             | 5,075                                   | 0                            | 0                | 0                                       |
| Capital Outlay   | 0                   | 0                  | 0                                       | 0                            | 0                | 0                                       |
| Debt Service:  |                     |                    |   |                              |                  |   |
| Principal Retirement   | 0                   | 0                  | 0                                       | 0                            | 0                | 0                                       |
| Interest and Fiscal Charges  | 0                   | 0                  | 0                                       | 0                            | 0                | 0                                       |
| <b>Total Expenditures</b>  | <b>13,683,128</b>   | <b>13,224,539</b>  | <b>458,589</b>                          | <b>1,585,526</b>             | <b>1,243,225</b> | <b>342,301</b>                          |
| Excess (Deficiency) of<br>Revenues Over (Under) Expenditures   | (606,969)           | (143,787)          | 463,182                                 | (371,959)                    | (107,619)        | 264,340                                 |
| <b>Other Financing Sources (Uses):</b>   |                     |                    |   |                              |                  |   |
| Operating Transfers In   | 309,899             | 309,899            | 0                                       | 0                            | 0                | 0                                       |
| Operating Transfers Out  | (346,213)           | (346,213)          | 0                                       | (13,686)                     | (13,686)         | 0                                       |
| Advances In  | 102,000             | 102,000            | 0                                       | 2,000                        | 2,000            | 0                                       |
| Advances Out   | (102,000)           | (102,000)          | 0                                       | (2,000)                      | (2,000)          | 0                                       |
| <b>Total Other Financing Sources (Uses)</b>  | <b>(36,314)</b>     | <b>(36,314)</b>    | <b>0</b>                                | <b>(13,686)</b>              | <b>(13,686)</b>  | <b>0</b>                                |
| Excess (Deficiency) of Revenues<br>and Other Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | (643,283)           | (180,101)          | 463,182                                 | (385,645)                    | (121,305)        | 264,340                                 |
| Fund Balance at Beginning of Year  | 1,168,114           | 1,168,114          | 0                                       | 319,449                      | 319,449          | 0                                       |
| Prior Year Encumbrances  | 92,772              | 92,772             | 0                                       | 90,475                       | 90,475           | 0                                       |
| <b>Fund Balance at End of Year</b>   | <b>\$617,603</b>    | <b>\$1,080,785</b> | <b>\$463,182</b>                        | <b>\$24,279</b>              | <b>\$288,619</b> | <b>\$264,340</b>                        |

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, 2001**

|   | <u>Debt Service Fund</u> |                  |   | <u>Capital Projects Funds</u> |                  |   |
|---|--------------------------|------------------|---|-------------------------------|------------------|---|
|   | Revised<br>Budget        | Actual           | Variance:<br>Favorable<br>(Unfavorable) | Revised<br>Budget             | Actual           | Variance:<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>                            |                          |                  |   |                               |                  |   |
| Local Sources:                              |                          |                  |   |                               |                  |   |
| Taxes                                       | \$1,148,258              | \$1,148,258      | \$0                                     | \$0                           | \$0              | \$0                                     |
| Tuition                                     | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Investment Earnings                         | 0                        | 0                | 0                                       | 128,000                       | 128,907          | 907                                     |
| Extracurricular Activities                  | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Class Material and Fees                     | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Intermediate Sources                        | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Intergovernmental - State                   | 90,357                   | 90,357           | 0                                       | 72,959                        | 72,959           | 0                                       |
| Intergovernmental - Federal                 | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| All Other Revenues                          | 0                        | 0                | 0                                       | 36,728                        | 36,728           | 0                                       |
| <b>Total Revenues</b>                       | <b>1,238,615</b>         | <b>1,238,615</b> | <b>0</b>                                | <b>237,687</b>                | <b>238,594</b>   | <b>907</b>                              |
| <b>Expenditures:</b>                        |                          |                  |   |                               |                  |   |
| Current:                                    |                          |                  |   |                               |                  |   |
| Instruction                                 | 0                        | 0                | 0                                       | 125,476                       | 121,007          | 4,469                                   |
| Supporting Services:                        |                          |                  |   |                               |                  |   |
| Pupils                                      | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Instructional Staff                         | 0                        | 0                | 0                                       | 2,028                         | 2,028            | 0                                       |
| Board of Education                          | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Administration                              | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Fiscal Services                             | 17,259                   | 17,259           | 0                                       | 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                                       | 15,000                        | 15,000           | 0                                       |
| Community Services                          | 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                                       | 3,766,784                     | 3,683,343        | 83,441                                  |
| Debt Service:                               |                          |                  |   |                               |                  |   |
| Principal Retirement                        | 522,514                  | 522,514          | 0                                       | 0                             | 0                | 0                                       |
| Interest and Fiscal Charges                 | 716,362                  | 716,362          | 0                                       | 0                             | 0                | 0                                       |
| <b>Total Expenditures</b>                   | <b>1,256,135</b>         | <b>1,256,135</b> | <b>0</b>                                | <b>3,909,288</b>              | <b>3,821,378</b> | <b>87,910</b>                           |
| Excess (Deficiency) of                      |                          |                  |   |                               |                  |   |
| Revenues Over (Under) Expenditures          | (17,520)                 | (17,520)         | 0                                       | (3,671,601)                   | (3,582,784)      | 88,817                                  |
| <b>Other Financing Sources (Uses):</b>      |                          |                  |   |                               |                  |   |
| Operating Transfers In                      | 318,295                  | 318,295          | 0                                       | 0                             | 0                | 0                                       |
| Operating Transfers Out                     | (318,295)                | (318,295)        | 0                                       | 0                             | 0                | 0                                       |
| Advances In                                 | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| Advances Out                                | 0                        | 0                | 0                                       | 0                             | 0                | 0                                       |
| <b>Total Other Financing Sources (Uses)</b> | <b>0</b>                 | <b>0</b>         | <b>0</b>                                | <b>0</b>                      | <b>0</b>         | <b>0</b>                                |
| Excess (Deficiency) of Revenues             |                          |                  |   |                               |                  |   |
| and Other Financing Sources Over (Under)    |                          |                  |   |                               |                  |   |
| Expenditures and Other Financing Uses       | (17,520)                 | (17,520)         | 0                                       | (3,671,601)                   | (3,582,784)      | 88,817                                  |
| Fund Balance at Beginning of Year           | 241,119                  | 241,119          | 0                                       | 344,359                       | 344,359          | 0                                       |
| Prior Year Encumbrances                     | 0                        | 0                | 0                                       | 3,329,556                     | 3,329,556        | 0                                       |
| <b>Fund Balance at End of Year</b>          | <b>\$223,599</b>         | <b>\$223,599</b> | <b>\$0</b>                              | <b>\$2,314</b>                | <b>\$91,131</b>  | <b>\$88,817</b>                         |

(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, 2001**

|  | <u>Totals (Memorandum Only)</u> |                    |   |
|--|---------------------------------|--------------------|---|
|  | Revised<br>Budget               | Actual             | Variance:<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>   |                                 |                    |   |
| Local Sources:   |                                 |                    |   |
| Taxes  | \$8,865,710                     | \$8,865,710        | \$0                                     |
| Tuition  | 252,012                         | 252,012            | 0                                       |
| Investment Earnings  | 353,000                         | 353,426            | 426                                     |
| Extracurricular Activities   | 211,481                         | 211,473            | (8)                                     |
| Class Material and Fees  | 20,155                          | 20,155             | 0                                       |
| Intermediate Sources   | 19,135                          | 19,135             | 0                                       |
| Intergovernmental - State  | 5,157,525                       | 5,162,575          | 5,050                                   |
| Intergovernmental - Federal  | 743,649                         | 665,696            | (77,953)                                |
| All Other Revenues   | 143,361                         | 143,385            | 24                                      |
| Total Revenues   | <u>15,766,028</u>               | <u>15,693,567</u>  | <u>(72,461)</u>                         |
| <b>Expenditures:</b>   |                                 |                    |   |
| Current:   |                                 |                    |   |
| Instruction  | 8,901,739                       | 8,630,139          | 271,600                                 |
| Supporting Services:   |                                 |                    |   |
| Pupils   | 1,062,078                       | 899,859            | 162,219                                 |
| Instructional Staff  | 610,483                         | 550,729            | 59,754                                  |
| Board of Education   | 18,826                          | 17,246             | 1,580                                   |
| Administration   | 1,497,122                       | 1,440,462          | 56,660                                  |
| Fiscal Services  | 394,457                         | 381,583            | 12,874                                  |
| Business   | 10,234                          | 9,528              | 706                                     |
| Operation and Maintenance of Plant   | 1,350,519                       | 1,271,138          | 79,381                                  |
| Pupil Transportation   | 901,939                         | 860,082            | 41,857                                  |
| Central  | 115,359                         | 88,922             | 26,437                                  |
| Community Services   | 55,068                          | 54,991             | 77                                      |
| Extracurricular Activities   | 479,186                         | 392,047            | 87,139                                  |
| Other Expenditures   | 31,407                          | 26,332             | 5,075                                   |
| Capital Outlay   | 3,766,784                       | 3,683,343          | 83,441                                  |
| Debt Service:  |                                 |                    |   |
| Principal Retirement   | 522,514                         | 522,514            | 0                                       |
| Interest and Fiscal Charges  | 716,362                         | 716,362            | 0                                       |
| Total Expenditures   | <u>20,434,077</u>               | <u>19,545,277</u>  | <u>888,800</u>                          |
| Excess (Deficiency) of<br>Revenues Over (Under) Expenditures   | (4,668,049)                     | (3,851,710)        | 816,339                                 |
| <b>Other Financing Sources (Uses):</b>   |                                 |                    |   |
| Operating Transfers In   | 628,194                         | 628,194            | 0                                       |
| Operating Transfers Out  | (678,194)                       | (678,194)          | 0                                       |
| Advances In  | 104,000                         | 104,000            | 0                                       |
| Advances Out   | (104,000)                       | (104,000)          | 0                                       |
| Total Other Financing Sources (Uses)   | <u>(50,000)</u>                 | <u>(50,000)</u>    | <u>0</u>                                |
| Excess (Deficiency) of Revenues<br>and Other Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | (4,718,049)                     | (3,901,710)        | 816,339                                 |
| Fund Balance at Beginning of Year  | 2,073,041                       | 2,073,041          | 0                                       |
| Prior Year Encumbrances  | 3,512,803                       | 3,512,803          | 0                                       |
| Fund Balance at End of Year  | <u>\$867,795</u>                | <u>\$1,684,134</u> | <u>\$816,339</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, 2001**

|  | <u>Enterprise<br/>Funds</u> |
|--|-----------------------------|
| <u>Operating Revenues:</u>               |                             |
| Tuition and Fees                         | \$5,105                     |
| Sales                                    | 426,857                     |
| Total Operating Revenues                 | <u>431,962</u>              |
| <u>Operating Expenses:</u>               |                             |
| Salaries and Wages                       | 254,115                     |
| Fringe Benefits                          | 121,830                     |
| Contractual Services                     | 5,079                       |
| Materials and Supplies                   | 350,885                     |
| Depreciation                             | 2,260                       |
| Other Operating Expenses                 | 973                         |
| Total Operating Expenses                 | <u>735,142</u>              |
| Operating Loss                           | (303,180)                   |
| <u>Non-Operating Revenues:</u>           |                             |
| Operating Grants                         | 205,594                     |
| Federally Donated Commodities            | 41,020                      |
| Investment Earnings                      | 2,824                       |
| Total Non-Operating Revenues             | <u>249,438</u>              |
| Loss before Operating Transfers          | (53,742)                    |
| <u>Operating Transfers:</u>              |                             |
| Operating Transfers In                   | <u>50,000</u>               |
| Total Operating Transfers                | <u>50,000</u>               |
| Net Loss                                 | (3,742)                     |
| Accumulated Deficit at Beginning of Year | <u>(21,061)</u>             |
| Accumulated Deficit at End of Year       | <u><u>(\$24,803)</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, 2001**

|   | <u>Enterprise<br/>Funds</u> |
|---|-----------------------------|
| <u>Cash Flows from Operating Activities:</u>            |                             |
| Cash Received from Customers                            | \$431,903                   |
| Cash Payments for Goods and Services                    | (332,618)                   |
| Cash Payments to Employees for Services and Benefits    | (374,335)                   |
| Net Cash Used by Operating Activities                   | <u>(275,050)</u>            |
| <u>Cash Flows from Noncapital Financing Activities:</u> |                             |
| Operating Grants Received                               | 205,594                     |
| Operating Transfers In                                  | 50,000                      |
| Advance Received from General Fund                      | 100,000                     |
| Repayment of Advance from General Fund                  | (100,000)                   |
| Net Cash Provided by Noncapital Financing Activities    | <u>255,594</u>              |
| <u>Cash Flows from Investing Activities:</u>            |                             |
| Receipt of Interest                                     | <u>2,824</u>                |
| Net Cash Provided by Investing Activities               | <u>2,824</u>                |
| Net Decrease in Cash and Cash Equivalents               | (16,632)                    |
| Cash and Cash Equivalents at Beginning of Year          | <u>66,601</u>               |
| Cash and Cash Equivalents at End of Year                | <u><u>\$49,969</u></u>      |
| <u>Reconciliation of Operating Loss to Net Cash</u>     |                             |
| <u>Used by Operating Activities:</u>                    |                             |
| Operating Loss  | (\$303,180)                 |
| Adjustments to Reconcile Operating Loss to              |                             |
| Net Cash Used by Operating Activities:                  |                             |
| Depreciation Expense                                    | 2,260                       |
| Donated Commodities Used During the Year                | 41,020                      |
| Changes in Assets and Liabilities:                      |                             |
| Increase in Accounts Receivable                         | (59)                        |
| Increase in Inventory                                   | (3,743)                     |
| Decrease in Prepaid Items                               | 634                         |
| Decrease in Accounts Payable                            | (14,994)                    |
| Decrease in Accrued Wages and Benefits                  | (829)                       |
| Increase in Intergovernmental Payables                  | 981                         |
| Increase in Deferred Revenue                            | 2,036                       |
| Increase in Compensated Absences                        | 824                         |
| Total Adjustments                                       | <u>28,130</u>               |
| Net Cash Used by Operating Activities                   | <u><u>(\$275,050)</u></u>   |

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2001, the Food Service Fund received \$25,500 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, 2001**

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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 127 non-certified and approximately 190 certified teaching personnel and administrative employees providing education to 2,342 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 16 and 17.

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, 2001, and which not are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**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 2001.

**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<br>Over (Under) Expenditures and Other Financing Uses |                    |                   |                      |
|--|---|--------------------|-------------------|----------------------|
|  | General   | Special            | Debt              | Capital              |
|  | Fund  | Revenue<br>Funds   | Service<br>Fund   | Projects<br>Funds    |
| GAAP Basis (as reported)   | \$274,278   | (\$87,008)         | \$20,980          | (\$1,640,321)        |
| Increase (Decrease):   |   |                    |                   |                      |
| Accrued Revenues<br>at June 30, 2001,<br>received during FY 2002 | (1,254,693)   | (80,007)           | (151,400)         | 0                    |
| Accrued Revenues<br>at June 30, 2000,<br>received during FY 2001 | 870,267   | 98,426             | 112,900           | 34,947               |
| Accrued Expenditures<br>at June 30, 2001,<br>paid during FY 2002 | 1,354,827   | 117,306            | 0                 | 122,195              |
| Accrued Expenditures<br>at June 30, 2000,<br>paid during FY 2001 | (1,346,668)   | (106,963)          | 0                 | (1,927,462)          |
| FY 2000 Prepays for FY 2001                                      | 92,339  | 3,214              | 0                 | 0                    |
| FY 2001 Prepays for FY 2002                                      | (107,402)   | (4,212)            | 0                 | 0                    |
| Adjustment to Fair Value   | 3,795   | 0                  | 0                 | 34,512               |
| Encumbrances Outstanding<br>at June 30, 2001                     | <u>(66,844)</u>   | <u>(62,061)</u>    | <u>0</u>          | <u>(206,655)</u>     |
| Budget Basis   | <u>(\$180,101)</u>  | <u>(\$121,305)</u> | <u>(\$17,520)</u> | <u>(\$3,582,784)</u> |

**E. Cash and Cash Equivalents**

During fiscal year 2001, 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 3, "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 3, "Cash and Cash Equivalents."

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

**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 – CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2001, the District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". At June 30, 2000, there was no effect on fund balance as a result of implementing GASB 33 and GASB 36.

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficit at June 30, 2001 of \$40,925 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 five 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.

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

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;
- 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 105% 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.

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

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.

**A. Deposits**

At year end the carrying amount of the District's deposits was \$2,801 and the bank balance was \$141,620. Federal depository insurance covered \$100,000 of the bank balance and all remaining deposits were classified as Category 3.

Investment earnings of \$97,013 earned by other funds was credited to the General Fund as required by state statute.

**B. Investments**

The District's investments at June 30, 2001 were as follows:

|                                   | <u>Category 2</u> | <u>Category 3</u> | <u>Fair Value</u>  |
|-----------------------------------|-------------------|-------------------|--------------------|
| <b>Categorized Investments</b>    |                   |                   |                    |
| Repurchase Agreements             | \$0               | \$197,521         | \$197,521          |
| Bankers Acceptance                | 0                 | 459,418           | 466,004            |
| <b>Noncategorized Investments</b> |                   |                   |                    |
| STAR Ohio                         | N/A               | N/A               | 1,423,057          |
| Total Investments                 | <u>\$0</u>        | <u>\$656,939</u>  | <u>\$2,086,582</u> |

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

**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.

|                            | Cash and Cash<br>Equivalents | Investments        |
|----------------------------|------------------------------|--------------------|
| Per Combined Balance Sheet | \$1,623,379                  | \$466,004          |
| Repurchase Agreements      | (197,521)                    | 197,521            |
| STAR Ohio                  | (1,423,057)                  | 1,423,057          |
| Per GASB Statement No. 3   | <u>\$2,801</u>               | <u>\$2,086,582</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 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, 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.

**NOTE 5 - PROPERTY TAXES (Continued)**

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 2001 receipts were based are:

|  | 2000 Second Half<br>Collections | 2001 First Half<br>Collections |
|--|---------------------------------|--------------------------------|
| Agricultural/Residential and Other Real Estate | \$218,224,200                   | \$221,019,420                  |
| Public Utility Personal                        | 18,991,850                      | 19,703,930                     |
| Tangible Personal Property                     | 71,015,660                      | 76,473,440                     |
| Total Assessed Value                           | <u>\$308,231,710</u>            | <u>\$317,196,790</u>           |
| Tax rate per \$1,000 of assessed valuation     | \$42.11                         | \$44.09                        |

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2001 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, 2001:

| Fund                        | Transfer In     | Transfer Out    |
|-----------------------------|-----------------|-----------------|
| General Fund                | \$13,686        | \$50,000        |
| Special Revenue Funds:      |                 |                 |
| Public School Support Fund  | 0               | 2,500           |
| Other Federal Grants Fund   | 0               | 9,986           |
| Other Grants Fund           | 0               | 1,200           |
| Total Special Revenue Funds | <u>0</u>        | <u>13,686</u>   |
| Enterprise Funds:           |                 |                 |
| Food Service Fund           | <u>50,000</u>   | <u>0</u>        |
| Total All Funds             | <u>\$63,686</u> | <u>\$63,686</u> |

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets at June 30, 2001:

| <u>Class</u>                      | <u>June 30, 2000</u> | <u>Additions</u>    | <u>Deletions</u>      | <u>June 30, 2001</u> |
|-----------------------------------|----------------------|---------------------|-----------------------|----------------------|
| Land and Improvements             | \$469,784            | \$128,266           | \$0                   | \$598,050            |
| Buildings and Improvements        | 5,334,483            | 14,919,517          | 0                     | 20,254,000           |
| Furniture, Fixtures and Equipment | 2,187,825            | 520,867             | (307,473)             | 2,401,219            |
| Vehicles                          | 1,652,547            | 0                   | (38,446)              | 1,614,101            |
| Construction In Progress          | 13,535,972           | 0                   | (13,535,972)          | 0                    |
| Totals                            | <u>\$23,180,611</u>  | <u>\$15,568,650</u> | <u>(\$13,881,891)</u> | <u>\$24,867,370</u>  |

**B. Proprietary Fixed Assets**

Summary by Category at June 30, 2001:

| <u>Category</u>                     | <u>Historical Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
|-------------------------------------|------------------------|---------------------------------|-------------------|
| Machinery and Equipment             | \$307,991              | (\$270,294)                     | \$37,697          |
| Total Property, Plant and Equipment | <u>\$307,991</u>       | <u>(\$270,294)</u>              | <u>\$37,697</u>   |

**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.

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

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

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, 2001, 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$277,356, \$254,310, and \$269,970, 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 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 9.8%. 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 2001, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$226,297.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available) were \$140,696,340 and the target level was \$211.0 million. Net assets available for payment of benefits at June 30, 2000 was \$252.3 million.

**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.

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

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

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, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$1,022,136, \$978,660, and \$949,164, 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 to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$328,543 for the District. The balance of the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 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, 2001, 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 | \$488,958         | \$68,218        | \$557,176    |

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, 2001 are as follows:

|   |           | Balance<br>June 30, 2000 | Issued<br>(Retired) | Balance<br>June 30, 2001 |
|---|-----------|--------------------------|---------------------|--------------------------|
| <b>General Long-Term Debt:</b>  |           |                          |                     |                          |
| (Long-Term Notes Payable)   |           |                          |                     |                          |
| Energy Conservation Project   | 6.10%     | \$250,000                | (\$120,000)         | \$130,000                |
| Energy Conservation Project   | 5.15%     | <u>260,000</u>           | <u>(45,000)</u>     | <u>215,000</u>           |
| Total Long-Term Notes Payable   |           | 510,000                  | (165,000)           | 345,000                  |
| (EPA Loan Payable)  |           |                          |                     |                          |
| Asbestos Federal EPA Loan   | 0.00%     | 48,844                   | (7,514)             | 41,330                   |
| (General Obligation Bonds Payable)                                      |           |                          |                     |                          |
| School Improvement Bonds 1999a  | 3.0-5.0%  | 5,492,000                | (125,000)           | 5,367,000                |
| School Improvement Bonds 1999b  | 3.15-5.0% | <u>9,809,870</u>         | <u>(225,000)</u>    | <u>9,584,870</u>         |
| Total General Obligation Bonds Payable                                  |           | <u>15,301,870</u>        | <u>(350,000)</u>    | <u>14,951,870</u>        |
| Total General Long-Term Debt  |           | <u>15,860,714</u>        | <u>(522,514)</u>    | <u>15,338,200</u>        |
| <b>Other General Long-Term Obligations:</b>                             |           |                          |                     |                          |
| Intergovernmental Payable   |           | 99,175                   | 6,918               | 106,093                  |
| Capital Leases Payable  |           | 207,293                  | 292,735             |                          |
|   |           |                          | (215,408)           | 284,620                  |
| Compensated Absences  |           | <u>558,082</u>           | <u>(906)</u>        | <u>557,176</u>           |
| Total Other General Long-Term Obligations                               |           | <u>864,550</u>           | <u>83,339</u>       | <u>947,889</u>           |
| Total General Long-Term Debt and<br>Other General Long-Term Obligations |           | <u>\$16,725,264</u>      | <u>(\$439,175)</u>  | <u>\$16,286,089</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, 2001, follows:

| Years     | Long-Term Notes Payable |                 | EPA Loan Payable |            | General Obligation Bonds Payable |                     |
|-----------|-------------------------|-----------------|------------------|------------|----------------------------------|---------------------|
|           | Principal               | Interest        | Principal        | Interest   | Principal                        | Interest            |
| 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      | 0                       | 0               | 7,514            | 0          | 415,000                          | 617,605             |
| 2007-2027 | 0                       | 0               | 3,760            | 0          | 13,011,870                       | 8,010,300           |
| Totals    | <u>\$345,000</u>        | <u>\$30,976</u> | <u>\$41,330</u>  | <u>\$0</u> | <u>\$14,951,870</u>              | <u>\$11,250,428</u> |

**NOTE 12 - CAPITAL LEASE COMMITMENTS**

The District leases copiers and office equipment under capital leases. The cost of the equipment obtained under capital leases is \$292,735, 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, 2001

| <u>Year Ending June 30,</u>  | <u>Capital Lease</u>    |
|--|-------------------------|
| 2002   | \$73,847                |
| 2003   | 71,669                  |
| 2004   | 70,956                  |
| 2005   | 70,241                  |
| 2006   | <u>59,663</u>           |
| Minimum Lease Payments   | 346,376                 |
| Less: Amount representing interest at the District's<br>incremental borrowing rate of interest | <u>(61,756)</u>         |
| Present Value of minimum lease payments  | <u><u>\$284,620</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, 2001 for these enterprise activities is as follows:

|                                | <u>Food<br/>Services</u> | <u>Uniform<br/>School Supply</u> | <u>Total</u> |
|--------------------------------|--------------------------|----------------------------------|--------------|
| Operating Revenues             | \$426,857                | \$5,105                          | \$431,962    |
| Depreciation Expense           | 2,260                    | 0                                | 2,260        |
| Operating Loss                 | (294,798)                | (8,382)                          | (303,180)    |
| Net Income (Loss)              | 4,640                    | (8,382)                          | (3,742)      |
| Transfers In                   | 50,000                   | 0                                | 50,000       |
| Property, Plant and Equipment: |                          |                                  |              |
| Additions                      | 25,500                   | 0                                | 25,500       |
| Federally Donated Commodities  | 41,020                   | 0                                | 41,020       |
| Operating Grants               | 205,594                  | 0                                | 205,594      |
| Current Capital Contributions  | 25,500                   | 0                                | 25,500       |
| Total Assets                   | 89,864                   | 16,122                           | 105,986      |
| Net Working Capital            | (25,964)                 | 16,122                           | (9,842)      |
| Total Equity                   | (9,530)                  | 16,122                           | 6,592        |

**NOTE 14 - CONTRIBUTED CAPITAL**

A schedule of changes in contributed capital is presented below:

|                              | Food Service<br>Fund |
|------------------------------|----------------------|
| Balance at Beginning of Year | \$5,895              |
| Additions:                   |                      |
| Contributions by Other Funds | 25,500               |
| Balance at End of Year       | <u>\$31,395</u>      |

**NOTE 15 - CONSTRUCTION COMMITMENTS**

As of June 30, 2001, the District had the following commitments with respect to capital projects:

| Contractor              | Purchase<br>Commitments | Amounts Paid<br>as of 6/30/01 | Remaining<br>Construction<br>Commitment |
|-------------------------|-------------------------|-------------------------------|---|
| Layton Excavating       | \$593,243               | \$589,428                     | \$3,815                                 |
| Cody Zeigler, Inc.      | 3,318,216               | 3,262,000                     | 56,216                                  |
| The Kenny Huston Co.    | 1,563,093               | 1,557,028                     | 6,065                                   |
| Farnham Equipment Co.   | 606,882                 | 594,295                       | 12,587                                  |
| Chemcote Roofing        | 438,505                 | 406,160                       | 32,345                                  |
| Brewer-Garrett          | 632,520                 | 598,363                       | 34,157                                  |
| Beck Studios            | 172,627                 | 158,817                       | 13,810                                  |
| Claypool Electric, Inc. | 1,468,836               | 1,410,623                     | 58,213                                  |
| Glass Service Co., Inc. | 182,937                 | 180,740                       | 2,197                                   |
| GE Maier Company        | 60,519                  | 52,580                        | 7,939                                   |
| Total                   | <u>\$9,037,378</u>      | <u>\$8,810,034</u>            | <u>\$227,344</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 2001 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<br>\$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 \$41,724 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 2001 was \$936. 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 2001.

**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, 2001, the reserve activity (cash-basis) was as follows:

|  | Textbook<br>Reserve | Capital<br>Acquisition<br>Reserve | Budget<br>Stabilization<br>Reserve | Total         |
|--|---------------------|-----------------------------------|------------------------------------|---------------|
| Set-aside Cash Balance as of June 30, 2000 | \$76,148            | \$0                               | \$274,890                          | \$351,038     |
| Current Year Set-Aside Requirement         | 314,141             | 314,141                           | 2,241                              | 630,523       |
| Current Year Offset Credits                | 0                   | 0                                 | 0                                  | 0             |
| Qualifying Disbursements                   | (324,207)           | (2,986,925)                       | 0                                  | (3,311,132)   |
| Total                                      | \$66,082            | (\$2,672,784)                     | \$277,131                          | (\$2,329,571) |
| Cash Balance Carried Forward to FY 2002    | \$66,082            | \$0                               | \$277,131                          | \$343,213     |
| Amount Restricted for bus purchases        |                     |                                   |                                    | 44,592        |
| Total Restricted Assets                    |                     |                                   |                                    | \$387,805     |

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, 2001.

**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, 2001.

**NOTE 20 – CONTINGENCIES** (Continued)

**C. State School Funding**

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 31, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding 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, 2001**

|   | Balance<br>June 30,<br>2000 | Additions       | Deductions        | Balance<br>June 30,<br>2001 |
|---|-----------------------------|-----------------|-------------------|-----------------------------|
| <b><u>Student Managed Activity Fund</u></b> |                             |                 |                   |                             |
| Assets:                                     |                             |                 |                   |                             |
| Cash and Cash Equivalents                   | \$9,472                     | \$26,963        | (\$26,420)        | \$10,015                    |
| Total Assets                                | <u>\$9,472</u>              | <u>\$26,963</u> | <u>(\$26,420)</u> | <u>\$10,015</u>             |
| Liabilities:                                |                             |                 |                   |                             |
| Accounts Payable                            | \$236                       | \$369           | (\$236)           | \$369                       |
| Due to Students                             | 9,236                       | 26,594          | (26,184)          | 9,646                       |
| Total Liabilities                           | <u>\$9,472</u>              | <u>\$26,963</u> | <u>(\$26,420)</u> | <u>\$10,015</u>             |



**LAKEWOOD LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES**  
For the Year Ended June 30, 2001

| <u>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Grant Title</u> | <u>Pass-Through<br/>Entity Number</u>            | <u>CFDA<br/>Number</u> | <u>Receipts</u>   | <u>Expenditures</u> |
|---|--|------------------------|-------------------|---------------------|
| <i>U.S. Department of Agriculture/<br/>Ohio Department of Education</i>   |  |                        |                   |                     |
| National School Breakfast Program   | 05-PU 00 & 01                                    | 10.553                 | \$ 29,254         | \$ 29,254           |
| National School Lunch Program   | 03-PU 00 & 01<br>04-PU 00 & 01                   | 10.555                 | <u>165,597</u>    | <u>165,597</u>      |
|   | Total Nutrition Cluster                          |                        | 194,851           | 194,851             |
| Commodities   |  | 10.550                 | <u>11,388</u>     | <u>11,388</u>       |
|   | Total U.S. Department of Agriculture             |                        | 206,239           | 206,239             |
| <i>U.S. Department of Education/<br/>Ohio Department of Education</i>     |  |                        |                   |                     |
| Title I   |  |                        |                   |                     |
| Grants to Local Educational Agencies                                      | C1-S1 00 & 01                                    | 84.010                 | 387,910           | 441,679             |
| Title VI-B  |  |                        |                   |                     |
| Special Education Grants to State   | 6B-SF 99   | 84.027                 | 141,427           | 139,522             |
| Drug Free Educational Subsidy Innovative Education Program Strategies     | DR-S1 01<br>C2-S1 00                             | 84.186<br>84.298       | 9,785<br>11,669   | 9,527<br>18,607     |
| Title VI-R Class Size Reduction   | CR-S1 01   | 84.340                 | 61,021            | 57,739              |
| Goals 2000  | G2-S2 00 & 01                                    | 84.276                 | 35,000            | 18,484              |
| Eisenhower Prof. Dev. Grant   | MS-S1 01   | 84.281                 | <u>11,310</u>     | <u>11,310</u>       |
|   | Total U.S. Department of Education               |                        | <u>658,122</u>    | <u>696,868</u>      |
|   | Total Federal Award Receipts<br>And Expenditures |                        | <u>\$ 864,361</u> | <u>\$ 903,107</u>   |

- Commodities are based on the fair market value.



**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, 2001, and have issued our report thereon dated October 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 2001-2252-001 through 2001-2252-002. We also noted a certain immaterial instance of noncompliance that we have reported to the management of Lakewood Local School District in a separate letter dated October 31, 2001.

**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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over 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. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2001-2252-003.

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. The reportable condition described above is not considered to be a material weakness.

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

**Jones, Cochenour & Co.  
October 31, 2001**



**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, 2001. 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 auditing standards generally accepted in the United States; 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, 2001.

**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.  
October 31, 2001**

**LAKWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001**

**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>No</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>National School Breakfast Program<br/>CFDA Number 10.553<br/>National School Lunch Program<br/>CFDA Number 10.555<br/>Title VI-B<br/>CFDA Number 84.027</b> |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | <b>Type A: \$300,000<br/>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, 2001**

|  |
|--|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED<br/>       TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

|                       |                      |
|-----------------------|----------------------|
| <b>FINDING NUMBER</b> | <b>2001-2252-001</b> |
|-----------------------|----------------------|

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.

This section also provides two exceptions to the above requirements:

- A. **Then and Now Certificate:** This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. **Amounts of less than \$1,000 for the District may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate; provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.**

The District had instances where expenditures were made prior to certification. We recommend the District obtain proper certification of funds prior to expenditure.

|                       |                      |
|-----------------------|----------------------|
| <b>FINDING NUMBER</b> | <b>2001-2252-002</b> |
|-----------------------|----------------------|

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 be able to safeguard the monies until they are deposited. During our receipt testing, there were instances that receipts were not deposited timely. The District implemented policies and procedures to be followed for collection and depositing of funds in May of 2001.

**LAKWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED<br/>TO BE REPORTED IN ACCORDANCE WITH GAGAS – CONTINUED</b> |
|---|

|                       |                      |
|-----------------------|----------------------|
| <b>FINDING NUMBER</b> | <b>2001-2252-003</b> |
|-----------------------|----------------------|

**REPORTABLE CONDITION: SALES PROJECTS**

We noted during our sample testing of sales projects that the District does not follow its outlined policies and procedures. The sales project forms were not always complete. It is recommended that the District update their current policies and modify the current sales project request forms to fit the needs of the District. The updated sales request form needs to reflect the estimated revenues for the project. The District should attach a recap sheet comparing the actual receipts to the estimated receipts for reconciliation purposes.



**LAKWOOD LOCAL SCHOOL DISTRICT  
STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2001**

| <u>Finding Number/Brief Description</u>        | <u>Status</u> | <u>Response</u>       |
|--|---------------|-----------------------|
| <b><u>Citations/Reportable Conditions:</u></b> |               |                       |
| 2000-2252-001                                  | Corrected     | N/A                   |
| 2000-2252-002 (1999)                           | Not Corrected | Treasurer to monitor. |
| 2000-2252-003                                  | Corrected     | N/A                   |
| 2000-2252-004 (1999)                           | Not Corrected | Treasurer to monitor. |
| 2000-2252-005                                  | Corrected     | N/A                   |
| 2000-2252-006                                  | Corrected     | N/A                   |
| 2000-2252-007                                  | Corrected     | N/A                   |
| <b><u>Management Letter</u></b>                |               |                       |
| ORC Section 135.142                            | Corrected     | N/A                   |
| Payroll  | Corrected     | N/A                   |

**LAKWOOD LOCAL SCHOOL DISTRICT  
CONCLUSION STATEMENT  
JUNE 30, 2001**

**The draft audit report was furnished to the District officials. They elected to waive a formal post audit conference in a verbal communication on December 13, 2001.**



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 22, 2002**