

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2017**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lakewood City School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 19, 2018

This page intentionally left blank.

**LAKEWOOD CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 AUDIT REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-20
Basic Financial Statements:	
Statement of Net Position	21
Statement of Activities	22-23
Balance Sheet - Governmental Funds	24-25
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	31
Statement of Net Position - Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Position - Fiduciary Funds	35
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	36
Notes to the Basic Financial Statements	37-87
Required Supplementary Information	
Schedules of the District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System (SERS) of Ohio - Last Four Fiscal Years	90
State Teachers Retirement System (STRS) of Ohio - Last Four Fiscal Years	91
Schedules of District Contributions	
School Employees Retirement System (SERS) of Ohio - Last Ten Fiscal Years	92-93
State Teachers Retirement System (STRS) of Ohio	94-95
Notes to Required Supplementary Information	96
Schedule of Expenditures of Federal Awards	97
Notes to the Schedule of Expenditures of Federal Awards	98
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	99-100
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	101-102
Schedule of Findings and Questioned Costs	103
Schedule of Prior Audit Findings and Recommendations	104

This page intentionally left blank.

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Board of Education
Lakewood City School District
Lakewood, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles,

and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 30, 2017

This page intentionally left blank.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of Lakewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position decreased \$6,506,002. Net position of governmental activities decreased \$6,342,535, which represents a 148.03% decrease from 2016's net position. Net position of business-type activities decreased \$163,467 from 2016's net position.
- Governmental activities general revenues accounted for \$71,240,176, in revenue or 84.20% of all governmental activities revenues. Governmental activities program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$13,391,565 or 15.80% of total governmental activities revenues of \$84,631,741.
- The District had \$90,974,276 in expenses related to governmental activities; only \$13,391,565 of these expenses were offset by program specific charges for services, operating and capital grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted and restricted grants and entitlements) of \$71,240,176 were not adequate to provide for these programs.
- The District had \$1,666,071 in expenses related to business-type activities; a total of \$1,429,453 were offset by program specific charges for services, grants and contributions. General revenues were \$73,151. Total revenues were not adequate to provide for these programs by \$163,467 resulting in a decrease in net position from (\$819,552) to (\$983,019).
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$65,411,914 in revenues and \$71,042,271 in expenditures. The general fund's fund balance decreased \$5,630,357 from \$32,893,129 to \$27,262,772.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$10,316,432 in revenues and \$11,980,896 in expenditures. The debt service fund's fund balance decreased \$1,664,464 from \$12,884,138 to \$11,219,674.
- Another of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$5,802,976 in revenues and \$19,766,178 in expenditures. The classroom facilities fund's fund balance decreased \$13,963,202 from \$21,854,014 to \$7,890,812.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's recreation programs and food service operations are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 21-23 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 15. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and classroom facilities fund.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 24-31 of this report.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 35-36. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-87 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 90-96 of this report.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<u>Assets</u>						
Current assets	\$ 118,401,211	\$ 153,267,402	\$ 679,244	\$ 759,337	\$ 119,080,455	\$ 154,026,739
Capital assets, net	214,467,562	184,571,504	9,187	16,818	214,476,749	184,588,322
Total assets	<u>332,868,773</u>	<u>337,838,906</u>	<u>688,431</u>	<u>776,155</u>	<u>333,557,204</u>	<u>338,615,061</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges	5,278,129	5,726,268	-	-	5,278,129	5,726,268
Pension	23,957,728	10,282,504	393,315	129,134	24,351,043	10,411,638
Total deferred outflows of resources	<u>29,235,857</u>	<u>16,008,772</u>	<u>393,315</u>	<u>129,134</u>	<u>29,629,172</u>	<u>16,137,906</u>
<u>Liabilities</u>						
Current liabilities	17,110,904	24,969,057	166,048	159,052	17,276,952	25,128,109
Long-term liabilities:						
Due within one year	6,510,581	6,712,675	943	1,064	6,511,524	6,713,739
Net pension liability	128,672,330	104,027,528	1,752,151	1,392,918	130,424,481	105,420,446
Other amounts	165,858,510	170,901,688	105,583	92,605	165,964,093	170,994,293
Total liabilities	<u>318,152,325</u>	<u>306,610,948</u>	<u>2,024,725</u>	<u>1,645,639</u>	<u>320,177,050</u>	<u>308,256,587</u>
<u>Deferred inflows of resources</u>						
Property taxes and PILOTs	45,415,534	35,173,029	-	-	45,415,534	35,173,029
Pension	594,795	7,779,190	40,040	79,202	634,835	7,858,392
Total deferred inflows of resources	<u>46,010,329</u>	<u>42,952,219</u>	<u>40,040</u>	<u>79,202</u>	<u>46,050,369</u>	<u>43,031,421</u>
<u>Net Position</u>						
Net investment in capital assets	67,357,616	60,585,403	9,187	16,818	67,366,803	60,602,221
Restricted	17,142,983	21,310,782	-	-	17,142,983	21,310,782
Unrestricted (deficit)	<u>(86,558,623)</u>	<u>(77,611,674)</u>	<u>(992,206)</u>	<u>(836,370)</u>	<u>(87,550,829)</u>	<u>(78,448,044)</u>
Total net position	<u>\$ (2,058,024)</u>	<u>\$ 4,284,511</u>	<u>\$ (983,019)</u>	<u>\$ (819,552)</u>	<u>\$ (3,041,043)</u>	<u>\$ 3,464,959</u>

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**LAKESWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$3,041,043. Of this amount, (\$2,058,024) is reported in governmental activities and (\$983,019) is reported in business-type activities.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

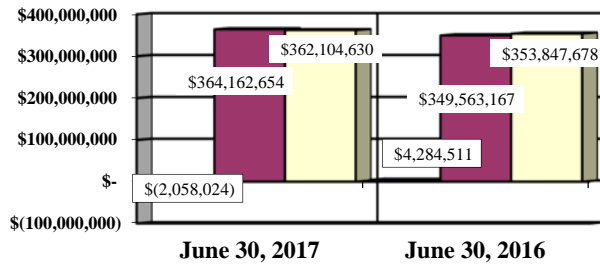
Assets of the District's governmental activities decreased \$4,970,133 or 1.47%. The District saw a decrease in current assets due to the spending down of construction related funds and a decrease in intergovernmental receivables related to the construction project. Capital assets of the District increased \$29,896,058 due to construction in progress increases. Deferred outflows of resources increased due to various amounts related to the District's net pension liability.

Liabilities of the governmental activities increased \$11,541,377 with the most significant increase in the area of net pension liability which increased \$24,644,809. Current liabilities decreased \$7,858,153 due to contracts payable related to the construction project. Deferred inflows of resources increased due to an increase in property taxes levied for the next fiscal year which was countered by a decrease in amounts related to the net pension liability.

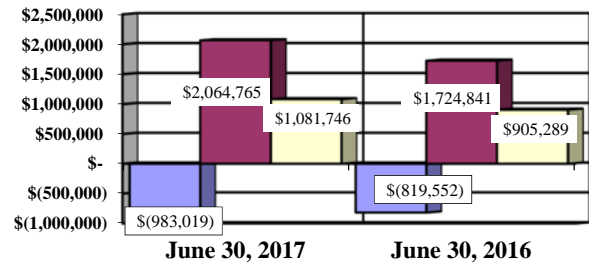
A portion of the District's net position, \$17,142,983, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$6,578,386 is restricted for capital projects which is primarily the balance restricted for the OSFC Project and \$8,008,086 that is restricted for debt service. The remaining balance of the governmental activities unrestricted net position is (\$86,558,623).

The graphs below show the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and June 30, 2016.

Governmental – Net Position



Business-Type – Net Position



Net Position
 Liabilities + Deferred Inflows
 Assets + Deferred Outflows

Net Position
 Liabilities + Deferred Inflows
 Assets + Deferred Outflows

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The table below shows the changes in net position for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services and sales	\$ 4,951,599	\$ 5,320,619	\$ 580,547	\$ 656,693	\$ 5,532,146	\$ 5,977,312
Operating grants and contributions	7,747,966	7,263,904	848,906	1,003,606	8,596,872	8,267,510
Capital grants and contributions	692,000	1,463,452	-	-	692,000	1,463,452
General revenues:						
Property taxes	46,403,330	57,549,796	-	-	46,403,330	57,549,796
Payment in lieu of taxes	76,174	163,680	-	-	76,174	163,680
Unrestricted grants and entitlements	22,694,139	23,245,816	-	-	22,694,139	23,245,816
Restricted grants and entitlements	1,392,709	-	-	-	1,392,709	-
Investment earnings	357,177	404,744	3,614	3,372	360,791	408,116
Miscellaneous	316,647	17,417	69,537	-	386,184	17,417
Total revenues	84,631,741	95,429,428	1,502,604	1,663,671	86,134,345	97,093,099

(Continued)

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Governmental Activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	34,079,629	29,260,504	-	-	34,079,629	29,260,504
Special	14,863,024	13,690,555	-	-	14,863,024	13,690,555
Vocational	3,075,904	2,575,656	-	-	3,075,904	2,575,656
Adult/continuing	104,520	99,355	-	-	104,520	99,355
Other	3,716,859	3,402,567	-	-	3,716,859	3,402,567
Support services:						
Pupil	4,399,136	4,328,533	-	-	4,399,136	4,328,533
Instructional staff	3,364,551	2,895,120	-	-	3,364,551	2,895,120
Board of education	323,077	307,065	-	-	323,077	307,065
Administration	4,103,552	3,585,250	-	-	4,103,552	3,585,250
Fiscal	1,910,817	1,817,672	-	-	1,910,817	1,817,672
Business	983,418	737,343	-	-	983,418	737,343
Operations and maintenance	7,648,848	7,117,084	-	-	7,648,848	7,117,084
Pupil transportation	115,787	13,185	-	-	115,787	13,185
Central	344,535	307,377	-	-	344,535	307,377
Operation of non-instructional services	3,280,919	2,976,698	-	-	3,280,919	2,976,698
Extracurricular activities	1,483,516	1,331,290	-	-	1,483,516	1,331,290
Interest and fiscal charges	7,176,184	7,625,523	-	-	7,176,184	7,625,523
Food service	-	-	1,314,573	1,475,643	1,314,573	1,475,643
Recreation	-	-	351,498	272,496	351,498	272,496
Total expenses	<u>90,974,276</u>	<u>82,070,777</u>	<u>1,666,071</u>	<u>1,748,139</u>	<u>92,640,347</u>	<u>83,818,916</u>
Changes in net position	(6,342,535)	13,358,651	(163,467)	(84,468)	(6,506,002)	13,274,183
Net position at beginning of year	<u>4,284,511</u>	<u>(9,074,140)</u>	<u>(819,552)</u>	<u>(735,084)</u>	<u>3,464,959</u>	<u>(9,809,224)</u>
Net position at end of year	<u>\$ (2,058,024)</u>	<u>\$ 4,284,511</u>	<u>\$ (983,019)</u>	<u>\$ (819,552)</u>	<u>\$ (3,041,043)</u>	<u>\$ 3,464,959</u>

Governmental Activities

Net position of the District's governmental activities decreased \$6,342,535. Total governmental expenses of \$90,974,276 were offset by program revenues of \$13,391,565 and general revenues of \$71,240,176. Program revenues supported 14.72% of the total governmental expenses. Governmental revenues of the District decreased \$10,797,687 which was due to a decrease in property taxes. Property taxes of the District decreased \$11,146,466 due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Cuyahoga County Fiscal Officer. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2017, 2016 and 2015 was \$8,106,089, \$16,615,364 and \$13,076,882, respectively. The amount of tax advance available at year-end can vary depending upon when the county fiscal officers distribute tax bills.

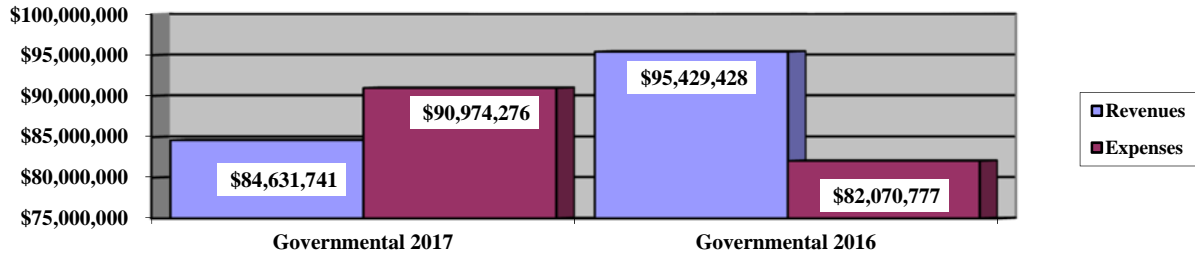
Expenses of the governmental activities increased \$8,903,499. The most significant increase was in the area of instruction. This increase is the result of an increase in wages and benefits earned by the District's teaching staff as well as expenses related to the District's net pension liability.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted and restricted grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses:				
Instruction:				
Regular	\$ 34,079,629	\$ 30,961,276	\$ 29,260,504	\$ 25,994,337
Special	14,863,024	9,978,149	13,690,555	9,435,225
Vocational	3,075,904	1,445,062	2,575,656	588,163
Adult/continuing	104,520	(26,120)	99,355	(37,103)
Other	3,716,859	3,716,358	3,402,567	3,291,711

(Continued)

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

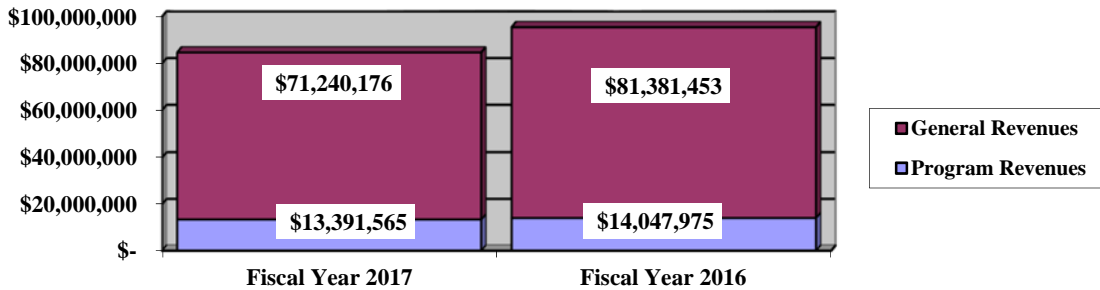
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Support services:				
Pupil	4,399,136	4,189,508	4,328,533	4,085,649
Instructional staff	3,364,551	3,344,751	2,895,120	2,848,148
Board of education	323,077	323,077	307,065	307,065
Administration	4,103,552	3,967,406	3,585,250	3,454,029
Fiscal	1,910,817	1,910,817	1,817,672	1,817,630
Business	983,418	983,418	737,343	737,343
Operations and maintenance	7,648,848	6,745,625	7,117,084	5,394,613
Pupil transportation	115,787	(45,931)	13,185	(123,058)
Central	344,535	344,535	307,377	307,377
Operation of non-instructional services	3,280,919	1,712,071	2,976,698	1,494,529
Extracurricular activities	1,483,516	955,525	1,331,290	801,621
Interest and fiscal charges	<u>7,176,184</u>	<u>7,176,184</u>	<u>7,625,523</u>	<u>7,625,523</u>
Total expenses	<u>\$ 90,974,276</u>	<u>\$ 77,582,711</u>	<u>\$ 82,070,777</u>	<u>\$ 68,022,802</u>

The dependence upon tax revenues and unrestricted grants and entitlements during fiscal year 2017 for governmental activities is apparent, as 82.33% of 2017 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 85.28% in 2017. The District's taxpayers and unrestricted and restricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include recreation and the food service operation. These programs had revenues of \$1,502,604 and expenses of \$1,666,071 for fiscal year 2017. The food service operations had expenses of \$1,314,573 and revenues of \$1,194,841. The recreation fund has \$351,498 in expenses and revenues of \$307,763. This resulted in a decrease to net position for the fiscal year of \$163,467. These funds are intended to be self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently. The major reason for the deficits in these funds is due to the recording of the net pension liability and the related deferred outflows/inflows under GASB Statement No. 68/71.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 24-25) reported a combined fund balance of \$50,846,808 which is lower than last year's total of \$84,818,444. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Change</u>
General	\$ 27,262,772	\$ 32,893,129	\$ (5,630,357)
Debt Service	11,219,674	12,884,138	(1,664,464)
Classroom Facilities	7,890,812	21,854,014	(13,963,202)
Other Governmental	<u>4,473,550</u>	<u>17,187,163</u>	<u>(12,713,613)</u>
Total	<u>\$ 50,846,808</u>	<u>\$ 84,818,444</u>	<u>\$ (33,971,636)</u>

General Fund

The District's general fund balance decreased \$5,630,357. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 36,361,033	\$ 45,649,153	\$ (9,288,120)	(20.35) %
Earnings on investments	158,660	175,382	(16,722)	(9.53) %
Intergovernmental	24,074,390	24,500,829	(426,439)	(1.74) %
Other revenues	<u>4,817,831</u>	<u>5,016,299</u>	<u>(198,468)</u>	<u>(3.96) %</u>
Total	<u>\$ 65,411,914</u>	<u>\$ 75,341,663</u>	<u>\$ (9,929,749)</u>	<u>(13.18) %</u>

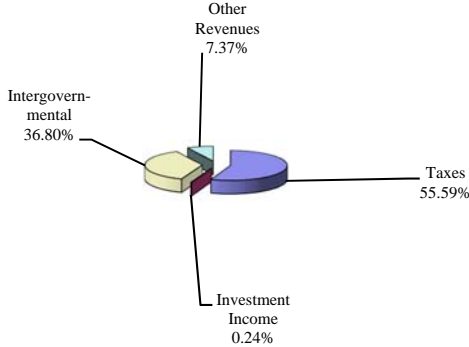
Overall revenues of the general fund decreased \$9,929,749 or 13.18%. Tax revenue decreased \$9,288,120 or 20.35% from the prior year. This decrease can be attributed to an increase in the amount of tax advance that was available to the District from the County Fiscal Officer at June 30, 2017 versus June 30, 2016. This variance resulted in less tax revenue being reported in fiscal year 2017. The amount of tax advances available from the County Fiscal Officer can vary depending upon when tax bills are mailed. Intergovernmental revenues decreased \$426,439 or 1.74%. This decrease is due to a decrease in Medicaid School Program (MSP) funding received from the federal government. Other revenues decreased primarily due to a decrease in tuition.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

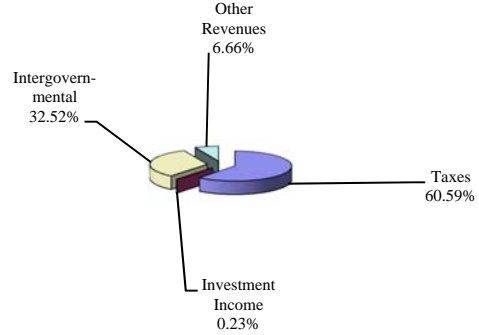
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The graphs below detail general fund revenues from fiscal year 2017 and 2016.

Revenues – Fiscal year 2017



Revenues – Fiscal year 2016



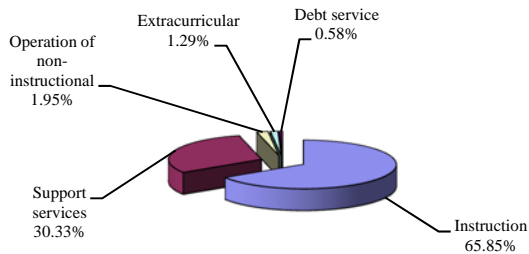
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 46,779,926	\$ 45,262,299	\$ 1,517,627	3.35 %
Support services	21,550,006	20,692,192	857,814	4.15 %
Operation of non-instructional services	1,387,404	1,311,883	75,521	5.76 %
Extracurricular activities	914,200	874,274	39,926	4.57 %
Facilities acquisition and construction	-	154,014	(154,014)	(100.00) %
Capital outlay	-	2,099,188	(2,099,188)	(100.00) %
Debt service	410,735	307,128	103,607	33.73 %
Total	<u>\$ 71,042,271</u>	<u>\$ 70,700,978</u>	<u>\$ 341,293</u>	0.48 %

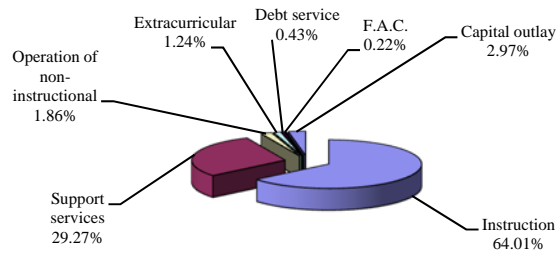
Expenditures of the general fund increased by \$341,293. While the District showed increases in instruction and support services due to wage and benefit increases to employees, these were offset by a decrease in capital outlay. This decrease in capital outlay was the result of the District entering into capital leases during fiscal year 2016.

The graphs below detail general fund expenditures for fiscal year 2017 and 2016.

Expenditures – Fiscal year 2017



Expenditures – Fiscal year 2016



**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Debt Service Fund

The debt service fund had \$10,316,432 in revenues and \$11,980,896 in expenditures. The debt service fund's fund balance decreased \$1,664,464 from \$12,884,138 to \$11,219,674. The decrease in fund balance is mainly related to the schedule debt service payments related to general obligation bonds exceeding revenues.

Classroom Facilities Fund

The classroom facilities fund had \$5,802,976 in revenues and \$19,766,178 in expenditures. The classroom facilities fund's fund balance decreased \$13,963,202 from \$21,854,014 to \$7,890,812. The decrease in fund balance is the result of construction related costs associated with the District's construction project.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2017, the District did not amend its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, original and final budgeted revenues were \$71,327,659. Actual revenues for fiscal year 2017 were \$71,592,566. This represents a \$264,907 increase from final budgeted revenues.

General fund original appropriations (expenditures) and final appropriations were \$73,624,431. The actual budget basis expenditures for fiscal year 2017 totaled \$72,319,043, which was \$1,305,388 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the District had \$214,476,749 invested in land, construction in progress, land improvements, buildings/improvements, furniture/equipment and vehicles. Of this total, \$214,467,562 was reported in governmental activities and \$9,187 was reported in business-type activities.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following table shows June 30, 2017 balances compared to June 30, 2016.

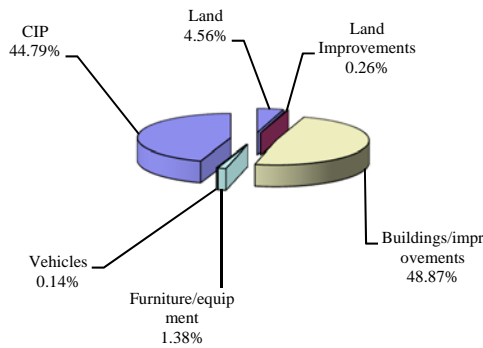
**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 9,786,520	\$ 9,786,520	\$ -	\$ -	\$ 9,786,520	\$ 9,786,520
Construction in progress	96,053,128	62,978,635	-	-	96,053,128	62,978,635
Land improvements	565,453	658,392	-	-	565,453	658,392
Buildings/improvements	104,806,130	107,578,243	-	-	104,806,130	107,578,243
Furniture/equipment	2,955,736	3,338,729	1,829	4,267	2,957,565	3,342,996
Vehicles	300,595	230,985	7,358	12,551	307,953	243,536
Total	\$ 214,467,562	\$ 184,571,504	\$ 9,187	\$ 16,818	\$ 214,476,749	\$ 184,588,322

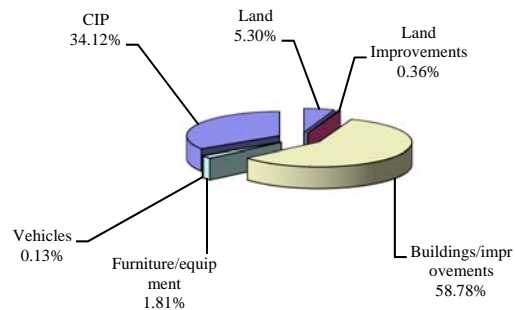
The overall increase in governmental capital assets of \$26,455,537 is due to capital outlays of \$29,736,479 exceeding the depreciation expense of \$3,290,942.

The following graphs show the breakdown of governmental activities capital assets by category for 2017 and 2016.

**Capital Assets - Governmental Activities
June 30, 2017**



**Capital Assets - Governmental Activities
June 30, 2016**



See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017 the District had \$152,005,973 in general obligation bonds and capital leases outstanding. Of this total, \$5,366,361 is due within one year and \$146,639,612 is due in more than one year.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following table summarizes the bonds and capital leases outstanding.

Outstanding Bond and Lease Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 150,441,665	\$ 154,788,189
Capital leases	<u>1,564,308</u>	<u>1,928,966</u>
Total	<u>\$ 152,005,973</u>	<u>\$ 156,717,155</u>

The District maintains an Aa2 bond rating.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the balance sheet on pages 24-25 shows, the general fund's unrestricted cash balance was \$30,463,382 at June 30, 2017. Fiscal year-end general fund unrestricted cash balances were \$28,745,741, \$24,811,841, \$22,581,173, \$19,580,409, \$16,813,918, \$15,603,692, \$13,196,739, \$16,019,490 and \$20,060,960 at June 30 in fiscal years 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009 and 2008, respectively. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance, pass four consecutive operating levies in 1995, 1999, 2002, 2010 and 2013 at minimum millage amounts possible, and continue a quality, comprehensive educational program.

The Board's five-year projections indicated that the natural budget cycle needs would require additional operating income beginning in fiscal year 2019. In May 2010, the Board submitted, and the electors of the District approved (by a vote of 60.62% to 39.38%) a 6.9-mill ad valorem property tax for the purpose of current expenses for a continuing period of time. That levy generates approximately \$5.8 million annually. By monitoring its five-year forecast, the Board was able to request voter approval early in the forecast cycle to lower the millage amount needed and not face significant reductions in educational programming. Once again, in May 2013, the board submitted, and the electors of the District approved (by a vote of 69% to 31%) a 3.9-mill ad valorem property tax for the purpose of current expenses for a continuing period of time. This levy generates approximately \$3.2 million annually. It is anticipated that additional operating funds from local taxes will be necessary again in fiscal year 2019. Since 2005, the Board has made numerous reductions in operating expenses to manage the budget and deal with revenue losses from reduced state funding, property valuations, and investment earnings.

Several significant legislative and judicial actions have occurred that will have a major impact on our District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. The District has been able to streamline some of its operations, thus cutting expenses, due to commencement of its new school facilities program.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Declining enrollment over the past ten years is a trend that has received, and will continue to receive, the attention of the Board and Administration. Enrollment in the past two years has leveled, perhaps due to implementation of extended-day kindergarten, economic conditions, or other factors. Reduced student counts lead to staffing cuts, excess building capacity, and less state funding. Each of these factors negatively impacts the operations of the District.

Another challenge facing the District is the need to complete the final construction phase to update its facilities to streamline operations and to enhance learning space design for students. The Board empowered the "Designing Our Schools for the Next 50 Years" Committee to develop a plan for school building replacement/renovation, grade configuration, and building numbers and locations. The Board has worked with the Ohio School Facilities Commission (OSFC) to develop a master facilities plan and project agreement, both of which are necessary in order to access State funds to assist with costs related to the plan. OSFC funding will comprise approximately 31% of the approved project costs; thus, it is important to capture this revenue source to relieve some of the financial burden from local taxpayers. The Lakewood community passed a \$93.6 million bond issue in March 2005, to begin the first construction phase of the facilities plan. Community and staff committees designed two new elementary schools and two new middle schools. The Lakewood community also passed a \$30.1 million bond issue on May 8, 2007. The 1.9 mill levy is for a term of 27 years commenced in 2007 (tax collections began in 2008). This bond issue was passed to renovate two middle schools to become elementary schools, and to renovate the western portion of Lakewood High School. When the entire project is completed, the District will have reduced its operations from 14 school buildings (10 elementary schools, 3 middle schools, and 1 high school) to 10 school buildings (7 elementary schools, 2 middle schools and 1 high school). The operational efficiencies created by this realignment of facilities will lessen millage amounts that will be needed for general fund operations in years after the facilities plan is completed. In November 2013 the Lakewood community passed a \$49,950,000 million bond issue to replace the last three elementary buildings and provide additions and renovations to the High School. Three new elementary buildings were opened in the fall of 2016 and a new academic wing at the High School opened in January 2017. The final phase of the High School project is anticipated to be completed by December 1, 2017. This will complete the mission of the "50 Year" Committee.

The District has committed itself to educational and financial excellence for many years. This is exemplified by the unmodified audit opinions that have been received by the Auditor of State. Each challenge identified in this section is viewed simultaneously as an opportunity for the District to foray down paths not previously traveled to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support the educational program.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Kent Zeman, Treasurer, Lakewood City School District, 1470 Warren Road, Lakewood, Ohio 44107.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lakewood City Academy
Assets:				
Equity in pooled cash and investments.	\$ 59,895,116	\$ 668,380	\$ 60,563,496	\$ 353,491
Receivables:				
Property taxes	57,367,060	-	57,367,060	-
Payment in lieu of taxes	101,024	-	101,024	-
Accounts.	26,239	-	26,239	-
Accrued interest	75,613	407	76,020	-
Intergovernmental	846,781	-	846,781	-
Prepayments	89,378	-	89,378	1,436
Materials and supplies inventory.	-	6,355	6,355	-
Inventory held for resale.	-	4,102	4,102	-
Capital assets:				
Nondepreciable capital assets	105,839,648	-	105,839,648	-
Depreciable capital assets, net.	108,627,914	9,187	108,637,101	23,376
Capital assets, net	214,467,562	9,187	214,476,749	23,376
Total assets.	332,868,773	688,431	333,557,204	378,303
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	5,278,129	-	5,278,129	-
Pension - STRS	19,098,042	-	19,098,042	-
Pension - SERS	4,859,686	393,315	5,253,001	-
Total deferred outflows of resources	29,235,857	393,315	29,629,172	-
Liabilities:				
Accounts payable.	584,146	10,525	594,671	735
Contracts payable.	4,481,696	-	4,481,696	-
Retainage payable	1,879,342	-	1,879,342	-
Accrued wages and benefits payable	8,074,498	120,426	8,194,924	-
Intergovernmental payable	135,754	1,527	137,281	3,564
Pension and postemployment benefits payable	1,112,185	33,570	1,145,755	-
Accrued interest payable	843,131	-	843,131	-
Claims payable.	152	-	152	-
Long-term liabilities:				
Due within one year.	6,510,581	943	6,511,524	-
Due in more than one year:				
Net pension liability.	128,672,330	1,752,151	130,424,481	-
Other amounts due in more than one year	165,858,510	105,583	165,964,093	-
Total liabilities	318,152,325	2,024,725	320,177,050	4,299
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	45,314,510	-	45,314,510	-
Payment in lieu of taxes levied for the next fiscal year	101,024	-	101,024	-
Pension - STRS.	360,372	-	360,372	-
Pension - SERS.	234,423	40,040	274,463	-
Total deferred inflows of resources	46,010,329	40,040	46,050,369	-
Net position:				
Net investment in capital assets	67,357,616	9,187	67,366,803	23,376
Restricted for:				
Capital projects	6,578,386	-	6,578,386	-
Classroom facilities maintenance	1,547,234	-	1,547,234	-
Debt service.	8,008,086	-	8,008,086	-
Locally funded programs	73,673	-	73,673	-
State funded programs.	189,738	-	189,738	1,800
Federally funded programs	235,447	-	235,447	-
Public school support	-	-	-	369
Student activities	361,281	-	361,281	-
Other purposes	149,138	-	149,138	249
Unrestricted (deficit)	(86,558,623)	(992,206)	(87,550,829)	348,210
Total net position.	\$ (2,058,024)	\$ (983,019)	\$ (3,041,043)	\$ 374,004

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Instruction:				
Regular	\$ 34,079,629	\$ 2,661,148	\$ 557,205	\$ -
Special	14,863,024	197,261	4,687,614	-
Vocational	3,075,904	1,097,411	533,431	-
Adult/continuing	104,520	130,640	-	-
Other	3,716,859	-	501	-
Support services:				
Pupil	4,399,136	344	209,284	-
Instructional staff	3,364,551	-	19,800	-
Board of education	323,077	-	-	-
Administration	4,103,552	-	136,146	-
Fiscal	1,910,817	-	-	-
Business	983,418	-	-	-
Operations and maintenance	7,648,848	210,223	-	692,000
Pupil transportation	115,787	-	161,718	-
Central	344,535	-	-	-
Operation of non-instructional services:				
Other non-instructional services	3,280,919	152,057	1,416,791	-
Extracurricular activities	1,483,516	502,515	25,476	-
Interest and fiscal charges	7,176,184	-	-	-
Total governmental activities	<u>90,974,276</u>	<u>4,951,599</u>	<u>7,747,966</u>	<u>692,000</u>
Business-type activities:				
Food service	1,314,573	342,321	848,906	-
Recreation	351,498	238,226	-	-
Total business-type activities	<u>1,666,071</u>	<u>580,547</u>	<u>848,906</u>	<u>-</u>
Totals	<u>\$ 92,640,347</u>	<u>\$ 5,532,146</u>	<u>\$ 8,596,872</u>	<u>\$ 692,000</u>
Component units				
Lakewood City Academy	<u>\$ 1,184,666</u>	<u>\$ 316</u>	<u>\$ 967,558</u>	<u>\$ -</u>

General revenues:

Property taxes levied for:
General purposes
Debt service
Classroom facilities
Payments in lieu of taxes
Grants and entitlements not restricted to specific programs
Grants and entitlements restricted to the OFCC project
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position at beginning of year
Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Lakewood City Academy
\$ (30,861,276)	\$ -	\$ (30,861,276)	\$ -
(9,978,149)	-	(9,978,149)	-
(1,445,062)	-	(1,445,062)	-
26,120	-	26,120	-
(3,716,358)	-	(3,716,358)	-
(4,189,508)	-	(4,189,508)	-
(3,344,751)	-	(3,344,751)	-
(323,077)	-	(323,077)	-
(3,967,406)	-	(3,967,406)	-
(1,910,817)	-	(1,910,817)	-
(983,418)	-	(983,418)	-
(6,746,625)	-	(6,746,625)	-
45,931	-	45,931	-
(344,535)	-	(344,535)	-
(1,712,071)	-	(1,712,071)	-
(955,525)	-	(955,525)	-
(7,176,184)	-	(7,176,184)	-
<u>(77,582,711)</u>	<u>-</u>	<u>(77,582,711)</u>	<u>-</u>
-	(123,346)	(123,346)	-
-	(113,272)	(113,272)	-
-	(236,618)	(236,618)	-
<u>(77,582,711)</u>	<u>(236,618)</u>	<u>(77,819,329)</u>	<u>-</u>
-	-	-	(216,792)
36,742,575	-	36,742,575	-
9,303,500	-	9,303,500	-
357,255	-	357,255	-
76,174	-	76,174	-
22,694,139	-	22,694,139	-
1,392,709	-	1,392,709	-
357,177	3,614	360,791	-
316,647	69,537	386,184	1,198
<u>71,240,176</u>	<u>73,151</u>	<u>71,313,327</u>	<u>1,198</u>
(6,342,535)	(163,467)	(6,506,002)	(215,594)
4,284,511	(819,552)	3,464,959	589,598
<u>\$ (2,058,024)</u>	<u>\$ (983,019)</u>	<u>\$ (3,041,043)</u>	<u>\$ 374,004</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 30,463,382	\$ 9,478,585	\$ 10,965,452	\$ 8,303,181
Receivables:				
Property taxes.	45,274,998	11,654,032	-	438,030
Payment in lieu of taxes	101,024	-	-	-
Accounts	26,239	-	-	-
Accrued interest	22,250	-	39,169	14,194
Intergovernmental.	237,611	-	-	424,659
Due from other funds	8,311	-	-	-
Total assets	<u>\$ 76,133,815</u>	<u>\$ 21,132,617</u>	<u>\$ 11,004,621</u>	<u>\$ 9,180,064</u>
Liabilities:				
Accounts payable	\$ 499,280	\$ -	\$ -	\$ 84,866
Contracts payable.	-	-	1,731,109	2,750,587
Retainage payable.	-	-	1,364,306	515,036
Accrued wages and benefits payable	7,615,885	-	-	458,613
Compensated absences payable	275,558	-	-	-
Intergovernmental payable	129,784	-	-	5,970
Pension and postemployment benefits payable	1,038,231	-	-	73,954
Due to other funds	-	-	-	8,311
Total liabilities.	<u>9,558,738</u>	<u>-</u>	<u>3,095,415</u>	<u>3,897,337</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	35,900,428	9,065,291	-	348,791
Payment in lieu of taxes levied for the next fiscal year.	101,024	-	-	-
Delinquent property tax revenue not available.	3,069,589	847,652	-	29,220
Intergovernmental revenue not available.	194,060	-	-	424,659
Accrued interest not available.	3,453	-	18,394	6,507
Miscellaneous revenue not available.	43,751	-	-	-
Total deferred inflows of resources	<u>39,312,305</u>	<u>9,912,943</u>	<u>18,394</u>	<u>809,177</u>
Fund balances:				
Restricted:				
Debt service	-	11,219,674	-	-
Capital improvements	-	-	7,890,812	2,766,179
Classroom facilities maintenance	-	-	-	1,518,014
Non-public schools	-	-	-	7,966
Public school preschool	-	-	-	167,217
Other purposes.	-	-	-	237,439
Extracurricular activities	-	-	-	361,281
Assigned:				
Student instruction	422,766	-	-	-
Student and staff support.	2,208,226	-	-	-
Extracurricular activities	276	-	-	-
Subsequent year's appropriations	482,090	-	-	-
Operation of non-instructional activities	233,467	-	-	-
Other purposes.	80,991	-	-	-
Unassigned (deficit)	23,834,956	-	-	(584,546)
Total fund balances	<u>27,262,772</u>	<u>11,219,674</u>	<u>7,890,812</u>	<u>4,473,550</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 76,133,815</u>	<u>\$ 21,132,617</u>	<u>\$ 11,004,621</u>	<u>\$ 9,180,064</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total
Governmental
Funds**

\$ 59,210,600

57,367,060

101,024

26,239

75,613

662,270

8,311

\$ 117,451,117

\$ 584,146

4,481,696

1,879,342

8,074,498

275,558

135,754

1,112,185

8,311

16,551,490

45,314,510

101,024

3,946,461

618,719

28,354

43,751

50,052,819

11,219,674

10,656,991

1,518,014

7,966

167,217

237,439

361,281

422,766

2,208,226

276

482,090

233,467

80,991

23,250,410

50,846,808

\$ 117,451,117

THIS PAGE IS INTENTIONALLY LEFT BLANK

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	50,846,808
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			214,467,562
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	3,946,461	
Accounts receivable		43,751	
Accrued interest receivable		28,354	
Intergovernmental receivable		618,719	
Total		618,719	4,637,285
An internal service fund is used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			958,253
Unamortized premiums on bonds issued are not recognized in the funds.			(13,643,135)
Unamortized amounts on refundings are not recognized in the funds.			5,278,129
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(843,131)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		23,957,728	
Deferred inflows of resources - pension		(594,795)	
Net pension liability		(128,672,330)	
Total		(128,672,330)	(105,309,397)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(150,441,665)	
Capital lease obligations		(1,564,308)	
Compensated absences		(6,065,575)	
Retirement incentives		(378,850)	
Total		(158,450,398)	(158,450,398)
Net position of governmental activities		\$	(2,058,024)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 36,361,033	\$ 9,197,932	\$ -	\$ 353,624
Payment in lieu of taxes	76,174	-	-	-
Tuition	2,539,936	-	-	87,724
Earnings on investments	158,660	-	92,512	103,193
Extracurricular	499,313	-	-	466,444
Classroom materials and fees	88,407	-	-	-
Rental income	206,823	-	-	3,400
Contributions and donations	22,751	-	-	59,811
Contract services	1,059,552	-	-	-
Other local revenues	324,875	-	-	705,789
Intergovernmental - intermediate	-	-	-	2,025
Intergovernmental - state	23,640,179	1,118,500	5,710,464	1,543,402
Intergovernmental - federal	434,211	-	-	3,244,528
Total revenues	<u>65,411,914</u>	<u>10,316,432</u>	<u>5,802,976</u>	<u>6,569,940</u>
Expenditures:				
Current:				
Instruction:				
Regular	29,394,974	-	-	657,136
Special	11,218,642	-	-	2,729,185
Vocational	2,511,342	-	-	198,515
Adult/continuing	93,095	-	-	-
Other	3,561,873	-	-	493
Support services:				
Pupil	4,071,742	-	-	209,633
Instructional staff	2,889,724	-	-	9,900
Board of education	319,582	-	-	-
Administration	3,609,798	-	-	136,394
Fiscal	1,824,242	-	13,845	12,910
Business	941,242	-	-	-
Operations and maintenance	7,469,913	-	-	12,795
Pupil transportation	98,439	-	-	-
Central	325,324	-	-	-
Operation of non-instructional services:				
Other non-instructional services	1,387,404	-	-	1,523,377
Extracurricular activities	914,200	-	-	440,570
Facilities acquisition and construction	-	-	19,752,333	13,352,645
Debt service:				
Principal retirement	364,658	2,173,646	-	-
Interest and fiscal charges	46,077	6,805,896	-	-
Accretion on capital appreciation bonds	-	3,001,354	-	-
Total expenditures	<u>71,042,271</u>	<u>11,980,896</u>	<u>19,766,178</u>	<u>19,283,553</u>
Net change in fund balances	(5,630,357)	(1,664,464)	(13,963,202)	(12,713,613)
Fund balances at beginning of year	<u>32,893,129</u>	<u>12,884,138</u>	<u>21,854,014</u>	<u>17,187,163</u>
Fund balances at end of year	<u>\$ 27,262,772</u>	<u>\$ 11,219,674</u>	<u>\$ 7,890,812</u>	<u>\$ 4,473,550</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total
Governmental
Funds**

\$ 45,912,589
76,174
2,627,660
354,365
965,757
88,407
210,223
82,562
1,059,552
1,030,664
2,025
32,012,545
3,678,739
88,101,262

30,052,110
13,947,827
2,709,857
93,095
3,562,366

4,281,375
2,899,624
319,582
3,746,192
1,850,997
941,242
7,482,708
98,439
325,324

2,910,781
1,354,770
33,104,978

2,538,304
6,851,973
3,001,354
122,072,898

(33,971,636)

84,818,444
\$ 50,846,808

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	(33,971,636)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 33,187,000	
Current year depreciation	(3,290,942)	
Total		29,896,058
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	490,741	
Earnings on investments	4,694	
Other local revenue	12,853	
Intergovernmental	(3,958,704)	
Total		(3,450,416)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	2,173,646	
Accreted interest on capital appreciation bonds	3,001,354	
Capital leases	364,658	
Total		5,539,658
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	42,292	
Accreted interest on capital appreciation bonds	(828,476)	
Amortization of bond premiums	910,112	
Amortization of deferred charges	(448,139)	
Total		(324,211)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		6,199,842
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(9,985,025)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(311,100)
An internal service fund used by management to charge the costs of workers compensation to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		64,295
Change in net position of governmental activities	\$	(6,342,535)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 42,821,351	\$ 42,821,351	\$ 42,980,387	\$ 159,036
Payment in lieu of taxes.	76,174	76,174	76,174	-
Tuition.	2,524,617	2,524,617	2,533,993	9,376
Earnings on investments	194,727	194,727	195,450	723
Extracurricular.	69,728	69,728	69,987	259
Classroom materials and fees	88,080	88,080	88,407	327
Rental income	214,980	214,980	215,778	798
Contract services.	1,055,631	1,055,631	1,059,552	3,921
Other local revenues	293,506	293,506	294,879	1,373
Intergovernmental - state	23,556,261	23,556,261	23,643,748	87,487
Intergovernmental - federal	432,604	432,604	434,211	1,607
Total revenues	<u>71,327,659</u>	<u>71,327,659</u>	<u>71,592,566</u>	<u>264,907</u>
Expenditures:				
Current:				
Instruction:				
Regular	30,647,320	30,647,320	29,331,715	1,315,605
Special.	11,186,479	11,186,479	11,258,575	(72,096)
Vocational.	2,410,940	2,410,940	2,518,044	(107,104)
Adult/continuing	108,498	108,498	111,222	(2,724)
Other.	3,966,948	3,966,948	3,726,945	240,003
Support services:				
Pupil.	4,097,935	4,097,935	4,065,139	32,796
Instructional staff	2,849,817	2,849,817	2,856,709	(6,892)
Board of education	395,843	395,843	441,754	(45,911)
Administration.	3,530,329	3,530,329	3,629,828	(99,499)
Fiscal	2,305,718	2,305,718	1,828,863	476,855
Business	886,805	886,805	1,030,595	(143,790)
Operations and maintenance.	8,388,342	8,388,342	8,737,803	(349,461)
Pupil transportation	142,399	142,399	125,915	16,484
Central.	318,166	318,166	332,826	(14,660)
Other operation of non-instructional services	1,386,055	1,386,055	1,410,872	(24,817)
Extracurricular activities.	899,665	899,665	912,238	(12,573)
Facilities acquisition and construction	103,172	103,172	-	103,172
Total expenditures	<u>73,624,431</u>	<u>73,624,431</u>	<u>72,319,043</u>	<u>1,305,388</u>
Net change in fund balance	(2,296,772)	(2,296,772)	(726,477)	1,570,295
Fund balance at beginning of year	26,755,834	26,755,834	26,755,834	-
Prior year encumbrances appropriated	1,380,970	1,380,970	1,380,970	-
Fund balance at end of year	<u>\$ 25,840,032</u>	<u>\$ 25,840,032</u>	<u>\$ 27,410,327</u>	<u>\$ 1,570,295</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Total Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:		
Equity in pooled cash and investments	\$ 668,380	\$ 684,516
Receivables:		
Accrued interest.	407	-
Intergovernmental.	-	184,511
Prepayments	-	89,378
Materials and supplies inventory.	6,355	-
Inventory held for resale	4,102	-
	679,244	958,405
Total current assets		
Noncurrent assets:		
Depreciable capital assets, net	9,187	-
	688,431	958,405
Total assets.		
Deferred outflows of resources:		
Pension - SERS	393,315	-
Total deferred outflows of resources	393,315	-
Liabilities:		
Accounts payable.	10,525	-
Accrued wages and benefits	120,426	-
Compensated absences.	943	-
Pension and postemployment benefits payable	33,570	-
Intergovernmental payable	1,527	-
Claims payable	-	152
	166,991	152
Total current liabilities		
Long-term liabilities:		
Compensated absences payable.	105,583	-
Net pension liability	1,752,151	-
	1,857,734	-
Total long-term liabilities		
Total liabilities	2,024,725	152
Deferred inflows of resources:		
Pension - SERS	40,040	-
Total deferred inflows of resources	40,040	-
Net position:		
Investment in capital assets	9,187	-
Unrestricted (deficit)	(992,206)	958,253
	\$ (983,019)	\$ 958,253
Total net position.		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Total Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Sales/charges for services.	\$ 580,547	\$ -
Other	69,537	184,511
Total operating revenues	650,084	184,511
Operating expenses:		
Personal services.	1,035,326	-
Purchased services.	30,918	12,825
Materials and supplies	578,840	-
Other.	13,356	-
Claims	-	107,391
Depreciation	7,631	-
Total operating expenses.	1,666,071	120,216
Operating income (loss)	(1,015,987)	64,295
Nonoperating revenues:		
Grants and subsidies.	745,663	-
Interest revenue	3,614	-
Federal donated commodities	103,243	-
Total nonoperating revenues.	852,520	-
Change in net position	(163,467)	64,295
Net position at beginning of year	(819,552)	893,958
Net position at end of year	\$ (983,019)	\$ 958,253

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Total Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/charges for services	\$ 580,547	\$ -
Cash received from other operations	69,537	-
Cash payments for personal services	(963,572)	-
Cash payments for purchased services	(20,671)	(12,825)
Cash payments for materials and supplies	(478,331)	-
Cash payments for claims	-	(231,226)
Cash payments for other expenses	(18,297)	-
	(830,787)	(244,051)
Net cash used in operating activities		
	(830,787)	(244,051)
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies	745,663	-
	745,663	-
Net cash provided by noncapital financing activities		
	745,663	-
Cash flows from investing activities:		
Interest received	3,323	-
	3,323	-
Net cash provided by investing activities		
	3,323	-
Net decrease in cash and investments		
	(81,801)	(244,051)
Cash and investments at beginning of year		
	750,181	928,567
Cash and investments at end of year		
	\$ 668,380	\$ 684,516
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (1,015,987)	\$ 64,295
Adjustments:		
Depreciation	7,631	-
Federal donated commodities	103,243	-
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Intergovernmental receivable	-	(184,511)
Prepayments	-	(89,378)
Materials and supplies inventory	(61)	-
Inventory held for resale	(1,356)	-
Deferred outflows - pension - SERS	(264,181)	-
Accounts payable	3,229	-
Accrued wages and benefits	2,112	-
Intergovernmental payable	(37)	-
Compensated absences payable	12,857	-
Pension and postemployment benefits payable	1,692	-
Net pension liability	359,233	-
Deferred inflows - pension - SERS	(39,162)	-
Claims payable	-	(34,457)
	-	(34,457)
Net cash used in operating activities		
	\$ (830,787)	\$ (244,051)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 30,445	\$ 157,437
Receivables:		
Accrued interest.	22	-
Total assets.	<u>30,467</u>	<u>\$ 157,437</u>
Liabilities:		
Accounts payable.	-	\$ 466
Intergovernmental payable	-	21,271
Due to students.	-	135,700
Total liabilities	<u>-</u>	<u>\$ 157,437</u>
Net position:		
Held in trust for scholarships	<u>30,467</u>	
Total net position.	<u>\$ 30,467</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Interest	\$	188
Gifts and contributions		1,000
Total additions		<u>1,188</u>
Deductions:		
Scholarships awarded		<u>998</u>
Change in net position		190
Net position at beginning of year		<u>30,277</u>
Net position at end of year	\$	<u>30,467</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 currently operates 10 instructional buildings, 1 administrative building and 1 garage. The District employs 483 non-certified and 477 certified full-time and part-time employees to provide services to approximately 4,886 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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.

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and the component unit.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The following component unit and other organizations are described due to their relationship to the District.

COMPONENT UNIT

The Lakewood City Academy - The Lakewood City Academy (the “Academy”) is a legally separate, conversion community school, served by a Board of Directors. The Academy provides students within the District with curriculum and instruction via distance learning technology. The Board of Directors consists of five Lakewood residents. The Directors are selected and appointed by the Lakewood City School District Board of Education. The Lakewood City School District is the sponsoring School District of the Academy under Ohio Revised Code Section 3314. The Superintendent of the District serves as the Chief Administrative Officer of the Academy and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the Academy, the Academy’s purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Directors of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 1470 Warren Road, Lakewood, OH 44107-3918. See Note 19 for further information on the Academy.

JOINTLY GOVERNED ORGANIZATIONS

Connect - The District is a member of the connect, formerly known as the North Coast Council, which was formed when the Lakeshore Northeast Ohio Computer Association and the Lake Erie Educational Computer Association merged during fiscal year 2012. Connect was organized for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among 34 member districts. Each of the governments of these schools supports the Connect based on a per pupil charge. The District contributed \$222,272 to Connect during fiscal year 2017. Connect is governed by a nine member Board of Directors consisting of superintendents from member school districts. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as fiscal agent, at 5700 West Canal Road, Valley View, Ohio 44125.

Ohio Schools Council - The Ohio Schools Council Association (the “Council”) is a jointly governed organization comprised of 157 member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council’s Board consists of nine 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 2017, the District paid \$60,817 to the Council for membership and other services as well as for the natural gas purchasing program. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period beginning after October 1, 2010. There are currently 146 participants in the program including the Lakewood City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

RELATED ORGANIZATION

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

INSURANCE PURCHASING POOLS

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

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.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The Fiscal Agent (Orange City School District) shall be the Board of Education responsible for administering the financial transactions of the Consortium. 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 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 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 the Treasurer of the Orange City School District (the Fiscal Agent) 32000 Chagrin Blvd., Pepper Pike, Ohio 44124.

B. Fund Accounting

The District uses funds 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. 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.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for the accumulation of resources restricted for the payment of general obligation bond and note principal, interest and related costs.

Classroom facilities fund - The classroom facilities fund is used to account for bond or note proceeds and intergovernmental revenues from the State that are restricted for building renovation under the Ohio School Facilities Commission (OSFC) program.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 funds:

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

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. The District's internal service fund accounts for workers' compensation activities.

**LAKESWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into three classifications: investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The private-purpose trust fund accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student managed activities and amounts held and due to other governments.

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current deferred outflows of resources, current liabilities, current deferred inflows of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services and sales. The principal operating revenues of the District's enterprise funds are sales for food services and charges for services for recreation. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. Operating expenses for the enterprise funds are personnel costs and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

E. 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.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The specific timetable for fiscal year 2017 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 purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, 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 of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The certificate of estimated resources 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 original and final amended certificates issued for fiscal year 2017.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control.
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 legal level of budgetary control 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.
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 year 2017. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final appropriations for fiscal year 2017.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all 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" on the financial statements.

During fiscal year 2017, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, U.S. Treasury notes and governmental money market accounts. Investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 year 2017 amounted to \$158,660 and includes \$49,289 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, 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 4.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

H. Inventory

On fund and government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their local fair value on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. The District maintains a capitalization threshold of \$5,000. Donated capital assets are recorded at their acquisition value as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is not capitalized for governmental activities.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 years	N/A
Buildings/improvements	50 - 75 years	N/A
Furniture/equipment	5 - 20 years	5 - 20 years
Vehicles	8 years	8 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from negative cash balances are classified as "due to/due from other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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.

**LAKESIDE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance benefits). 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 sick leave 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.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability in the fund financial statements when due.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

O. Parochial Schools

Within the District boundaries, Lakewood Catholic Academy and St. Edward High School 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 activities of these State monies are reflected by the District in a nonmajor governmental fund for financial reporting purposes.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and charges for services for recreation and self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund.

Q. Estimates

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

R. Bond Issuance Costs/Unamortized Bond Premium and Discount/Unamortized Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

S. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds are eliminated for reporting on the government-wide statement of activities.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund services provided and used are not eliminated for reporting on the government-wide statement of activities.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

U. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had neither occurrence.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 20); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Title VI-B	\$ 188,586
Vocation education	20,549
Title I	299,170
IDEA preschool grant	11,632
Miscellaneous federal grants	64,609
<u>Nonmajor enterprise funds</u>	
Food service operations	639,930
Recreation	343,089

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the governmental funds resulted from adjustments for accrued liabilities. The deficit fund balances in the nonmajor enterprise funds resulted from recording the net pension liability and the related deferred outflows/inflows.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statute classifies 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 five-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.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS 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 or 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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies 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.

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

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.

A. Cash on Hand

At fiscal year-end, the District had \$2,890 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$9,874,830. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$8,886,033 of the District’s bank balance of \$10,155,751 was exposed to custodial risk as discussed below, while \$1,269,718 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Fair Value:						
FFCB	\$ 7,479,615	\$ -	\$ 5,981,220	\$ 1,498,395	\$ -	\$ -
FHLB	3,491,905	-	2,495,875	996,030	-	-
FHLMC	15,935,942	9,493,510	2,495,075	3,947,357	-	-
FNMA	4,967,195	-	1,996,640	1,492,770	-	1,477,785
U.S. Treasury note	3,491,265	998,890	2,492,375	-	-	-
U.S. Government money market	6,232,423	6,232,423	-	-	-	-
Amortized Cost:						
STAR Ohio	9,275,313	9,275,313	-	-	-	-
Total	\$ 50,873,658	\$ 26,000,136	\$ 15,461,185	\$ 7,934,552	\$ -	\$ 1,477,785

The weighted average of maturity for investments is 0.55 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FNMA, FFCB, FHLMC, U.S. Treasury notes) are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the governmental money market an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FFCB	\$ 7,479,615	14.70
FHLB	3,491,905	6.86
FHLMC	15,935,942	31.32
FNMA	4,967,195	9.76
U.S. Treasury notes	3,491,265	6.86
U.S. Government money market	6,232,423	12.25
Amortized Cost:		
STAR Ohio	<u>9,275,313</u>	<u>18.23</u>
Total	<u>\$ 50,873,658</u>	<u>99.98</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Cash on hand	\$ 2,890
Carrying amount of deposits	9,874,830
Investments	50,873,658
Total	<u>\$ 60,751,378</u>
<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 59,895,116
Business-type activities	668,380
Private-purpose trust fund	30,445
Agency funds	157,437
Total	<u>\$ 60,751,378</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS

Due to/from other funds consisted of the following at June 30, 2017, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 8,311</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$6,304,981 in the general fund, \$1,741,089 in the debt service fund and \$60,019 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$12,924,335 in the general fund, \$3,547,997 in the debt service fund and \$123,035 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 879,515,540	98.22	\$ 884,518,200	98.13
Public utility personal	<u>15,963,540</u>	<u>1.78</u>	<u>16,851,640</u>	<u>1.87</u>
Total	<u>\$ 895,479,080</u>	<u>100.00</u>	<u>\$ 901,369,840</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$108.73		\$108.73	
Debt service	13.50		13.50	
Classroom facilities maintenance	0.50		0.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes - current and delinquent	\$ 57,367,060
Payment in lieu of taxes	101,024
Accounts	26,239
Accrued interest	75,613
Intergovernmental	846,781

Business-type activities:

Accrued interest	<u>407</u>
Total receivables	<u>\$ 58,417,124</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/17</u>
Capital assets, not being depreciated:				
Land	\$ 9,786,520	\$ -	\$ -	\$ 9,786,520
Construction in progress	<u>62,978,635</u>	<u>33,074,493</u>	-	<u>96,053,128</u>
Total capital assets, not being depreciated	<u>72,765,155</u>	<u>33,074,493</u>	-	<u>105,839,648</u>
Capital assets, being depreciated:				
Land improvements	4,018,461	-	-	4,018,461
Building/improvements	149,982,480	-	-	149,982,480
Furniture/equipment	13,647,210	-	-	13,647,210
Vehicles	<u>1,613,144</u>	<u>112,507</u>	-	<u>1,725,651</u>
Total capital assets, being depreciated	<u>169,261,295</u>	<u>112,507</u>	-	<u>169,373,802</u>
Less: accumulated depreciation				
Land improvements	(3,360,069)	(92,939)	-	(3,453,008)
Building/improvements	(42,404,237)	(2,772,113)	-	(45,176,350)
Furniture/equipment	(10,308,481)	(382,993)	-	(10,691,474)
Vehicles	<u>(1,382,159)</u>	<u>(42,897)</u>	-	<u>(1,425,056)</u>
Total accumulated depreciation	<u>(57,454,946)</u>	<u>(3,290,942)</u>	-	<u>(60,745,888)</u>
Governmental activities capital assets, net	<u>\$ 184,571,504</u>	<u>\$ 29,896,058</u>	<u>\$ -</u>	<u>\$ 214,467,562</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 2,021,662
Special	231,759
Vocational	169,170
Other	103,471
Support services:	
Pupil	13,698
Instructional staff	217,805
Board of education	2,033
Administration	91,322
Business	714
Operations and maintenance of plant	69,780
Pupil transportation	17,375
Operation of non-instructional services	304,460
Extracurricular	<u>47,693</u>
Total depreciation expense	<u>\$ 3,290,942</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Business-Type Activities

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2017</u>
<i>Capital assets being depreciated:</i>				
Furniture/Equipment	\$ 195,078	\$ -	\$ -	\$ 195,078
Vehicles	<u>41,545</u>	<u>-</u>	<u>-</u>	<u>41,545</u>
Total capital assets being depreciated	<u>236,623</u>	<u>-</u>	<u>-</u>	<u>236,623</u>
<i>Less: accumulated depreciation</i>				
Furniture/Equipment	(190,811)	(2,438)	-	(193,249)
Vehicles	<u>(28,994)</u>	<u>(5,193)</u>	<u>-</u>	<u>(34,187)</u>
Total accumulated depreciation	<u>(219,805)</u>	<u>(7,631)</u>	<u>-</u>	<u>(227,436)</u>
Net capital assets	<u>\$ 16,818</u>	<u>\$ (7,631)</u>	<u>\$ -</u>	<u>\$ 9,187</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into capital lease agreements for the acquisition of copiers, a bus, phone system, office I.T. equipment and copiers. These leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of vehicles and equipment have been capitalized in the amount of \$2,099,188. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2017 was \$396,488, leaving a current book value of \$1,702,700.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2017 fiscal year totaled \$364,658 and \$46,077, respectively. These amounts are reported as debt service payments of the general fund.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

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, 2017:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 410,735
2019	383,941
2020	249,971
2021	171,188
2022	92,404
2023 - 2026	<u>363,570</u>
Total minimum lease payment	1,671,809
Less: amount representing interest	<u>(107,501)</u>
Present value of minimum lease payments	<u>\$ 1,564,308</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. General obligation bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. 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 14.00 (average) mill bonded debt tax levy.

B. Series 2014C School Facilities Improvement Refunding Bonds

On December 9, 2014, the District issued \$37,355,000 in general obligation bonds to partially refund a total of \$39,050,000 from other issuances. The Series 2014C Refunding Bonds refunded \$7,550,000 of Series 2006 Construction Bonds and \$31,500,000 of the Series 2007 School Facilities Improvement Bonds. 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 statement of net position. The bonds mature on December 1, 2034 and bear an annual interest rate of 4.00% - 5.00%. The source of payment is derived from a current bonded debt tax levy. Principal and interest payments are due on December 1 and June 1 each year. The balance of the refunded bonds at June 30, 2017 was \$39,050,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,417,308. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2034. This advance refunding was undertaken to reduce the combined total debt service payments by \$2,289,741 and resulted in an economic gain of \$1,601,037.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2014C school facilities improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ -	\$ 1,791,950	\$ 1,791,950
2019	-	1,791,950	1,791,950
2020	-	1,791,950	1,791,950
2021	-	1,791,950	1,791,950
2022	-	1,791,950	1,791,950
2023 - 2027	5,980,000	8,664,500	14,644,500
2028 - 2032	19,030,000	5,348,325	24,378,325
2033 - 2035	12,345,000	791,000	13,136,000
Total	<u>\$ 37,355,000</u>	<u>\$ 23,763,575</u>	<u>\$ 61,118,575</u>

C. Series 2014A School Facilities Improvement Bonds

On May 14, 2014, the District issued \$49,950,000 in general obligation bonds to pay off the Series 2013 bond anticipation notes and to provide \$21,335,000 in additional funding for the District's Ohio School Facilities Commission (OSFC) project. The issue is comprised of current interest bonds, par value \$49,950,000. The interest rates on the current interest bonds range from 1.50% - 5.00% and have a final maturity date of November 1, 2043. Principal and interest payments are due on May 1 and November 1 each year. At June 30, 2017, there were \$4,103,492 in unspent bond proceeds.

The following is a summary of the future debt service requirements to maturity for the series 2014A school facilities improvement bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 500,000	\$ 2,287,712	\$ 2,787,712
2019	500,000	2,278,963	2,778,963
2020	615,000	2,264,812	2,879,812
2021	635,000	2,254,520	2,889,520
2022	665,000	2,239,062	2,904,062
2023 - 2027	4,750,000	10,607,500	15,357,500
2028 - 2032	7,535,000	9,095,625	16,630,625
2033 - 2037	11,125,000	6,758,375	17,883,375
2038 - 2042	14,390,000	3,572,500	17,962,500
2043 - 2044	6,815,000	344,875	7,159,875
Total	<u>\$ 47,530,000</u>	<u>\$ 41,703,944</u>	<u>\$ 89,233,944</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Series 2014B School Facilities Improvement Refunding Bonds

On May 14, 2014, the District issued \$15,010,000 in general obligation bonds to partially refund a total of \$15,725,000 from other issuances. The Series 2014B Refunding Bonds refunded \$770,000 of Series 2001 Refunding General Obligation Bonds, \$4,560,000 of Series 2006 Construction Bonds and \$10,395,000 of the Series 2007 School Facilities Improvement Bonds. 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 statement of net position. The bonds mature on December 1, 2024 and bear an annual interest rate of 1.50% - 5.00%. The source of payment is derived from a current bonded debt tax levy. Principal and interest payments are due on May 1 and November 1 each year. The balance of the refunded bonds at June 30, 2017 was \$14,955,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,776,646. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2024. This advance refunding was undertaken to reduce the combined total debt service payments over the next 11 years by \$1,114,378 and resulted in an economic gain of \$614,675.

The following is a summary of the future debt service requirements to maturity for the series 2014B school facilities improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 420,000	\$ 677,600	\$ 1,097,600
2019	430,000	660,600	1,090,600
2020	1,805,000	606,875	2,411,875
2021	1,895,000	514,375	2,409,375
2022	1,990,000	417,250	2,407,250
2023 - 2025	<u>7,350,000</u>	<u>563,250</u>	<u>7,913,250</u>
Total	<u>\$ 13,890,000</u>	<u>\$ 3,439,950</u>	<u>\$ 17,329,950</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

E. Series 2013 Library Improvement Refunding Bonds

On July 31, 2012, the District issued \$7,770,000 in general obligation bonds on behalf of the Lakewood Public Library to partially refund \$8,515,000 of the Series 2003 Library Improvement Bonds. 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 statement of net position. The bonds were placed in the name of the Lakewood City School District. In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Lakewood City School District. The District, acting as taxing authority for the Library, collects levied taxes and makes required debt service payments. The library improvement bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds mature on December 1, 2023 and bear an annual interest rate of 2.00% - 3.00%. The source of payment is derived from a current bonded debt tax levy. At June 30, 2017, the balance of the bonds of \$5,885,000, bond premiums of \$331,210 and deferred charges on the refunding of \$274,778 have not been included in the calculation of net investment in capital assets because the capital assets purchased from this issuance are not included in the District's capital assets. At June 30, 2017, the balance of the refunded bonds was \$6,590,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$485,320. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2023.

The following is a summary of the future debt service requirements to maturity for the series 2012 library improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 675,000	\$ 176,550	\$ 851,550
2019	765,000	156,300	921,300
2020	790,000	133,350	923,350
2021	810,000	109,650	919,650
2022	900,000	85,350	985,350
2023 - 2024	1,945,000	88,950	2,033,950
Total	<u>\$ 5,885,000</u>	<u>\$ 750,150</u>	<u>\$ 6,635,150</u>

F. Series 2007 School Facilities Improvement Bonds

On August 9, 2007, the District issued \$43,779,967 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value \$42,275,000 and capital appreciation bonds, par value \$1,504,967. During fiscal year 2015, \$31,500,000 of the current interest bonds were refunded with the Series 2014C Refunding Bonds. The interest rates on the current interest bonds range from 4.00% - 5.00%. The capital appreciation bonds mature each December 1, 2017 through 2018 (stated interest rate 11.474-11.618%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bonds maturing December 1, 2017 and 2018 are \$1,190,000 and \$1,210,000, respectively. Total accreted interest of \$1,436,376 has been included on the statement of net position.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2007 school facilities improvement bonds. The accreted interest due to paid in fiscal year 2018 includes \$65,212 in interest that will accrete during fiscal year 2018.

Fiscal Year Ending June 30,	Capital Appreciation Bonds		
	Principal	Interest	Total
2018	\$ 372,578	\$ 817,422	\$ 1,190,000
2019	337,316	872,684	1,210,000
Total	<u>\$ 709,894</u>	<u>\$ 1,690,106</u>	<u>\$ 2,400,000</u>

G. Series 2007 Refunding General Obligation Bonds

On May 9, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2004 school improvement current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded current interest bonds at June 30, 2017, is \$42,895,000.

The refunding issue is comprised of both current interest bonds, par value \$45,195,000 and capital appreciation bonds par value \$1,944,953. The interest rates on the current interest bonds range from 4.00% - 4.50%. The remaining capital appreciation bonds mature on December 1, 2017 (stated interest rate 15.821%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted values at maturity for the capital appreciation bonds maturing December 1, 2017 are \$2,450,000. Total accreted interest of \$1,779,733 has been included on the statement of net position at June 30, 2017.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2031.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,865,968. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the series 2007 refunding bonds. The accreted interest due to paid in fiscal year 2018 includes \$179,605 in interest that will accrete during fiscal year 2018.

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ 1,846,696	\$ 1,846,696	\$ 490,662	\$ 1,959,338	\$ 2,450,000
2019	2,445,000	1,796,268	4,241,268	-	-	-
2020	2,545,000	1,688,577	4,233,577	-	-	-
2021	2,665,000	1,571,353	4,236,353	-	-	-
2022	2,780,000	1,451,620	4,231,620	-	-	-
2023 - 2027	15,405,000	5,257,012	20,662,012	-	-	-
2028 - 2032	15,525,000	1,625,963	17,150,963	-	-	-
Total	<u>\$ 41,365,000</u>	<u>\$ 15,237,489</u>	<u>\$ 56,602,489</u>	<u>\$ 490,662</u>	<u>\$ 1,959,338</u>	<u>\$ 2,450,000</u>

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

H. Series 2006 Construction Bonds

On August 30, 2006, the District issued \$13,499,995 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value \$13,330,000 and capital appreciation bonds, par value \$169,995. During fiscal year 2015, \$7,550,000 of the current interest bonds were refunded with the Series 2014C Refunding Bonds. The interest rates on the current interest bonds range from 3.50% - 5.00%. The capital appreciation bonds mature December 1, 2016 (stated interest rate 17.253%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2016 was \$450,000. There are no further obligations outstanding on this debt.

THIS SPACE INTENTIONALLY LEFT BLANK

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

I. The following is a summary of the bond activity for fiscal year 2017:

	Balance <u>06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/17</u>	Amounts due in <u>One Year</u>
<u>General Obligation Bonds:</u>					
Series 2014C					
Refunding Bonds					
4.00-5.00%, 12/1/34 maturing	\$ 37,355,000	\$ -	\$ -	\$ 37,355,000	\$ -
Series 2014A School Facilities Improvement Bonds					
1.50-5.00%, 11/1/43 maturing	47,970,000	-	(440,000)	47,530,000	500,000
Series 2014B School Facilities Improvement Refunding Bonds					
1.50-5.00%, 11/1/24 maturing	13,905,000	-	(15,000)	13,890,000	420,000
Series 2013 Library Improvement					
2.00-3.00%, 12/01/23 maturity	6,540,000	-	(655,000)	5,885,000	675,000
Series 2007 school facilities improvement capital appreciation bonds					
	1,119,229	-	(409,335)	709,894	372,578
Series 2007 school facilities improvement capital appreciation bonds accreted interest 11.474-11.618% (stated interest rate) 12/1/15-12/1/18 maturity					
	1,899,576	292,465	(755,665)	1,436,376	752,210
Series 2007, refunding current interest bonds (4.00-4.50%), 12/01/31 maturity					
	41,365,000	-	-	41,365,000	-
Series 2007, refunding capital appreciation bonds 15.821% (stated interest rate) 12/01/14 to 17, maturity					
	1,062,002	-	(571,340)	490,662	490,662
Series 2007, refunding capital appreciation bonds accreted interest					
	3,158,118	500,275	(1,878,660)	1,779,733	1,779,733
Series 2006, school construction capital appreciation bonds 17.253% (stated), 12/01/15 and 16, maturity					
	82,971	-	(82,971)	-	-
Series 2006, school construction capital appreciation bonds accreted interest					
	331,293	35,736	(367,029)	-	-
Total General Obligation Bonds	<u>\$ 154,788,189</u>	<u>\$ 828,476</u>	<u>\$ (5,175,000)</u>	<u>\$ 150,441,665</u>	<u>\$ 4,990,183</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

J. The changes in the District's long-term obligations during the year consist of the following.

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/17</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Compensated absences payable	\$ 5,192,914	\$ 1,427,031	\$ (278,812)	\$ 6,341,133	\$ 765,370
Net pension liability	104,027,528	24,644,802	-	128,672,330	-
Retirement incentives payable	1,151,047	-	(772,197)	378,850	378,850
General obligation bonds payable	154,788,189	828,476	(5,175,000)	150,441,665	4,990,183
Capital lease obligations	<u>1,928,966</u>	<u>-</u>	<u>(364,658)</u>	<u>1,564,308</u>	<u>376,178</u>
Total governmental activities long-term liabilities	<u>\$ 267,088,644</u>	<u>\$ 26,900,309</u>	<u>\$ (6,590,667)</u>	<u>287,398,286</u>	<u>\$ 6,510,581</u>
Add: Unamortized premium				<u>13,643,135</u>	
Total on statement of net position				<u>\$ 301,041,421</u>	
	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/17</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Business-type activities:					
Compensated absences	\$ 93,669	\$ 21,276	\$ (8,419)	\$ 106,526	\$ 943
Net pension liability	<u>1,392,918</u>	<u>359,233</u>	<u>-</u>	<u>1,752,151</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 1,486,587</u>	<u>\$ 380,509</u>	<u>\$ (8,419)</u>	<u>\$ 1,858,677</u>	<u>\$ 943</u>

Governmental activities' compensated absences and the retirement incentives will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund. See Note 11 for further detail on the District's retirement incentive programs and Note 9 for further detail on the District's capital lease obligations.

Business-type activities compensated absences will be paid from the food service fund and the recreation fund (nonmajor business-type funds).

Net Pension Liability: See Note 13 for detail on net pension liability.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

L. 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 additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017 are a voted debt margin of \$(54,882,596), including available funds of \$11,219,674 and an unvoted debt margin of \$901,370.

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The Lakewood City School District was determined to be a "special needs" district by the State Superintendent.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Timely Retirement Incentive Program (TRIP)

The District's Board of Education has approved a TRIP for certified and classified employees. 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 by the end of each fiscal year beginning in fiscal year 2007. Employees who elected to participate in the TRIP will receive a payment for their unused sick leave, to the extent allowed by the current labor agreement, along with a payment of 60-75% of their annual salary. The payment for the TRIP is paid out over a five year period. The total liability for the TRIP at June 30, 2017 was \$378,850 all of which is due within one year. The liability is recorded in the governmental activities statement of net position as a component of "long-term liabilities".

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 2017, the District contracted with the Schools of Ohio Risk Sharing Authority (“SORSA”) for property, crime, and general liability insurance coverage. SORSA was formed in conjunction with the Ohio Revised Code 2744 which allows public entities to join together for coverage purposes. The limitations of coverages are as follows:

Building and Contents - replacement cost (\$500 deductible)	\$196,466,391
Earth Movement Limit (\$50,000 deductible)	2,000,000
Flood Limit (\$50,000 deductible)	2,000,000
Equipment Breakdown (\$500 deductible)	50,000,000
Crime Coverage (500 deductible)	100,000
General Liability (no deductible) - per occurrence	5,000,000
General Liability (no deductible) - annual aggregate	7,000,000
Premises Medical Payments - per claim	10,000
Premises Medical Payments - annual aggregate	25,000
Fire Legal Liability - per occurrence	500,000
Stop Gap Employers Liability	5,000,000
Educator Legal Liability (\$4,000 deductible)	5,000,000
Automobile Liability and Physical Damage (\$500 deductible)	5,000,000
Excess Liability	10,000,000

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

B. Worker’s Compensation

During fiscal year 2017, the District has participated in the Ohio Bureau of Workers’ Compensation (Bureau) Retrospective Rating Plan. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the District assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau. The District’s stop-loss coverage through the plan is limited to \$200,000 per claim stop-loss coverage with an annual aggregate. The Plan is administered by KKSG & Associates.

The District’s Workers’ Compensation program is accounted for in the internal service fund which pays for all claims, claim reserves and administrative costs of the program. The internal service fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2017	\$ 34,609	\$ 107,391	\$ (141,848)	\$ 152
2016	105,000	34,609	(105,000)	34,609

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Group Health and Dental Insurance

For the fiscal year 2017, the District was 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 Orange City School District. The Treasurer of the fiscal agent 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 is as follows:

	Board Share of Premium			
	Full-Time	Part-Time	Full-Time	Part-Time
	Family	Family	Single	Single
Health:				
Suburban Health Consortium	\$ 1,009.22	\$ 504.61	\$ 474.93	\$ 237.46
Prescription drug	251.51	125.75	118.35	59.18
Dental	76.22	8.11	26.29	13.15
Vision	11.21	5.61	2.63	1.32

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to SERS was \$1,432,242 for fiscal year 2017. Of this amount, \$104,956 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$4,874,912 for fiscal year 2017. Of this amount, \$833,452 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.31972030%	0.31543460%	
Proportion of the net pension liability current measurement date	<u>0.31951020%</u>	<u>0.31977784%</u>	
Change in proportionate share	<u>-0.00021010%</u>	<u>0.00434324%</u>	
Proportionate share of the net pension liability	\$ 23,385,199	\$ 107,039,282	\$ 130,424,481
Pension expense	\$ 2,249,346	\$ 7,898,881	\$ 10,148,227

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 315,413	\$ 4,324,900	\$ 4,640,313
Net difference between projected and actual earnings on pension plan investments	1,928,938	8,887,137	10,816,075
Changes of assumptions	1,561,090	-	1,561,090
Difference between District contributions and proportionate share of contributions/change in proportionate share	15,318	1,011,093	1,026,411
District contributions subsequent to the measurement date	<u>1,432,242</u>	<u>4,874,912</u>	<u>6,307,154</u>
Total deferred outflows of resources	<u>\$ 5,253,001</u>	<u>\$ 19,098,042</u>	<u>\$ 24,351,043</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>\$ 274,463</u>	<u>\$ 360,372</u>	<u>\$ 634,835</u>
Total deferred inflows of resources	<u>\$ 274,463</u>	<u>\$ 360,372</u>	<u>\$ 634,835</u>

\$6,307,154 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 831,140	\$ 2,224,513	\$ 3,055,653
2019	829,750	2,224,514	3,054,264
2020	1,330,916	5,634,755	6,965,671
2021	<u>554,490</u>	<u>3,778,978</u>	<u>4,333,468</u>
Total	<u>\$ 3,546,296</u>	<u>\$ 13,862,760</u>	<u>\$ 17,409,056</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$30,960,545	\$ 23,385,199	\$ 17,044,318

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 142,246,508	\$ 107,039,282	\$ 77,339,912

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$172,000.

**LAKESWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$172,000, \$165,497, and \$240,395, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - 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 general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (726,477)
Net adjustment for revenue accruals	(6,663,858)
Net adjustment for expenditure accruals	(681,918)
Funds budgeted elsewhere	48,962
Adjustment for encumbrances	2,392,934
GAAP basis	<u>\$ (5,630,357)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund, rotary fund and the public school support fund.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	902,112
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	(902,112)
Total	\$ -
Balance carried forward to fiscal year 2018	\$ -
Set-aside balance June 30, 2017	\$ -

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - SET-ASIDES - (Continued)

During fiscal years 2004, 2007, 2008 and 2014, the District issued a total of \$193,449,969 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$192,547,857 at June 30, 2017.

NOTE 17 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 18 - COMMITMENTS

A. Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 2,358,020
Classroom facilities fund	6,668,076
Other governmental	<u>2,603,728</u>
Total	<u>\$ 11,629,824</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 18 - COMMITMENTS - (Continued)

B. Contractual Commitments

As of June 30, 2017, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2017</u>
AECOM	\$ 196,724	\$ -	\$ 196,724
Brewer Garrett	362,454	(275,583)	86,871
GDP Associates	1,388,151	(1,143,565)	244,586
OZANNE	891,249	(865,803)	25,446
Turner Construction	109,657,416	(102,972,440)	6,684,976
URS Corporation Design	<u>1,464,515</u>	<u>(1,323,926)</u>	<u>140,589</u>
Total	<u>\$ 113,960,509</u>	<u>\$ (106,581,317)</u>	<u>\$ 7,379,192</u>

NOTE 19 - LAKEWOOD CITY ACADEMY

The Lakewood City Academy (the “Academy”) is a discretely presented component unit of the Lakewood City School District (the “District”). The District is the Sponsor of the Academy. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. This separately issued financial report can be obtained from the Treasurer of the Academy at 1470 Warren Road, Lakewood, Ohio 44107-3918.

Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 19 - LAKEWOOD CITY ACADEMY - (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows or resources, all liabilities and all deferred inflows of resources are included on the statement of net position. The difference between total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

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 Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2017, there were no deferred outflows of resources.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2017, there were no deferred inflows of resources.

E. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 19 - LAKEWOOD CITY ACADEMY - (Continued)

F. Cash

All monies received by the Academy are deposited in a demand deposit account.

G. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over 5-20 years.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Intergovernmental Revenue

The Academy currently participates in the State foundation program through the Ohio Department of Education, the State of Ohio Network Connectivity grant, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant and the Federal Title II-A Improving Teacher Quality grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2017 was \$141,266.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 19 - LAKEWOOD CITY ACADEMY - (Continued)

K. Estimates

The preparation of financial statements 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.

Deposits

At June 30, 2016, the carrying amount of the Academy's deposits was \$353,491. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$103,491 of the Academy's bank balance of \$353,491 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Capital Assets

Capital asset activity for the fiscal year 2017 was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Furniture and equipment	\$ 217,290	\$ -	\$ -	\$ 217,290
Less: accumulated depreciation	<u>(187,693)</u>	<u>(6,221)</u>	<u>-</u>	<u>(193,914)</u>
Capital assets, net	<u>\$ 29,597</u>	<u>\$ (6,221)</u>	<u>\$ -</u>	<u>\$ 23,376</u>

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2017, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer \$20,000.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 19 - LAKEWOOD CITY ACADEMY - (Continued)

Purchased Services

For the fiscal year 2017 purchased services expenses were as follows:

Professional and technical services	\$ 1,107,345
Property services	24,000
Travel mileage/meeting	130
Contracted craftor trade	<u>1,354</u>
Total	<u>\$ 1,132,829</u>

Contingencies

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2017.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect of the financial statements.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Academy owes \$3,217 to the Academy for fiscal year 2017. This amount is reflected as an intergovernmental payable on the basic financial statements. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 foundation funding for the Academy; therefore, the final financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy. The final adjustment to state funding is expected to be immaterial.

Service Agreements

A. Meta Solutions

The Academy entered into an agreement on January 31, 2013, with Meta Solutions (formerly Tri-Rivers Educational Computer Association (“TRECA”)) for planning, instructional, administrative and technical services required for the operation of the Academy. During the fiscal year 2017, the Academy paid Meta Solutions \$10,905 for services under the agreement. Under the contract, Meta Solutions is required to provide the following services:

1. Instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy’s educational plan, assessment and accountability plan, and the sponsorship contract.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 19 - LAKEWOOD CITY ACADEMY - (Continued)

2. Responsibility for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes with respect to all personnel providing services to the Academy on behalf of Meta Solutions. Also, all personnel shall possess any certification or licensure which may be required by law.
3. Curricular services limited to standardized curriculum developed by Meta Solutions.

For these services, the Academy is required to pay the following fees to Meta Solutions:

- a. \$3,000 per student for the instructional services comprehensive service package
- b. \$80 per course, one-time set up fee of \$300 and \$300 annual support fee for HQT Plato Service package
- c. \$45 per course; one-time set up fee of \$300; and \$300 annual support fee for Plato Curriculum Service package
- d. \$100 per student license; one-time set up fee of \$300; and \$300 annual support fee for Compass Curriculum Service Package
- e. \$250 per semester course per student for K-6 and 7-12 Credit Service Package
- f. \$350 per account for SIS User Account License

B. Lakewood City School District

The Community School Sponsorship Contract and the annual Purchased Services Contract between the Academy and Lakewood City School District outlined the specific payments to be made by the Academy to Lakewood City School District during the fiscal year 2016. In addition the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Lakewood City School District. The Academy paid Lakewood City School District \$1,054,866 during the fiscal year 2017 for services rendered under the Community School Sponsorship Contract and the annual Purchased Services Contract.

NOTE 20 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Lakewood has negotiated a property tax abatement agreement under Sections 3735.65 through 3735.70 of the Ohio Revised Code, establishing the boundaries of a Community Reinvestment Area.

As required by Section 3735.66 of the Ohio Revised Code, a survey of housing has been prepared for the area proposed to be included in the Community Reinvestment Area authorized by Resolution 8645-13 passed by Lakewood City Council on May 6, 2013. The survey shows the facts and conditions relating to existing housing in the Community Reinvestment Area, including among other things, evidence of deterioration and lack of new construction in substantial portions of the Area.

The abatement provides for 100 percent exemption of residential property taxes not to exceed 10 years and must meet all condition and requirements of the Multifamily High Density Zone district. Under the agreements, the property taxes assessed to the District have been abated. During fiscal year 2017, the District's property taxes were reduced by \$784,381.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST FOUR FISCAL YEARS			
	2017	2016	2015	2014
District's proportion of the net pension liability	0.31951020%	0.31972030%	0.32944400%	0.32944400%
District's proportionate share of the net pension liability	\$ 23,385,199	\$ 18,243,549	\$ 16,672,973	\$ 19,590,977
District's covered-employee payroll	\$ 9,957,671	\$ 9,625,250	\$ 9,572,994	\$ 10,111,958
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	234.85%	189.54%	174.17%	193.74%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.31977784%	0.31544600%	0.31753546%	0.31753546%
District's proportionate share of the net pension liability	\$ 107,039,282	\$ 87,176,897	\$ 77,235,613	\$ 92,002,557
District's covered-employee payroll	\$ 33,874,743	\$ 32,910,314	\$ 32,443,354	\$ 35,161,431
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	315.99%	264.89%	238.06%	261.66%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,432,242	\$ 1,394,074	\$ 1,268,608	\$ 1,326,817
Contributions in relation to the contractually required contribution	<u>(1,432,242)</u>	<u>(1,394,074)</u>	<u>(1,268,608)</u>	<u>(1,326,817)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,230,300	\$ 9,957,671	\$ 9,625,250	\$ 9,572,994
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,399,495	\$ 1,388,697	\$ 1,299,198	\$ 1,442,895	\$ 1,032,617	\$ 1,002,356
<u>(1,399,495)</u>	<u>(1,388,697)</u>	<u>(1,299,198)</u>	<u>(1,442,895)</u>	<u>(1,032,617)</u>	<u>(1,002,356)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,111,958	\$ 10,324,885	\$ 10,335,704	\$ 10,656,536	\$ 10,494,075	\$ 10,207,291
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,874,912	\$ 4,742,464	\$ 4,607,444	\$ 4,217,636
Contributions in relation to the contractually required contribution	<u>(4,874,912)</u>	<u>(4,742,464)</u>	<u>(4,607,444)</u>	<u>(4,217,636)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 34,820,800	\$ 33,874,743	\$ 32,910,314	\$ 32,443,354
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 4,570,986	\$ 4,625,659	\$ 4,658,143	\$ 4,802,397	\$ 4,653,162	\$ 4,520,287
<u>(4,570,986)</u>	<u>(4,625,659)</u>	<u>(4,658,143)</u>	<u>(4,802,397)</u>	<u>(4,653,162)</u>	<u>(4,520,287)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 35,161,431	\$ 35,581,992	\$ 35,831,869	\$ 36,941,515	\$ 35,793,554	\$ 34,771,438
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$ 91,063	\$ 0	\$ 91,063	\$ 0
National School Lunch Program	10.555	633,222	103,243	633,222	103,243
Total Child Nutrition Cluster		<u>724,285</u>	<u>103,243</u>	<u>724,285</u>	<u>103,243</u>
Total U.S. Department of Agriculture		<u>724,285</u>	<u>103,243</u>	<u>724,285</u>	<u>103,243</u>
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I - Grants to Local Educational Agencies	84.010	<u>1,610,410</u>	<u>0</u>	<u>1,680,688</u>	<u>0</u>
Special Education Cluster:					
Special Education Grants to States	84.027	1,135,790	0	1,204,098	0
Special Education - Preschool Grants	84.173	79,438	0	87,875	0
Total Special Education Cluster		<u>1,215,228</u>	<u>0</u>	<u>1,291,973</u>	<u>0</u>
Career and Technical Education-Basic Grants to States	84.048	<u>210,127</u>	<u>0</u>	<u>216,164</u>	<u>0</u>
English Language Acquisition Grants	84.365	<u>79,846</u>	<u>0</u>	<u>79,846</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	<u>343,169</u>	<u>0</u>	<u>367,466</u>	<u>0</u>
Total U.S. Department of Education		<u>3,458,780</u>	<u>0</u>	<u>3,636,137</u>	<u>0</u>
U.S. Department of Health and Human Services					
<i>Passed through Educational Service Center of Cuyahoga County</i>					
Refugee and Entrant Assistance - Discretionary Grants	93.576	<u>66,694</u>	<u>0</u>	<u>89,583</u>	<u>0</u>
Total U.S. Department of Health and Human Services		<u>66,694</u>	<u>0</u>	<u>89,583</u>	<u>0</u>
U.S. Department of Justice					
<i>Direct Award</i>					
Supporting Teens through Education and Protection	16.684	<u>18,487</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Justice		<u>18,487</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 4,268,246</u>	<u>\$ 103,243</u>	<u>\$ 4,450,005</u>	<u>\$ 103,243</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Lakewood City School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lakewood City School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lakewood City School District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

Lakewood City School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE 5: FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

To the Members of Board of Education
Lakewood City School District
Lakewood, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

James G. Zupka, CPA, Inc.
Certified Public Accountants

November 30, 2017

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of Board of Education
Lakewood City School District
Lakewood, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Lakewood City School District, Cuyahoga County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lakewood City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 30, 2017

**LAKWOOD CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

2017 (i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2017(v)	Type of Major Programs' Compliance Opinion:	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list): Title I - Grants to Local Educational Agencies - CFDA #84.010	
2017(viii)	Dollar Threshold: Type A\B Program	Type A: \$750,000 or more Type B: All others
2017(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

The audit report for the prior year ended June 30, 2016 contained no findings or citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

LAKESIDE 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
FEBRUARY 1, 2018