LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

Auditor of State
Betty Montgomery

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

TABLE OF CONTENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Lakewood City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lakewood City School District, Cuyahoga County, Ohio as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 18, 2002

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LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and investments	$ 10,004,931	$ 2,630,117	$ 2,125,156	$ 1,398,640
Equity in pooled cash and investments - nonexpendable trust fund	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	36,266,070	-	1,794,072	-
Accounts	65,175	5,906	-	-
Accrued interest	100,015	-	-	-
Interfund loan receivable	821,700	-	-	-
Due from other governments	474,729	423,147	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	27,831	-	-	-
Restricted assets:				
Equity in pooled cash and investments	331,142	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	$ 48,091,593	$ 3,059,170	$ 3,919,228	$ 1,398,640
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	$ 529,467	$ 175,910	$ -	$ -
Accrued wages and benefits	6,073,807	214,158	-	-
Compensated absences payable	237,505	2,230	-	-
Pension obligation payable	1,006,215	23,680	-	-
Interfund loan payable	-	818,200	-	-
Deferred revenue	28,833,467	325,142	1,327,320	-
Due to other governments	250,705	18,198	-	-
Due to students	-	-	-	-
Capital lease obligation payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Refunding bonds payable	-	-	-	-
Energy conservation loan payable	-	-	-	-
Early retirement incentive payable	1,222,459	-	-	-
Special termination benefits payable	-	-	-	-
Total liabilities	38,153,625	1,577,518	1,327,320	-
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Amount available for external investment pool participants	-	-	-	-
Fund balances:				
Reserved for encumbrances	712,904	128,062	-	48,640
Reserved for prepayments	27,831	-	-	-
Reserved for debt service	-	-	2,143,290	-
Reserved for tax revenue unavailable for appropriation	7,102,631	-	448,618	-
Reserved for budget stabilization	331,142	-	-	-
Reserved for principal endowment	-	-	-	-
Reserved for scholarships	-	-	-	-
Unreserved-undesignated	1,763,460	1,353,590	-	1,350,000
Total equity and other credits	9,937,968	1,481,652	2,591,908	1,398,640
Total liabilities, equity and other credits	$ 48,091,593	$ 3,059,170	$ 3,919,228	$ 1,398,640

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Types		Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$ 716,523	$ 1,058,241	$ 137,239	$ -	$ -	$ 18,070,847
-	-	23,575	-	-	23,575
-	-	-	-	-	38,060,142
125	-	-	-	-	71,206
-	-	9,100	-	-	109,115
-	-	-	-	-	821,700
93,474	-	-	-	-	991,350
14,933	-	-	-	-	14,933
-	-	-	-	-	27,831
-	-	3,494,135	-	-	3,825,277
108,597	-	-	45,169,082	-	45,277,679
-	-	-	-	2,591,908	2,591,908
-	-	-	-	17,439,327	17,439,327
$ 933,652	$ 1,058,241	$ 3,664,049	$ 45,169,082	$ 20,031,235	$ 127,324,890
$ 24,536	$ 268	$ -	$ -	$ -	$ 730,181
94,929	-	-	-	-	6,382,894
44,087	-	-	-	6,162,427	6,446,249
103,331	-	-	-	536,322	1,669,548
3,500	-	-	-	-	821,700
9,062	-	-	-	-	30,494,991
3,681	156,469	30,029	-	-	459,082
-	-	107,210	-	-	107,210
-	-	-	-	51,896	51,896
-	-	-	-	8,700,000	8,700,000
-	-	-	-	3,184,020	3,184,020
-	-	-	-	1,030,000	1,030,000
-	-	-	-	294,541	1,517,000
-	-	-	-	72,029	72,029
283,126	156,737	137,239	-	20,031,235	61,666,800
-	-	-	45,169,082	-	45,169,082
650,526	901,504	-	-	-	1,552,030
-	-	3,503,235	-	-	3,503,235
-	-	-	-	-	889,606
-	-	-	-	-	27,831
-	-	-	-	-	2,143,290
-	-	-	-	-	7,551,249
-	-	-	-	-	331,142
-	-	500	-	-	500
-	-	23,075	-	-	23,075
-	-	-	-	-	4,467,050
650,526	901,504	3,526,810	45,169,082	-	65,658,090
$ 933,652	$ 1,058,241	$ 3,664,049	$ 45,169,082	$ 20,031,235	$ 127,324,890

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
From local sources:					
Taxes	$ 36,199,093	$ -	$ 2,050,295	$ -	$ 38,249,388
Tuition	3,584,256	68,931	-	-	3,653,187
Earnings on investments	694,042	21,331	-	873	716,246
Extracurricular	73,309	25,743	-	-	99,052
Other local revenues	873,335	900,877	-	35,241	1,809,453
Other revenue	-	111,892	-	-	111,892
Intergovernmental - State	23,307,131	1,978,185	243,707	-	25,529,023
Intergovernmental - Federal	-	3,153,618	-	-	3,153,618
Total revenue	64,731,166	6,260,577	2,294,002	36,114	73,321,859
Expenditures:					
Current:					
Instruction:					
Regular	25,884,971	901,951	-	214,640	27,001,562
Special	7,084,593	1,446,867	-	-	8,531,460
Vocational	4,503,915	169,925	-	-	4,673,840
Other	1,248,370	78,976	-	-	1,327,346
Support services:					
Pupil	3,877,878	455,478	-	-	4,333,356
Instructional staff	3,576,295	911,854	-	-	4,488,149
Board of Education	83,413	-	-	-	83,413
Administration	3,047,777	389,438	53,657	-	3,490,872
Fiscal	1,247,355	14,953	644	-	1,262,952
Business	819,640	-	-	-	819,640
Operations and maintenance	7,703,046	68	-	16,308	7,719,422
Pupil transportation	504,739	5,439	-	-	510,178
Central	347,775	77,170	-	-	424,945
Community services	876,406	224,127	-	-	1,100,533
Extracurricular activities	465,886	411,668	-	-	877,554
Facilities acquisition and construction	112,800	-	-	-	112,800
Capital outlay	75,848	-	-	-	75,848
Intergovernmental pass through	-	1,250,474	-	-	1,250,474
Debt service:					
Principal retirement	23,952	-	1,590,000	-	1,613,952
Interest and fiscal charges	6,232	-	783,291	-	789,523
Total expenditures	61,490,891	6,338,388	2,427,592	230,948	70,487,819
Excess (deficiency) of revenues over (under) expenditures	3,240,275	(77,811)	(133,590)	(194,834)	2,834,040
Other financing sources (uses):					
Proceeds from capital lease transaction	75,848	-	-	-	75,848
Operating transfers in	-	25,000	367,470	-	392,470
Operating transfers out	(2,422,924)	-	-	-	(2,422,924)
Total other financing sources (uses)	(2,347,076)	25,000	367,470	-	(1,954,606)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	893,199	(52,811)	233,880	(194,834)	879,434
Fund balances, July 1	9,044,769	1,534,463	2,358,028	1,593,474	14,530,734
Fund balances, June 30	$ 9,937,968	$ 1,481,652	$ 2,591,908	$ 1,398,640	$ 15,410,168

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$ 31,417,567	$ 31,272,240	$ (145,327)	$ -	$ -	$ -
Tuition	3,047,675	3,433,497	385,822	68,468	68,931	463
Earnings on investments	1,232,458	605,445	(627,013)	40,263	21,784	(18,479)
Extracurricular	73,734	73,059	(675)	24,768	25,694	926
Other local revenues	936,744	889,963	(46,781)	1,065,342	893,054	(172,288)
Other revenue	-	-	-	71,077	111,796	40,719
Intergovernmental - State	22,752,422	23,307,131	554,709	2,125,078	1,978,184	(146,894)
Intergovernmental - Federal	-	-	-	2,924,725	3,056,017	131,292
Total revenues	59,460,600	59,581,335	120,735	6,319,721	6,155,460	(164,261)
Expenditures:						
Current:						
Instruction:						
Regular	26,072,610	25,061,486	1,011,124	1,674,219	1,005,663	668,556
Special	7,004,794	6,993,669	11,125	1,776,262	1,461,010	315,252
Vocational	4,900,362	4,524,275	376,087	269,519	188,258	81,261
Other	1,370,781	1,311,148	59,633	108,675	77,593	31,082
Support services:						
Pupil	3,882,370	3,846,114	36,256	659,967	447,604	212,363
Instructional staff	3,628,944	3,603,116	25,828	1,114,691	915,746	198,945
Board of Education	85,473	83,317	2,156	-	-	-
Administration	3,378,172	3,001,699	376,473	478,766	388,533	90,233
Fiscal	1,341,811	1,253,830	87,981	68,562	14,953	53,609
Business	1,059,436	786,663	272,773	-	-	-
Operations and maintenance	9,167,722	8,023,981	1,143,741	2,250	68	2,182
Pupil transportation	808,515	552,194	256,321	9,000	5,539	3,461
Central	497,938	347,390	150,548	77,170	77,170	-
Community services	980,810	913,500	67,310	489,487	231,516	257,971
Extracurricular activities	556,759	462,475	94,284	528,766	427,948	100,818
Facilities acquisition and construction	112,800	112,800	-	-	-	-
Intergovernmental pass through	-	-	-	1,250,664	1,161,348	89,316
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	64,849,297	60,877,657	3,971,640	8,507,998	6,402,949	2,105,049
Excess (deficiency) of revenues over (under) expenditures	(5,388,697)	(1,296,322)	4,092,375	(2,188,277)	(247,489)	1,940,788
Other financing sources (uses):						
Advances in	-	2,260,791	2,260,791	636,504	818,200	181,696
Advances out	(300,000)	(821,700)	(521,700)	(16,391)	(671,900)	(655,509)
Operating transfers in	-	-	-	20,000	25,000	5,000
Operating transfers out	(2,631,241)	(2,631,241)	-	-	-	-
Proceeds from sale of notes	-	-	-	-	-	-
Prem/Acc int. on sale of bonds and notes	-	-	-	-	-	-
Refund on prior year receipts	-	-	-	(123,092)	(123,092)	-
Refund of prior year expenditure	49	-	(49)	-	-	-
Total other financing sources (uses)	(2,931,192)	(1,192,150)	1,739,042	517,021	48,208	(468,813)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(8,319,889)	(2,488,472)	5,831,417	(1,671,256)	(199,281)	1,471,975
Fund balances, July 1 (restated)	9,862,264	9,862,264	-	2,165,642	2,165,642	-
Prior year encumbrances appropriated	1,919,217	1,919,217	-	383,527	383,527	-
Fund balances, June 30	$ 3,461,592	$ 9,293,009	$ 5,831,417	$ 877,913	$ 2,349,888	$ 1,471,975

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$ 1,833,000	$ 1,751,060	$ (81,940)	$ -	$ -	$ -	$ 33,250,567	$ 33,023,300	$ (227,267)
-	-	-	-	-	-	3,116,143	3,502,428	386,285
-	-	-	860	893	33	1,273,581	628,122	(645,459)
-	-	-	-	-	-	98,502	98,753	251
-	-	-	35,241	35,241	-	2,037,327	1,818,258	(219,069)
-	-	-	-	-	-	71,077	111,796	40,719
142,466	243,707	101,241	-	-	-	25,019,966	25,529,022	509,056
-	-	-	-	-	-	2,924,725	3,056,017	131,292
1,975,466	1,994,767	19,301	36,101	36,134	33	67,791,888	67,767,696	(24,192)
-	-	-	161,553	158,310	3,243	27,908,382	26,225,459	1,682,923
-	-	-	-	-	-	8,781,056	8,454,679	326,377
-	-	-	-	-	-	5,169,881	4,712,533	457,348
-	-	-	-	-	-	1,479,456	1,388,741	90,715
-	-	-	-	-	-	4,542,337	4,293,718	248,619
-	-	-	-	-	-	4,743,635	4,518,862	224,773
-	-	-	-	-	-	85,473	83,317	2,156
60,000	53,656	6,344	-	-	-	3,916,938	3,443,888	473,050
50,000	644	49,356	-	-	-	1,460,373	1,269,427	190,946
-	-	-	-	-	-	1,059,436	786,663	272,773
-	-	-	292,629	64,948	227,681	9,462,601	8,088,997	1,373,604
-	-	-	-	-	-	817,515	557,733	259,782
-	-	-	-	-	-	575,108	424,560	150,548
-	-	-	-	-	-	1,470,297	1,145,016	325,281
-	-	-	-	-	-	1,085,525	890,423	195,102
-	-	-	27,382	-	27,382	140,182	112,800	27,382
-	-	-	-	-	-	1,250,664	1,161,348	89,316
1,790,000	1,790,000	-	-	-	-	1,790,000	1,790,000	-
1,180,260	796,290	383,970	-	-	-	1,180,260	796,290	383,970
3,080,260	2,640,590	439,670	481,564	223,258	258,306	76,919,119	70,144,454	6,774,665
(1,104,794)	(645,823)	458,971	(445,463)	(187,124)	258,339	(9,127,231)	(2,376,758)	6,750,473
-	-	-	-	-	-	636,504	3,078,991	2,442,487
-	-	-	-	-	-	(316,391)	(1,493,600)	(1,177,209)
576,908	575,787	(1,121)	-	-	-	596,908	600,787	3,879
-	-	-	-	-	-	(2,631,241)	(2,631,241)	-
10,000	-	(10,000)	-	-	-	10,000	-	(10,000)
7,274	-	(7,274)	-	-	-	7,274	-	(7,274)
-	-	-	(78,000)	(78,000)	-	(201,092)	(201,092)	-
-	-	-	-	-	-	49	-	(49)
594,182	575,787	(18,395)	(78,000)	(78,000)	-	(1,897,989)	(646,155)	1,251,834
(510,612)	(70,036)	440,576	(523,463)	(265,124)	258,339	(11,025,220)	(3,022,913)	8,002,307
2,195,192	2,195,192	-	1,590,215	1,590,215	-	15,813,313	15,813,313	-
-	-	-	24,909	24,909	-	2,327,653	2,327,653	-
$ 1,684,580	$ 2,125,156	$ 440,576	$ 1,091,661	$ 1,350,000	$ 258,339	$ 7,115,746	$ 15,118,053	$ 8,002,307

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:				
Sales/charges for services.	$ 1,400,438	$ 823,138	$ -	$ 2,223,576
Investment earnings.	-	-	736	736
Other	105	4,387	1,000	5,492
Total operating revenues	1,400,543	827,525	1,736	2,229,804
Operating expenses:				
Personal services	1,070,594	-	-	1,070,594
Contract services	27,918	319,196	-	347,114
Materials and supplies	909,957	-	-	909,957
Depreciation	32,079	-	-	32,079
Claims expense.	-	629,034	-	629,034
Other	195	-	1,200	1,395
Total operating expenses	2,040,743	948,230	1,200	2,990,173
Operating income (loss)	(640,200)	(120,705)	536	(760,369)
Nonoperating revenues:				
Operating grants	579,031	-	-	579,031
Federal commodities	61,137	-	-	61,137
Interest revenue.	19,035	-	-	19,035
Total nonoperating revenues	659,203	-	-	659,203
Net income (loss) before operating transfers . .	19,003	(120,705)	536	(101,166)
Operating transfers in	-	2,030,454	-	2,030,454
Net income (loss).	19,003	1,909,749	536	1,929,288
Retained earnings (accumulated deficit)/ fund balance, July 1	631,523	(1,008,245)	23,039	(353,683)
Retained earnings/fund balance, June 30	$ 650,526	$ 901,504	$ 23,575	$ 1,575,605

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:				
Cash received from sales/service charges.	$ 1,400,457	$ 1,504,675	$ -	$ 2,905,132
Cash received from other operations	-	4,387	1,000	5,387
Cash payments for personal services	(1,065,366)	-	-	(1,065,366)
Cash payments for contract services	(29,035)	(418,017)	-	(447,052)
Cash payments for materials and supplies.	(859,583)	-	-	(859,583)
Cash payments for claims expenses.	-	(1,508,703)	-	(1,508,703)
Cash payments for other expenses	(195)	-	(1,200)	(1,395)
Net cash (used in) operating activities.	(553,722)	(417,658)	(200)	(971,580)
Cash flows from noncapital financing activities:				
Cash received from operating grants	565,706	-	-	565,706
Cash received from operating transfers in	-	2,030,454	-	2,030,454
Cash received from interfund loans.	3,500	-	-	3,500
Cash payments used in repayment of interfund loans	(7,000)	(1,575,000)	-	(1,582,000)
Net cash provided by noncapital financing activities.	562,206	455,454	-	1,017,660
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,118)	-	-	(4,118)
Net cash used in capital and related financing activities . .	(4,118)	-	-	(4,118)
Cash flows from investing activities:				
Interest received	19,397	-	751	20,148
Net cash provided by investing activities.	19,397	-	751	20,148
Net increase in cash and cash equivalents	23,763	37,796	551	62,110
Cash and cash equivalents at beginning of year	692,760	1,020,445	23,024	1,736,229
Cash and cash equivalents at end of year.	$ 716,523	$ 1,058,241	$ 23,575	$ 1,798,339
Reconciliation of operating income (loss) to net cash (used in) operating activities:				
Operating income (loss).	$ (640,200)	$ (120,705)	$ 536	$ (760,369)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:				
Depreciation	32,079	-	-	32,079
Federal donated commodities	61,137	-	-	61,137
Interest reported as operating income	-	-	(736)	(736)
Changes in assets and liabilities:				
(Increase) in materials and supplies inventory	(1,584)	-	-	(1,584)
(Increase) decrease in accounts receivable.	(86)	4,246	-	4,160
Decrease in due from other funds	-	677,291	-	677,291
Increase (decrease) in accounts payable	(10,499)	268	-	(10,231)
Increase in accrued wages and benefits	17,739	-	-	17,739
Increase in compensated absences payable	280	-	-	280
Increase (decrease) in due to other governments.	3,601	(98,821)	-	(95,220)
Decrease in due to other funds.	(15,887)	-	-	(15,887)
Decrease in pension obligation payable	(770)	-	-	(770)
Decrease in claims payable	-	(879,937)	-	(879,937)
Increase in deferred revenue.	468	-	-	468
Net cash (used in) operating activities	$ (553,722)	$ (417,658)	$ (200)	$ (971,580)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Lakewood City School District (the "District") is located in Cuyahoga County and includes all of the City of Lakewood Ohio. The District was established in 1854 through the consolidation of existing land areas and school districts. The District serves an area of approximately 5.05 square miles.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms. The District provides educational services as authorized by Ohio statute and/or federal guidelines.

The District ranks as the 39th largest by enrollment among the 705 public and community school districts in the State, and the 6th largest in Cuyahoga County. It currently operates 14 instructional buildings, 1 administrative building and 1 garage. The District employs 324 non-certified and 564 certified full-time and part-time employees to provide services to approximately 6,711 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities unless those pronouncements conflict/or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

A. Reporting Entity (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Lakeshore Northeast Ohio Computer Association - The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau among fourteen public school districts. The primary function of LNOCA is to provide data services to the 14 member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge, dependent upon the software packages used. In fiscal year 2002, $187,854 was paid to LNOCA for services. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, OH 44125.

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

A. Reporting Entity (Continued)

Ohio Schools Council - The Ohio Schools' Council Association (Council) is a jointly governed organization among 83 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2002, the District paid $1,119,387 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June, these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued $119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a 12-year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

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

A. Reporting Entity (Continued)

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued $89,450,000 in debt to purchase 12 years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

RELATED ORGANIZATION

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan
The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school district pay an enrollment fee to the Plan to cover the costs of administering the program.

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

A. Reporting Entity (Continued)

Suburban Health Consortium

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation. The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Lakewood City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium

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

A. Reporting Entity (Continued)

Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from Richard Berdine, Treasurer of the Lakewood City School District (the Fiscal Agent) at 1470 Warren Road, Lakewood, Ohio 44107.

The District serves as fiscal agent and custodian of the Consortium, but is not accountable; therefore the operations of the Consortium have been excluded from the District's financial statements but the funds held on behalf of the Consortium are included as an Agency fund.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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

B. Fund Accounting (Continued)

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

B. Fund Accounting (Continued)

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

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; Agency funds are therefore presented on a budgetary basis, with note disclosure, if applicable, regarding items, which, in other funds, would be subject to accrual (See Note 3 D.).

ACCOUNT GROUPS

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

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

B. Fund Accounting (Continued)

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. ‘Measurable’ means that the amount of the transaction can be determined. ‘Available’ means that the amount is collectable within the current period or within (the District’s defined available period of) sixty days of the balance sheet date and may be used to pay liabilities of the current period. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent).

Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an

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

C. Measurement Focus/Basis of Accounting (Continued)

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, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be

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

C. Measurement Focus/Basis of Accounting (Continued)

liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenues. Unused donated commodities are reported as deferred revenues. The proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.

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

D. Budgets (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

   The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.

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

D. Budgets (Continued)

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.

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

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

E. Cash and Investments

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

During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, non-negotiable certificates of deposit, and federal agency securities.

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

E. Cash and Investments (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

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, 2002.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2002 amounted to $694,042 which includes $305,803 assigned from other District funds.

The District is the fiscal agent for the Suburban Health Consortium. The District invest monies on behalf of the Consortium as its' fiscal agent (See Note 2A.).

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

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

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

F. Inventory

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

G. Prepaids

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

H. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than 5 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the general fixed assets account group. The District has no infrastructure. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. *Proprietary Funds*

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated.

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

H. Fixed Assets and Depreciation (Continued)

Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Furniture, fixtures and minor equipment	10 - 15

I. Compensated Absences

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

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

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

I. Compensated Absences (Continued)

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

Accumulated vacation and severance liability of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and severance liability for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources; however, compensated absences, contractually required pension contributions, special termination benefits, and early retirement incentive obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

K. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, tax revenue unavailable for appropriation, and budget stabilization. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved

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

K. Fund Equity (Continued)

for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

L. Interfund Transactions

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

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

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable”. Such interfund loans are repaid in the following fiscal year.

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund, which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

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

L. Interfund Transactions (Continued)

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

M. Parochial Schools

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

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only for statutorily-specified purposes. A fund balance reserve has also been established. See Note 19 for the statutory reserve.

O. Estimates

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

P. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

The District has restated the June 30, 2001 balance of the general long-term obligations account group to properly report general obligation bonds outstanding. The general long-term obligations account group has been increased by $695,000 from $21,923,206 to $22,618,206.

B. Fund Balance Restatement

The June 30, 2001 fund balance for the general fund and special revenue funds as reported in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Funds has been restated to properly report all funds included for reporting purposes. The fund balance in the general fund has been increased by $241,943 from $9,620,321 to $9,862,264 and the fund balance of the special revenue funds has been increased by $91,638 from $2,074,004 to $2,165,642.

C. Deficit Fund Balances

Fund balances at June 30, 2002 included the following individual fund deficits:

	Deficit Balance
Special Revenue Funds	
Vocational Education	$16,204
Rotary	$86

These funds complied with Ohio state law which does not allow a cash deficit at year-end.

The deficit fund balance in the Rotary special revenue fund is the result of accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by fees not recognized at June 30.

The deficit fund balance in the Vocational Education special revenue fund is due to the recording of and “advance in” from the general fund as an interfund loan payable rather than as an “other financing source”. This deficit will be eliminated by intergovernmental revenues not recognized at June 30.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Agency Funds

The following are accruals for the agency funds, which, in another type, would be recognized in the combined balance sheet:

ASSETS	
Accounts receivable	$ 348
LIABILITIES	
Accounts payable	$1,769

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Cash on Hand: At year-end, the District had $1,000 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Investments", but is not included in the total amount of deposits reported below.

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

Deposits: At year-end, the carrying amount of the District's deposits was $492,139 and the bank balance was $1,008,400 (both amounts include $1,000,000 in non-negotiable certificates of deposit). Of the bank balance:

1. $108,400 was covered by federal deposit insurance; and

2. $900,000 was uninsured and uncollaterized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

	Category of Risk 3	Fair Value
Repurchase agreements	$ 8,713,359	$ 8,713,359
Federal agency securities	9,967,967	9,967,967
Not subject to categorization:		
Investment in STAR Ohio	-	2,745,234
Total investments	$18,681,326	$21,426,560

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

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

	Equity in Pooled Cash and Investments/Deposits	Investments
GASB Statement No. 9	$21,919,699	$ -
Investments of the cash management pool:		
Federal agency securities	(9,967,967)	9,967,967
Repurchase agreements	(8,713,359)	8,713,359
Investment in STAR Ohio	(2,745,234)	2,745,234
Cash on hand	(1,000)	-
GASB Statement No. 3	$ 492,139	$21,426,560

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	$821,700	$ -
Special Revenue Funds		
Special Trusts	-	15,000
Other Grant	-	1,200
Adult Basic Education	-	12,000
Education for Economic Security	-	42,000
Title VI-B	-	5,000
Vocational Education	-	120,000
Title I	-	180,000
Public School Preschool	-	295,000
Miscellaneous State Grants	-	46,000
Title VI	-	27,000
Drug-Free Schools	-	14,000
Preschool for the Handicapped	-	1,000
Reducing Class Size	-	30,000
Miscellaneous Federal Grants	-	30,000
Total Special Revenue Funds	-	818,200
Enterprise Funds		
Recreation	-	3,500
Total Interfund Loans	$821,700	$821,700

B. The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	Transfers In	Transfers Out
General Fund	$ -	$2,422,924
Special Revenue Funds		
District Managed Student Activity	25,000	-
Debt Service Fund	367,470	-
Internal Service Fund		
Employee Benefits Self-Insurance	2,030,454	-
Total Operating Transfers	$2,422,924	$2,422,924

NOTE 6 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first $10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.

The assessed value upon which the 2002 taxes were collected was $810,424,493. Agricultural/residential and public utility real estate represented $616,316,410 or 76.04% of this total; Commercial & industrial real estate represented $145,831,730 or 17.99% of this total; public utility tangible represented $16,758,320 or 2.07% of this total and general tangible property $31,518,033 or 3.90% of this total. The voted general tax rate for operations at the fiscal year ended June 30, 2001 was $91.03 per $1,000 of assessed valuation and $2.42 per $1,000 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled $7,102,631 in the general fund and $448,618 in the debt service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by year-end). Intergovernmental receivables have been reported as “Due From Other Governments” on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

NOTE 7 - RECEIVABLES - (Continued)

	Amounts
General Fund	
Taxes - current & delinquent	$36,266,070
Accounts	65,175
Due from other governments	474,729
Interfund loans	821,700
Accrued interest	100,015
Special Revenue Funds	
Due from other governments	423,147
Debt Service Fund	
Taxes - current & delinquent	1,794,072
Enterprise Funds	
Food Service	
Due from other governments - nonoperating grant	93,474
Trust and Agency	
Accrued Interest	9,100

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed asset account group during the fiscal year follows:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Land/improvements	$ 1,976,791	$ -	$ -	$ 1,976,791
Buildings/ improvements	25,569,200	792,821	-	26,362,021
Furniture/equipment	15,238,543	679,867	-	15,918,410
Vehicles	823,039	109,021	(20,200)	911,860
Total	$43,607,573	$1,581,709	$(20,200)	$45,169,082

A summary of the proprietary funds' fixed assets at June 30, 2002 follows:

	Enterprise
Furniture and equipment	$1,102,537
Less: accumulated depreciation	(993,940)
Net fixed assets	$ 108,597

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of a school bus.

This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of $75,848, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled $23,952. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002.

General Long-Term Obligations

Year Ending June 30	School Bus
2003	$ 9,204
2004	9,204
2005	9,205
2006	9,204
2007	9,204
2008 - 2009	18,408
Total future minimum lease payments	64,429
Less: amount representing interest	(12,533)
Present value of future minimum lease payments	$ 51,896

NOTE 10 - LONG-TERM DEBT

A. General obligation bonds and the Energy Conservation loan are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 2.52 (average) mill bonded debt tax levy for the general obligation bonds and from current operating revenues for the energy conservation loan.

B. Series 2001 Refunding General Obligation Bonds

On June 14, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds (principal $3,180,000; interest rate 6.902%). The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the general long-term obligations account group.

The refunding issue is comprised of both current interest bonds, par value $2,875,000, and capital appreciation bonds, par value $990,000. The average interest rate on the current interest bonds is 4.70%. The capital appreciation bonds mature each December 1, 2008 through 2010 (effective interest 14.489%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2002 was $304,996. Total accreted interest of $44,024 has been included in the general long-term obligations account group at June 30, 2002.

C. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and special termination benefits are reported net of actual increases and decreases due to the impracticality of determining true values. Compensated absences, the pension benefit obligation, special termination benefits, and the early retirement incentive will ultimately be paid from the fund from which the employee is paid.

NOTE 10 - LONG-TERM DEBT - (Continued)

	Restated Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
General Obligation Bonds:				
Series 1986, improvement 7.875%, 12/01/06 maturity	$ 3,780,000	$ -	$ (630,000)	$ 3,150,000
Series 1993, improvement 2.5%, 12/01/13 maturity	5,300,000	-	(290,000)	5,010,000
Series 1994, improvement 6.902%, 12/01/15 maturity	695,000	-	(155,000)	540,000
Series 2001, refunding current interest bonds 4.70%, 12/01/15 maturity	2,875,000	-	(40,000)	2,835,000
Series 2001, refunding capital appreciation bonds 14.489% (average effective) 12/01/08, 09, and 10 maturity	304,996	-	-	304,996
Series 2001, refunding capital appreciation bonds accreted interest	3,146	40,878	-	44,024
Total, general obligation bonds	12,958,142	40,878	(1,115,000)	11,884,020
Other obligations:				
Energy conservation loan 3.35%, 12/01/03 maturity	1,505,000	-	(475,000)	1,030,000
Early retirement incentive	1,263,185	1,517,000	(2,485,644)	294,541
Compensated absences	6,261,316	-	(98,889)	6,162,427
Capital lease obligation	-	75,848	(23,952)	51,896
Pension benefit obligation	534,808	536,322	(534,808)	536,322
Special termination benefits	95,755	-	(23,726)	72,029
Total, other obligations	9,660,064	2,129,170	(3,642,019)	8,147,215
Total, all general long-term liabilities	$22,618,206	$2,170,048	$(4,757,019)	$20,031,235

NOTE 10 - LONG-TERM DEBT - (Continued)

D. Principal and interest requirements to retire general obligation bonds, refunding bonds, and the energy conservation loan outstanding at June 30, 2002 are as follows:

Fiscal Year	General Obligation Bonds			Energy Conservation Loan		
Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2003	$1,100,000	$ 607,618	$ 1,707,618	$ 500,000	$41,870	$ 541,870
2004	1,130,000	554,751	1,684,751	530,000	14,310	544,310
2005	1,160,000	501,083	1,661,083	-	-	-
2006	985,000	237,342	1,222,342	-	-	-
2007	1,005,000	193,916	1,198,916	-	-	-
2008 - 2012	2,230,000	626,320	2,856,320	-	-	-
2013 - 2016	1,090,000	61,328	1,151,328	-	-	-
Total	$8,700,000	$2,782,358	$11,482,358	$1,030,000	$56,180	$1,086,180

Fiscal Year	Current Interest Refunding Bonds			Capital Appreciation Refunding Bonds		
Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2003	$ 10,000	$ 128,160	$ 138,160	$ -	$ -	$ -
2004	15,000	127,728	142,728	-	-	-
2005	85,000	125,935	210,935	-	-	-
2006	295,000	118,874	413,874	-	-	-
2007	305,000	107,395	412,395	-	-	-
2008 - 2012	645,000	441,744	1,086,744	990,000	-	990,000
2013 - 2016	1,480,000	148,470	1,628,470	-	-	-
Total	$2,835,000	$1,198,306	$4,033,306	$990,000	$ -	$990,000

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2002, are a voted debt margin of $63,646,092 (including available funds of $2,591,908), an unvoted debt margin of $810,424 and an unvoted energy conservation debt margin of $6,263,820.

NOTE 11 - NOTES PAYABLE

The school improvements notes described below have been issued in anticipation of the issuance of bonds for the purpose of renovations to school buildings and an outdoor sports facility, and for paving roadways and parking areas at the high school. These notes are backed by the full faith and credit of the District.

The notes were retired in full in fiscal 2002 from the general fund, the fund which received the proceeds upon issuance. The following schedule shows the fiscal 2002 activity:

	Interest Rate	Issue Date	Maturity Date	Notes Outstanding July 1, 2001	Issued	Retired	Notes Outstanding June 30, 2002
Bond anticipation notes:							
School improvement	4.17%	03/29/01	03/28/02	$200,000	$ -	$(200,000)	$ 0

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the District contracted with Nationwide Insurance Company for property and fleet insurance, general liability insurance, and inland marine coverage. The limitations of coverages provided by Nationwide are as follows:

Building and Contents-replacement cost ($1,000 deductible)	$91,369,661
Inland Marine Coverage ($100 deductible)	249,567
Boiler and Machinery ($1,000 per location deductible)	5,000,000
Crime Insurance ($1,000 deductible each coverage)	various
Automobile Liability ($100 deductible)	1,000,000
Uninsured Motorists ($100 deductible)	25,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

NOTE 12 - RISK MANAGEMENT - (Continued)

B. OSBA Worker's Compensation Group Rating

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Prior to 1995, the District participated in the State Workers' Compensation retrospective rating and payment system. The plan involved the payment of a minimum premium for administrative services and stop-loss coverage, plus the actual claim costs for employees who had been injured. During 1995, the District switched to the traditional, fully-funded plan provided by the State. The District retains a liability for claims incurred while the District participated in the plan. A third party, Navisource, reviews all claims, which are then paid by the District. Incurred, but not reported claims of $12,332, have been accrued as a liability in the workers' compensation Internal Service fund, based on an estimate by the claims administrator. As this estimate changes, it results in positive or negative claims expense in the Internal Service fund.

C. Group Health and Dental Insurance

For the period July 1, 2001 to September 30, 2001, the District operated and managed employee health benefits on a self-insured basis. Effective October 1, 2001, the District switched to traditional insurance coverage offered through the Suburban Health Consortium. At June 30, 2002, there was no liability remaining for the self-insurance program. Changes in the fund's claims liability for the current and past fiscal year follows:

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Group Health and Dental Insurance - (Continued)

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2002	$897,921	$ 610,782	$1,508,703	$ 0
2001	876,282	5,068,323	5,046,684	897,921

For the period July 1, 2001 to September 30, 2001, the District was contracted with the Ohio Schools Council Association's Insurance Benefits Program to provide employee dental benefits. This shared risk pool is comprised of five school districts. Rates are set through an annual calculation process. The District paid a monthly contribution, which is paid into a common fund from which claim payments are made for all participants, regardless of claims flow. The Board of Directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims.

Effective October 1, 2001, the District became a participant in the Suburban Health Consortium (the "Consortium") to provide employee health, dental, vision and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the Lakewood City School District. The Treasurer of the Lakewood City School District pays monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The District's portion of the monthly insurance premiums are as follows:

	Board Share Of Premium			
	Full-Time Family	Part-Time Family	Full-Time Single	Part-Time Single
Health:				
Suburban Health Consortium	$515.05	$257.53	$216.86	$108.43
Kaiser (HMO)	515.05	257.53	200.86	100.43
Prescription drug	153.81	76.91	66.61	33.31
Dental	79.18	39.59	30.57	15.29
Vision	9.40	4.70	2.32	1.16

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Group Health and Dental Insurance - (Continued)

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

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and recreation. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002:

	Food Service	Recreation	Total
Operating revenue	$1,089,567	$310,976	$1,400,543
Depreciation expense	32,079	-	32,079
Operating income/(loss)	(691,051)	50,851	(640,200)
Non-operating revenue:			
Operating grants	579,031	-	579,031
Interest revenue	19,035	-	19,035
Donated federal commodities	61,137	-	61,137
Net income/(loss)	(31,848)	50,851	19,003
Fixed assets:			
Additions	4,118	-	4,118
Net working capital	531,691	54,325	586,016
Total assets	787,647	146,005	933,652
Total liabilities	191,446	91,680	283,126
Total fund equity	596,201	54,325	650,526
Encumbrances outstanding as of 6/30/02	2,621	25,319	27,940

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were $1,339,446, $1,272,403, and $1,506,267 respectively; 46.5% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $717,240, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations for fiscal 2002. Contribution rates are established 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were $4,276,364, $4,184,046, and $6,043,612, respectively; 81.8% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $777,680, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $1,374,546 during fiscal 2002.

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was $3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were $300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were $161.440 million and the target level was $242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of $315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $944,177 during the 2002 fiscal year.

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Early Retirement Incentive

The District Board of Education has approved an early retirement incentive program for certified and classified employees. The Board will purchase, from STRS and SERS, respectively, additional service credit for those employees who elect to participate in the plan. Participation was open to employees who were at least 50 years old, qualified for retirement with the years purchased by the Board, and agreed to retire either at the end of fiscal year 2001 or at the end of fiscal year 2002. The enrollment period for the early retirement incentive was between February 12, 2001 and February 16, 2001. The credit could not exceed the lesser of three years or one-fifth of each member's total Ohio service. The Board did not limit the number of employees participating in the plan in any one year. The Board has the option of paying the liability in its entirety or in installments. The total liability for those employees who retired at the end of the 2002 fiscal year was $1,517,000.

In addition, employees who elected to participate in the plan will receive a lump sum payment for their unused sick leave, to the extent allowed by the current labor agreement. June 30, 2001 retirees will receive their severance payment in September 2004, while June 30, 2002 retirees will receive their severance in September, 2005. The liability for the unpaid severance, in the amount of $1,343,059, has been included as part of the total liability for compensated absences, in the general long-term obligations account group at June 30, 2002. Both obligations will ultimately be paid from the fund in which the employee was paid.

B. Special Termination Benefits

A Timely Retirement Incentive Plan (TRIP) was also offered to both certified and non-certified employees. In order to take advantage of the TRIP, employees were required to meet the criteria established by the respective retirement system to which the employee belonged, and retire by the end of fiscal year 2001 or 2002. The enrollment period for STRS employees was between February 12, 2001 and February 16, 2001. There was no specified enrollment period for SERS employees. The retirees will receive 60% of his/her final salary (excluding extended days and supplemental contracts) in addition to payment for unused sick leave credit, to the extent allowed by current labor agreements. Payments for certified employees will be made in two equal installments beginning in January following the employee's retirement. Payments for classified employees will be made at 50% in the first payroll in the 7th month after the retirement date and 50% in the first payroll in the 19th month after the retirement date.

NOTE 16 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Special Termination Benefits - (Continued)

A liability of $72,029 for the salary portion of TRIP, and $31,095 for the severance portion of TRIP (included as a component of the total liability for compensated absences) have both been reported in the general long-term obligations account group at June 30, 2002. These obligations will ultimately be paid from the fund in which the employee was paid.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable in governmental funds (GAAP basis).

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$(2,488,472)	$(199,281)	$ (70,036)	$(265,124)
Net adjustment for revenue accruals	5,149,831	105,117	299,235	(20)
Net adjustment for expenditure accruals	(1,589,511)	(215,668)	212,998	(56,330)
Net adjustment for other financing sources/(uses)	(1,154,926)	(23,208)	(208,317)	78,000
Adjustment for encumbrances	976,277	280,229	-	48,640
GAAP basis	$ 893,199	$ (52,811)	$ 233,880	$(194,834)

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Instructional Materials	Capital Maintenance	Budget Stabilization
Set-aside cash balance as of July 1, 2002	$ (826,835)	$ -	$331,142
Current year set-aside requirement	861,436	861,436	-
Qualifying disbursements	(1,735,498)	(1,815,913)	-
Total	$(1,700,897)	$ (954,477)	$331,142
Cash balance carried forward to FY 2003	$(1,700,897)	$ -	$331,142

The District had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 19 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for budget stabilization	$331,142
Total restricted assets	$331,142

NOTE 20 - SUBSEQUENT EVENTS

In October 2002, the District passed resolution 200/02 for the issuance and sale of bonds in a maximum aggregate principal amount of $4,385,000 for the purpose of advance refunding at a lower interest cost the $4,385,000 of the school district's outstanding school improvement bonds, series 1993, dated as of March 1, 1993, that are stated to mature on December 1 in the years 2004, 2005, 2006 and 2013. All of which were issued for the purpose of remodeling, renovating, rehabilitating, adding to, furnishing, equipping and otherwise improving existing school district buildings and facilities and equipping and improving their sites.

LAKEWOOD CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		$61,605		$61,137
School Breakfast Program	044198 05 PU 02	10.553	$24,140		$24,140	
School Lunch Program	044198 LL P4 02	10.555	452,820		452,820	
ECS / Family Home Day Care Food	044198 22 FP 02	10.558	60,063		60,063	
Child Care Food Program	N/A	10.558	7,138		7,138	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**544,161**	**61,605**	**544,161**	**61,137**
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States						
Title VI-B	044198 6B SF 01 P	84.027	56,459		139,472	
	044198 6B SF 02 P		661,029		561,889	
Parent / Mentor Project	044198 6B PM 01		0		5,124	
	044198 6B PM 02		25,000		20,088	
Total CFDA			**742,488**	**0**	**726,573**	**0**
Special Education - Preschool Grants	044198 PG S1 01 P	84.173	30,097		13,341	
	044198 PG S1 02 P		76,610		69,233	
Total CFDA			**106,707**	**0**	**82,574**	**0**
Total Special Education Cluster			**849,195**	**0**	**809,147**	**0**
Adult Education State Grant Program	044198 AB S1 00	84.002	10,500		16,920	
	044198 AB S1 01C		13,006		12,389	
	044198 AB S1 02		88,248		86,818	
	044198 AB S2 02		39,150		20,208	
Total CFDA			**150,904**	**0**	**136,335**	**0**
Title I, Part A, ESEA	044198 C1 S1 01 C	84.010	101,120		101,120	
	044198 C1 S1 01		149,513		323,963	
	0449198 C1 S1 02		954,899		766,931	
Total CFDA			**1,205,532**	**0**	**1,192,014**	**0**
Vocational Education Basic Grants to States	044198 20 C1 02	84.048	75,711		167,620	
	044198 20 A0 02		19,720		1,800	
	044198 AB S1 00		14,679		15,124	
Total CFDA			**110,110**	**0**	**184,544**	**0**
Title VI-R	044198 CR S1 00	84.134	0		18,133	
	044198 CR S1 01		80,525		11,087	
	044198 CR S1 02		197,307		144,233	
Total CFDA			**277,832**	**0**	**173,453**	**0**
Emergency Immigrant Assistance	044198 EI S1 01	84.162	0		9,499	
	044198 EI S1 02		26,460		6,478	
Total CFDA			**26,460**	**0**	**15,977**	**0**
Safe and Drug Free Schools - State Grants	044198 DR S1 00	84.186	0		1,727	
	044198 DR S1 01		23,468		15,237	
	044198 DR S1 02		60,189		50,668	
Total CFDA			**83,657**	**0**	**67,632**	**0**
Eisenhower Professional Development State Grants	044198 MS S1 00	84.281	13,373		22,920	
	044198 MS S1 02		15,098		0	
Total CFDA			**28,471**	**0**	**22,920**	**0**
Innovative Educational Program Strategies	044198 C2 S1 00	84.298	13,887		12,215	
	044198 C2 S1 02		31,093		27,410	
Total CFDA			**44,980**	**0**	**39,625**	**0**
Virtual Middle School	044198 TF V2 02	84.318	65,000		65,000	
Total CFDA			**65,000**	**0**	**65,000**	**0**
REA Reading Improvement	044198 RN S1 00	84.338	150,189		115,350	
Total CFDA			**150,189**	**0**	**115,350**	**0**
Refugee Grant	044198 RI S1 01	93.576	0		6,300	
	044198 RI S1 02		6,300		1,219	
Total CFDA			**6,300**	**0**	**7,519**	**0**

LAKEWOOD CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)						
Passed Through Ohio Department of Education (Continued)						
Advance Placement Test	044198 AV A1 02	84.330	490		490	
Total CFDA			**490**	**0**	**490**	**0**
Comprehensive School Reform	044198 RF S1 01	84.332	45,000		31,897	
Total CFDA			**45,000**	**0**	**31,897**	**0**
School Renovation, IDEA and Technology	044198 AT S1 02	84.352	2,095		2,095	
Total CFDA			**2,095**	**0**	**2,095**	**0**
TOTAL U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			**3,046,215**	**0**	**2,863,998**	**0**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through the Ohio Department of Mental Retardation & Development Disabilities:						
Medidal Assistance - Medicaid Title XIX	N/A	93.778	353,235	0	353,235	0
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**353,235**	**0**	**353,235**	**0**
NATIONAL SCIENCE FOUNDATION						
Direct Grant						
Education and Human Resources	N/A	47.076	0	0	51	0
TOTAL NATIONAL SCIENCE FOUNDATION			**0**	**0**	**51**	**0**
U.S. DEPARTMENT OF FEDERAL MEDIATION AND CONCILIATION SERVICES						
Direct Grant						
Federal Mediation and Conciliation Services	N/A	34.002	20,346	0	16,114	0
TOTAL U.S. DEPARTMENT OF FEDERAL MEDIATION AND CONCILIATION SERVICES			**20,346**	**0**	**16,114**	**0**
TOTAL ALL FEDERAL FUNDS			**$3,963,957**	**$61,605**	**$3,777,559**	**$61,137**

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

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C – NATIONAL SCHOOL BREAKFAST, LUNCH, AND CHILD CARE FOOD PROGRAM

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

N/A – Not Applicable

CFDA – Catalog of Federal Domestic Assistance

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OFFICE OF THE AUDITOR

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

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

We have audited the financial statements of the Lakewood City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated December 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated December 18, 2002.

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

Jim Petro
Auditor of State

December 18, 2002

STATE OF OHIO
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNALCONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Lakewood City School District, Cuyahoga County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 18, 2002.

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

Jim Petro
Auditor of State

December 18, 2002

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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LAKEWOOD CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2003