



**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types	10
Combined Statement of Revenues, Expenses and Changes in (Accumulated Deficit)/ Retained Earnings/Fund Balance - All Proprietary Fund Types and Nonexpendable Trust Fund	14
Combined Statement of Cash Flows - All Proprietary Fund Types and Nonexpendable Trust Fund	16
Notes to the General Purpose Financial Statements	19
Schedule of Federal Awards Expenditures	53
Notes to the Schedule of Federal Awards Expenditures	55
Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	57
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings	61

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lakewood City School District, Cuyahoga County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3B to the accompanying general-purpose financial statements, the District restated beginning General Fund balance and retained earnings in the Internal Service Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 27, 2001

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Lakewood City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>ASSETS AND OTHER DEBITS</u>				
ASSETS:				
Equity in pooled cash, cash equivalents and investments	\$8,323,345	\$1,851,583	\$2,033,934	\$1,450,006
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Cash in segregated accounts	1,000	5,000		
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	32,518,547		1,862,786	
Accounts	168,914	12,565		
Accrued interest	102,913	4,378		387
Interfund loan receivable	923,000			
Due from other funds				
Due from other governments	446,616	60,000		
Advances to other funds	11,710			
Prepayments	25,945			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	339,374			
Property, plant and equipment (net of accumulated depreciation where applicable)				
OTHER DEBITS:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	\$42,861,364	\$1,933,526	\$3,896,720	\$1,450,393

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$634,805	\$223,326	\$92,504			\$14,609,503
2,500		21,669			21,669
					8,500
					34,381,333
	821				182,300
4,186		166			112,030
					923,000
	606,026				606,026
78,087					584,703
					11,710
					25,945
15,715					15,715
					339,374
66,279			\$42,898,970		42,965,249
				\$2,169,518	2,169,518
				20,445,571	20,445,571
<u>\$801,572</u>	<u>\$830,173</u>	<u>\$114,339</u>	<u>\$42,898,970</u>	<u>\$22,615,089</u>	<u>\$117,402,146</u>

(continued)

Lakewood City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$420,174	\$186,390	\$636	\$590
Accrued wages and benefits	4,076,760	101,246		
Compensated absences payable	214,757	2,679		
Pension obligation payable	870,666	19,606		
Interfund loan payable		114,000		
Advances from other funds		11,710		
Deferred revenue	31,007,544	3,541	1,726,566	251
Due to other funds	582,162	18,014		
Due to other governments	7,500			
Due to students				
Undistributed monies	1,000	5,000		
Accrued interest payable	2,689			
Claims payable	98,560			
Bond anticipation note payable	225,000			
General obligation bonds payable				
Energy conservation bonds payable				
Special termination benefits payable				
Total liabilities	37,506,812	462,186	1,727,202	841
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets				
Accumulated deficit				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	1,313,681	156,311		
Reserved for prepayments	25,945			
Reserved for debt service			2,038,207	
Reserved for tax revenue unavailable for appropriation	1,927,510		131,311	
Reserved for principal endowment				
Reserved for scholarships				
Reserved for capital maintenance	8,232			
Reserved for budget stabilization	331,142			
Reserved for advances	11,710			
Designated for instructional materials	537,664			
Designated for capital maintenance	290,473			
Unreserved-undesignated	908,195	1,315,029		1,449,552
Total equity and other credits	5,354,552	1,471,340	2,169,518	1,449,552
Total liabilities, equity and other credits	\$42,861,364	\$1,933,526	\$3,896,720	\$1,450,393

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$45,808	\$608,168				\$1,261,766
77,050					4,255,056
47,720				\$5,921,835	6,186,991
58,227				578,172	1,526,671
3,000	800,000	\$6,000			923,000
					11,710
12,495		108			32,750,505
5,850					606,026
					7,500
		86,504			86,504
2,500					8,500
					2,689
	876,282				974,842
					225,000
				14,005,000	14,005,000
				1,955,000	1,955,000
				155,082	155,082
<u>252,650</u>	<u>2,284,450</u>	<u>92,612</u>		<u>22,615,089</u>	<u>64,941,842</u>
			\$42,898,970		42,898,970
548,922	(1,454,277)				(1,454,277)
					548,922
					1,469,992
					25,945
					2,038,207
					2,058,821
		500			500
		21,227			21,227
					8,232
					331,142
					11,710
					537,664
					290,473
					3,672,776
<u>548,922</u>	<u>(1,454,277)</u>	<u>21,727</u>	<u>42,898,970</u>		<u>52,460,304</u>
<u>\$801,572</u>	<u>\$830,173</u>	<u>\$114,339</u>	<u>\$42,898,970</u>	<u>\$22,615,089</u>	<u>\$117,402,146</u>

Lakewood City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	Governmental	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$28,398,238	
Tuition	3,296,619	\$147,405
Earnings on investments	860,715	37,835
Other local revenues	1,190,682	1,025,912
Other revenue		215,270
Intergovernmental - State	21,145,333	2,291,683
Intergovernmental - Federal		2,344,203
	<u>54,891,587</u>	<u>6,062,308</u>
Total revenue		
Expenditures:		
Current:		
Instruction:		
Regular	22,808,824	1,055,154
Special	5,837,526	1,101,445
Vocational	4,422,359	256,380
Other	552,983	72,550
Support services:		
Pupil	3,459,365	449,467
Instructional staff	3,134,783	624,038
Board of Education	42,297	
Administration	2,551,264	340,516
Fiscal	1,173,693	36,880
Business	331,348	
Operations and maintenance	6,919,370	325
Pupil transportation	547,873	4,206
Central	1,414,362	94,201
Community services	812,538	1,238,390
Extracurricular activities	414,362	335,035
Facilities services		98,898
Debt service:		
Principal retirement	28,464	
Interest and fiscal charges	10,557	
	<u>54,461,968</u>	<u>5,707,485</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	429,619	354,823
Other financing sources (uses):		
Operating transfers in		21,000
Operating transfers out	(888,483)	(1,000)
Proceeds from sale of assets	75	
	<u>(888,408)</u>	<u>20,000</u>
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(458,789)	374,823
Fund balances, July 1 (restated)	5,787,035	1,122,823
Residual equity transfer	26,306	(26,306)
Fund balances, June 30	<u>\$5,354,552</u>	<u>\$1,471,340</u>

See accompanying notes to the general purpose financial statements

Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
\$1,769,146		\$30,167,384
		3,444,024
	\$3,009	901,559
	445,164	2,661,758
		215,270
263,719	1,000	23,701,735
		2,344,203
<u>2,032,865</u>	<u>449,173</u>	<u>63,435,933</u>
	66,915	23,930,893
		6,938,971
		4,678,739
		625,533
		3,908,832
		3,758,821
		42,297
		2,891,780
636		1,211,209
		331,348
	1,062,333	7,982,028
		552,079
		1,508,563
		2,050,928
		749,397
	36,331	135,229
1,455,000		1,483,464
<u>1,083,384</u>		<u>1,093,941</u>
<u>2,539,020</u>	<u>1,165,579</u>	<u>63,874,052</u>
(506,155)	(716,406)	(438,119)
543,483	325,000	889,483
		(889,483)
		75
<u>543,483</u>	<u>325,000</u>	<u>75</u>
37,328	(391,406)	(438,044)
2,132,190	1,840,958	10,883,006
		0
<u>\$2,169,518</u>	<u>\$1,449,552</u>	<u>\$10,444,962</u>

Lakewood City School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2000

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$29,344,736	\$29,608,613	\$263,877
Tuition	3,196,762	3,194,066	(2,696)
Earnings on investments	850,000	890,494	40,494
Other local revenues	906,525	933,820	27,295
Other revenue			
Intergovernmental - State	21,058,305	21,134,829	76,524
Intergovernmental - Federal			
Total revenues	<u>55,356,328</u>	<u>55,761,822</u>	<u>405,494</u>
Expenditures:			
Current:			
Instruction:			
Regular	24,892,923	24,150,492	742,431
Special	5,966,252	5,878,853	87,399
Vocational	4,539,173	4,498,303	40,870
Other	1,073,715	592,921	480,794
Support services:			
Pupil	3,557,321	3,528,042	29,279
Instructional staff	3,028,995	3,000,725	28,270
Board of Education	49,912	44,391	5,521
Administration	2,992,944	2,815,846	177,098
Fiscal	1,294,521	1,179,697	114,824
Business	366,316	338,278	28,038
Operations and maintenance	7,624,996	7,472,395	152,601
Pupil transportation	745,999	633,128	112,871
Central	1,591,934	1,396,857	195,077
Community services	871,094	805,700	65,394
Extracurricular activities	454,665	417,699	36,966
Facilities services			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>59,050,760</u>	<u>56,753,327</u>	<u>2,297,433</u>
Excess (deficiency) of revenues over (under) expenditures	(3,694,432)	(991,505)	2,702,927
Other financing sources (uses):			
Refund of prior year's expenditures		906	906
Refund of prior year's (receipts)			
Operating transfers in			0
Operating transfers (out)	(925,000)	(922,906)	2,094
Advances in	300,000	767,331	467,331
Advances (out)	(923,000)	(923,000)	0
Proceeds of sale of notes			
Proceeds of sale of fixed assets		74	74
Total other financing sources (uses)	<u>(1,548,000)</u>	<u>(1,077,595)</u>	<u>470,405</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(5,242,432)	(2,069,100)	3,173,332
Fund balances, July 1	5,094,091	5,094,091	0
Residual equity transfer		26,306	26,306
Prior year encumbrances appropriated	<u>3,235,816</u>	<u>3,235,816</u>	<u>0</u>
Fund balances, June 30	<u>\$3,087,475</u>	<u>\$6,287,113</u>	<u>\$3,199,638</u>

See accompanying notes to the general purpose financial statements

Special Revenue		
Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$78,000	\$78,815	\$815
34,014	36,282	2,268
920,615	919,648	(967)
195,143	195,143	0
2,231,683	2,231,683	0
<u>2,341,879</u>	<u>2,366,909</u>	<u>25,030</u>
5,801,334	5,828,480	27,146
1,541,886	1,129,720	412,166
1,130,647	1,070,887	59,760
285,286	254,038	31,248
70,726	59,868	10,858
613,485	477,239	136,246
591,273	537,012	54,261
404,722	345,901	58,821
95,990	34,263	61,727
68	68	0
4,614	4,206	408
96,520	94,687	1,833
1,635,248	1,297,678	337,570
485,194	341,014	144,180
98,898	98,898	0
<u>7,054,557</u>	<u>5,745,479</u>	<u>1,309,078</u>
(1,253,223)	83,001	1,336,224
(13,772)	(13,772)	
20,000	21,000	1,000
(1,000)	(1,000)	0
104,000	108,500	4,500
(10,810)	(171,560)	(160,750)
		0
<u>98,418</u>	<u>(56,832)</u>	<u>(155,250)</u>
(1,154,805)	26,169	1,180,974
1,007,469	1,007,469	0
	(26,306)	(26,306)
<u>455,561</u>	<u>455,561</u>	<u>0</u>
<u>\$308,225</u>	<u>\$1,462,893</u>	<u>\$1,154,668</u>

Lakewood City School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2000

	Debt Service		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$1,879,864	\$1,891,141	\$11,277
Tuition			
Earnings on investments			
Other local revenues			
Other revenue			
Intergovernmental - State	264,000	263,720	(280)
Intergovernmental - Federal			
Total revenues	2,143,864	2,154,861	10,997
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration	3,000		3,000
Fiscal	50,000		50,000
Business			
Operations and maintenance			
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services			
Debt service:			
Principal retirement	1,855,189	1,705,000	150,189
Interest and fiscal charges	1,189,071	1,092,808	96,263
Total expenditures	3,097,260	2,797,808	299,452
Excess (deficiency) of revenues over (under) expenditures	(953,396)	(642,947)	310,449
Other financing sources (uses):			
Refund of prior year's expenditures			
Refund of prior year's (receipts)			
Operating transfers in	588,903	577,906	(10,997)
Operating transfers (out)			
Advances in			
Advances (out)			
Proceeds of sale of notes	225,000	225,000	
Proceeds of sale of fixed assets			
Total other financing sources (uses)	813,903	802,906	(10,997)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(139,493)	159,959	299,452
Fund balances, July 1	1,873,975	1,873,975	0
Residual equity transfer			
Prior year encumbrances appropriated			
Fund balances, June 30	\$1,734,482	\$2,033,934	\$299,452

See accompanying notes to the general purpose financial statements

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$31,224,600	\$31,499,754	\$275,154
			3,274,762	3,272,881	(1,881)
\$2,902	\$3,345	\$443	886,916	930,121	43,205
445,164	445,164	0	2,272,304	2,298,632	26,328
			195,143	195,143	0
1,000	1,000	0	23,554,988	23,631,232	76,244
			2,341,879	2,366,909	25,030
449,066	449,509	443	63,750,592	64,194,672	444,080
123,774	71,425	52,349	26,558,583	25,351,637	1,206,946
			7,096,899	6,949,740	147,159
			4,824,459	4,752,341	72,118
			1,144,441	652,789	491,652
			4,170,806	4,005,281	165,525
			3,620,268	3,537,737	82,531
			49,912	44,391	5,521
		0	3,400,666	3,161,747	238,919
			1,440,511	1,213,960	226,551
1,344,402	1,062,333	282,069	366,316	338,278	28,038
			8,969,466	8,534,796	434,670
			750,613	637,334	113,279
			1,688,454	1,491,544	196,910
			2,506,342	2,103,378	402,964
87,573	45,389	42,184	939,859	758,713	181,146
			186,471	144,287	42,184
			1,855,189	1,705,000	150,189
			1,189,071	1,092,808	96,263
1,555,749	1,179,147	376,602	70,758,326	66,475,761	4,282,565
(1,106,683)	(729,638)	377,045	(7,007,734)	(2,281,089)	4,726,645
			0	906	906
			(13,772)	(13,772)	0
325,000	325,000	0	933,903	923,906	(9,997)
		0	(926,000)	(923,906)	2,094
			404,000	875,831	471,831
			(933,810)	(1,094,560)	(160,750)
			225,000	225,000	0
			0	74	74
325,000	325,000	0	(310,679)	(6,521)	304,158
(781,683)	(404,638)	377,045	(7,318,413)	(2,287,610)	5,030,803
784,681	784,681	0	8,760,216	8,760,216	0
			0	0	0
1,069,963	1,069,963	0	4,761,340	4,761,340	0
<u>\$1,072,961</u>	<u>\$1,450,006</u>	<u>\$377,045</u>	<u>\$6,203,143</u>	<u>\$11,233,946</u>	<u>\$5,030,803</u>

Lakewood City School District
 Combined Statement of Revenues, Expenses
 and Changes in (Accumulated Deficit)/Retained Earnings/Fund Balance -
 All Proprietary Fund Types and Nonexpendable Trust Fund
 For the Fiscal year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Sales/charges for services	\$1,354,161	\$4,566,251		\$5,920,412
Investment earnings			\$1,435	1,435
Total operating revenues	1,354,161	4,566,251	1,435	5,921,847
Operating expenses:				
Personal services	1,020,013	42,332		1,062,345
Contract services	80,182	365,344		445,526
Materials and supplies	982,098		3,131	985,229
Depreciation	22,675			22,675
Other	110		200	310
Claims expense		4,627,980		4,627,980
Total operating expenses	2,105,078	5,035,656	3,331	7,144,065
Operating income (loss)	(750,917)	(469,405)	(1,896)	(1,222,218)
Nonoperating revenues:				
Operating grants	552,345			552,345
Federal commodities	53,706			53,706
Interest revenue	36,320			36,320
Total nonoperating revenues	642,371			642,371
Net income (loss)	(108,546)	(469,405)	(1,896)	(579,847)
(Accumulated deficit)/retained earnings/fund balance July 1 (restated)	657,468	(984,872)	23,623	(303,781)
(Accumulated deficit)/retained earnings/fund balance June 30	\$548,922	(\$1,454,277)	\$21,727	(\$883,628)

See accompanying notes to the general purpose financial statements

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Lakewood City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from sales/service charges	\$1,355,310	\$4,523,861		\$5,879,171
Cash payments for personal services	(1,000,378)			(1,000,378)
Cash payments for contract services	(43,404)	(385,842)		(429,246)
Cash payments supplies and materials	(940,189)		(\$3,131)	(943,320)
Cash payments for claims expenses		(4,326,196)		(4,326,196)
Cash payments for other expenses	(110)		(200)	(310)
Net cash used in operating activities	(628,771)	(188,177)	(3,331)	(820,279)
Cash flows from noncapital financing activities:				
Cash received from operating grants	557,144			557,144
Cash received from interfund loans	3,000	800,000		803,000
Cash payments used in repayment of interfund loans	(740)	(508,700)		(509,440)
Net cash provided by noncapital financing activities	559,404	291,300		850,704
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(13,828)			(13,828)
Net cash used in capital and related financing activities	(13,828)			(13,828)
Cash flows from investing activities:				
Interest received	36,226		1,436	37,662
Net cash provided by investing activities	36,226		1,436	37,662
Net increase (decrease) in cash and cash equivalents	(46,969)	103,123	(1,895)	54,259
Cash and cash equivalents at beginning of year	681,774	120,203	23,564	825,541
Cash and cash equivalents at end of year	<u>\$634,805</u>	<u>\$223,326</u>	<u>\$21,669</u>	<u>\$879,800</u>

See accompanying notes to the general purpose financial statements

(continued)

Lakewood City School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Nonexpendable Trust Fund (continued)
 For the Fiscal Year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	(\$750,917)	(\$469,405)	(\$1,896)	(\$1,222,218)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation	22,675			22,675
Federal donated commodities	53,706			53,706
Interest reported as operating income			(1,435)	(1,435)
Changes in assets and liabilities:				
Decrease in supplies inventory	5,552			5,552
(Increase) Decrease in accounts receivable	1,149	(58)		1,091
(Increase) in due from other funds		(42,332)		(42,332)
Increase(Decrease) in accounts payable	22,866	21,834		44,700
Increase (Decrease) in accrued wages & benefits	35,645	(249,353)		(213,708)
Increase in compensated absences payable	8,321			8,321
Decrease in pension obligation payable	(15,078)			(15,078)
Increase in claims payable		551,137		551,137
Decrease in due to other funds	(7,790)			(7,790)
Decrease in deferred revenue	(4,900)			(4,900)
Net cash used in operating activities	<u>(\$628,771)</u>	<u>(\$188,177)</u>	<u>(\$3,331)</u>	<u>(\$820,279)</u>

See accompanying notes to the general purpose financial statements

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**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 31st largest by enrollment among the 660 public and community school districts in the State, and the 3rd largest in Cuyahoga County. It currently operates 14 instructional buildings, 1 administrative building and 1 garage. The District employs 304 non-certified and 565 certified full-time and part-time employees to provide services to approximately 7,131 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

A. Reporting Entity - (Continued)

Jointly Governed Organizations:

Lakeshore Northeast Ohio Computer Association - The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau among fourteen public school districts. The primary function of LNOCA is to provide data services to the fourteen member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge, dependent upon the software packages used. In fiscal year 2000, \$425,603 was paid to LNOCA for services. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, OH 44125.

Ohio Schools Council

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$357,763 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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

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

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

A. Reporting Entity - (Continued)

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

Related Organization:

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

The District also participates in the Ohio School Board Association Worker's Compensation Group Rating Program and Group Health and Dental Insurance Program, discussed in Note 12.

B. Fund Accounting

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

Governmental Funds

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

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

B. Fund Accounting - (Continued)

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Nonexpendable Trust and Agency funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and Trust Funds.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

B. Fund Accounting - (Continued)

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds and Trust Funds.

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

C. Measurement Focus/Basis of Accounting - (Continued)

The Proprietary funds and the Nonexpendable Trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenues. Unused donated commodities are reported as deferred revenues.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

D. Budgets - (Continued)

6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
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 2000 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$ 4,567,266
Special Revenue Funds	(5,711,836)
Debt Service Fund	45,000
Capital Projects Funds	(188,317)
Enterprise Funds	60,881
Nonexpendable Trust	20,114
Internal Service Funds	<u>(83,059)</u>
 Total Net Decrease	 <u><u>\$(1,289,951)</u></u>

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

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

E. Cash and Investments

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

During 2000 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, certificates of deposit, and federal agency securities.

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

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

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 2000	\$ 9,757,058
Add: Proceeds of investments sold and matured fiscal 2000	8,050,000
Less: Cost of investments purchased	(7,351,111)
Less: Fair value at June 30, 1999	<u>(10,482,149)</u>
Change in fair value of investments	<u>\$ (26,202)</u>

Under existing Ohio statutes and/or federal regulation, all investment earnings are assigned to the General fund, the Auxiliary Services fund, the Food Service fund, the Public School Support fund, the Building fund and the Nonexpendable Trust fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General Fund	\$860,715	\$547,954	\$312,761
<u>Special Revenue Fund</u>			
Auxiliary services	19,729	11,240	8,489
Public School Support	16,506	26,538	(10,032)
Special Trusts	1,600	5,444	(3,844)
<u>Nonexpendable Trust Fund</u>	1,435	1,408	27

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

F. Inventory

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

G. Prepaids

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

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

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	12
Vehicles	12

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Textbooks and Instructional Materials

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Preschool for the Handicapped
Refugee Grant 2000
Title VI
Education Management
Information System
Career Development
Title VI-B
Adult Basic Education
Title I
Public School Preschool
Auxiliary Services
Education for Economic Security Act
Emergency Immigration Education Assistance
Reducing Class Sizes
School Improvement Models
Teacher Development
Drug-Free Schools
Technology Prep.
Goals 2000
Ohio Reads

Capital Projects Fund

SchoolNet Plus

Reimbursable Grants

General Fund

Driver Education Reimbursement
Vocational Education Travel/Salary

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

I. Intergovernmental Revenues - (Continued)

Reimbursable Grants (Continued)

Special Revenue Funds

Underground Storage Tank

Proprietary Funds

National School Milk Program

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to over 40% of the District's total operating revenue during the 2000 fiscal year.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten (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 ten (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 severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, tax revenue unavailable for appropriation, budget stabilization, advances, and capital maintenance. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balances represent tentative plans of management which are subject to change.

M. Statutory Reserves

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

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2000	\$ 325,809	\$ 32,500	\$331,142
Current year set-aside requirement	1,164,347	1,164,347	
Current year offsets		(393,248)	
Qualifying disbursements	<u>(2,043,802)</u>	<u>(795,367)</u>	<u> </u>
Total	<u>(553,646)</u>	<u>8,232</u>	<u>331,142</u>
Cash balance carried forward to FY 2001	<u>\$ 0</u>	<u>\$ 8,232</u>	<u>\$331,142</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

M. Statutory Reserves - (Continued)

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the instructional materials set-aside, this amount may be used to reduce the set-aside requirement of future years. This negative balance is therefore presented as being applicable to future years.

During fiscal year 2000, and in the prior year, the District elected to set-aside a total of \$537,664 in excess of the statutory requirement for instructional materials, and \$290,473 for capital maintenance. These amounts are reported as designations of fund balance on the combined balance sheet.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for capital maintenance	\$ 8,232
Amount restricted for budget stabilization	<u>331,142</u>
Total restricted assets	<u>\$339,374</u>

N. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

O. Parochial Schools

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

P. Statement of Cash Flows

The District's Financial Statement has been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. M. for statutory reserves. Cash is not restricted for designations of fund balance, because designations are not required by statute, and may be changed or eliminated at management's discretion.

S. Estimates

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

T. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ (5,000)
Title VI-B	(46,031)
Vocational Education	(27,819)
 <u>Internal Service Fund</u>	
Self-Insurance Fund	(915,672)
Workers Compensation Self-Insurance Fund	(31,139)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

B. Accountability

As of July 1, 1999, the District restated fund balance in the General Fund and retained earnings in the Internal Service Fund due to an error in an accrual adjustment. The effect of these adjustments as previously reported is as follows:

	Amounts Previously Reported June 30, 1999	Adjustments	Restated Amounts July 1, 1999
General Fund	\$6,036,388	\$(249,353)	\$5,787,035
<u>Internal Service Fund</u>			
Workers' Compensation	(1,234,225)	249,353	(984,872)

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year end, the District had \$430 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

Cash in Segregated Accounts: At year end, \$8,500 was on deposit in segregated accounts for the Treasurer's office, the Athletic Department, and the Recreation fund, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end the carrying amount of the District's deposits was \$(49,924) and the bank balance was \$508,201 (both amounts include \$500,000 in non-negotiable certificates of deposit but are exclusive of payroll clearance accounts). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. Of the bank balance:

1. \$108,201 was covered by federal deposit insurance; and
2. \$400,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

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

	Category of Risk <u>3</u>	Fair Value <u> </u>
Repurchase Agreements	\$ 897,675	\$897,675
Federal Agency Securities	\$9,757,058	9,757,058
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	<u> </u>	<u>4,373,807</u>
Total Investments	<u>\$10,654,733</u>	<u>\$15,028,540</u>

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

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

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$14,970,546	
Investments of the Cash		
Management Pool:		
Federal Agency Securities	(9,757,058)	\$ 9,757,058
Repurchase Agreements	(897,675)	897,675
State Treasurer's Investment Pool	(4,373,807)	4,373,807
Cash on hand	(430)	
Cash in segregated accounts	<u>8,500</u>	<u> </u>
GASB Statement No. 3	<u>\$ (49,924)</u>	<u>\$15,028,540</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan (Payable)</u>
General Fund	\$923,000	
<u>Special Revenue Funds</u>		
Rotary		\$ (5,500)
Public School Support		(2,500)
Auxiliary Services		(2,000)
Technology Prep 2000		(55,000)
Vocational Education		(20,000)

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

Title I		_(29,000)
Total Special Revenue Funds		(114,000)
<u>Enterprise Fund</u>		
Recreation		(3,000)
<u>Internal Service Fund</u>		
Self-Insurance Fund		(800,000)
<u>Agency Funds</u>		
Student Managed Activity	_____	_(6,000)
Total All Fund Types	<u>\$923,000</u>	<u>\$(923,000)</u>

B. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

Fund	Transfers In	Transfers (Out)
General Fund		\$(888,483)
<u>Special Revenue Funds</u>		
Public School Support		(1,000)
District Managed Student Activity	\$ 21,000	
Debt Service Fund	543,483	
<u>Capital Projects Fund</u>		
Permanent Improvement	<u>325,000</u>	_____
Total All Fund Types	<u>\$889,483</u>	<u>\$(889,483)</u>

C. The District had the following long-term advances outstanding at June 30, 2000:

Fund	Advances to Other Funds	Advances (from) Other Funds
General	\$11,710	
<u>Special Revenue Funds</u>		
Special Trusts		\$ (6,710)
Disadvantaged Pupil Impact Aid	_____	_(5,000)
Totals	<u>\$11,710</u>	<u>\$(11,710)</u>

NOTE 6 - PROPERTY TAXES

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies, which is assessed 50% of market and railroads which are assessed at 29%.

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

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$674,308,020	92.52	\$672,238,960	92.86
Public Utility Personal	24,235,630	3.33	22,218,700	3.07
Tangible Personal Property	30,270,945	4.15	29,495,988	4.07
	<u>\$728,814,595</u>	<u>100.00</u>	<u>\$723,953,648</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation

Operations	\$88.38	\$93.28
Debt Service	3.02	2.92

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 2000 totaled \$1,927,510 in the General fund and \$131,311 in the Debt Service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees) interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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 follows:

	Amounts
<u>General Fund</u>	
Taxes - Current & Delinquent	\$32,518,547
Accounts	168,914
Accrued Interest	102,913
Due from other governments	446,616
Interfund loan	923,000
<u>Special Revenue Funds</u>	
Technology Prep.	
Due from other governments-reimbursing federal grant	60,000
<u>Debt Service Fund</u>	
Taxes - Current & Delinquent	1,862,786
<u>Enterprise Funds</u>	
Food Service	
Due from other governments-nonoperating grant	78,087
<u>Internal Service Fund</u>	
Employee benefits self-insurance	
Due from other funds-charges for services	606,026

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 8 - FIXED ASSETS

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/Improvements	\$ 1,976,791			\$1,976,791
Buildings/ Improvements	25,269,849	\$196,522	\$ (99,707)	25,366,664
Furniture/Equipment	14,197,725	518,074		14,715,799
Vehicles	823,299	16,417		839,716
Construction in progress	<u>23,102</u>	<u>77,628</u>	<u>(100,730)</u>	<u>0</u>
Total	<u>\$42,290,766</u>	<u>\$808,641</u>	<u>\$(200,437)</u>	<u>\$42,898,970</u>

Construction in progress amounts were due to a new modular classroom for the Saints Cyril and Methodius parochial school, which was completed during the fiscal year.

A summary of the Proprietary Funds' fixed assets at June 30, 2000 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$ 999,532
Less: Accumulated Depreciation	<u>(933,253)</u>
Net Fixed Assets	<u>\$ 66,279</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District has entered into capitalized leases for the acquisition of equipment. These leases were accounted for as capital outlay expenditures and other financing sources in the General fund.

Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease were capitalized in the General Fixed Assets Account Group in the amount of \$257,754, which was the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$28,464, which retired the District's capital lease obligation. The District exercised its bargain purchase option, and took title to the equipment. This amount is reflected as debt service principal retirement in the General fund.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 10 - LONG-TERM DEBT

A. General obligation bonds and Energy Conservation bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current 2.92 mill bonded debt tax levy for the General Obligation bonds and from current operating revenues for the Energy Conservation bonds.

The following is a description of the District's bonds outstanding as of June 30, 2000:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/99</u>	<u>Retired in 2000</u>	<u>Bonds Outstanding 06/30/2000</u>
<u>General Obligation Bonds:</u>						
School Improvement Bond	7.875%	6/1/86	12/01/06	\$ 5,040,000	\$ (630,000)	\$ 4,410,000
School Improvement Bond	2.5%	3/1/93	12/01/13	5,840,000	(265,000)	5,575,000
Safe and Sound Building Improvement Bond	6.902%	11/1/94	12/01/15	<u>4,155,000</u>	<u>(135,000)</u>	<u>4,020,000</u>
Total General Obligation Bonds				<u>15,035,000</u>	<u>(1,030,000)</u>	<u>14,005,000</u>
Energy Conservation Bonds	3.35%	12/30/92	12/01/03	<u>2,380,000</u>	<u>(425,000)</u>	<u>1,955,000</u>
Total Long-Term Bonds				<u>\$17,415,000</u>	<u>\$(1,455,000)</u>	<u>\$15,960,000</u>

B. Principal and interest requirements to retire general obligation bonds and energy conservation bonds outstanding at June 30, 2000, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 1,500,000	\$ 976,046	\$ 2,476,046
2002	1,550,000	874,675	2,424,675
2003	1,600,000	773,519	2,373,519
2004	1,660,000	668,286	2,328,286
2005	1,160,000	575,501	1,735,501
2006 - 2010	4,420,000	1,857,197	6,277,197
2011 - 2015	3,675,000	670,492	4,345,492
2016	<u>395,000</u>	<u>13,726</u>	<u>408,726</u>
Total	<u>\$15,960,000</u>	<u>\$6,409,442</u>	<u>\$22,369,442</u>

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 10 - LONG-TERM DEBT - (Continued)

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, pension benefit obligation, and special termination benefits will ultimately be paid from the fund from which the employee is paid.

	Balance <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2000</u>
Compensated Absences	\$ 6,287,019	\$226,166	\$ (591,350)	\$ 5,921,835
General Obligation Bonds	15,035,000		(1,030,000)	14,005,000
Energy Conservation Bonds	2,380,000		(425,000)	1,955,000
Early Retirement Incentive	2,250,000		(2,250,000)	0
Special Termination Benefits	383,706		(228,624)	155,082
Capital Leases	28,464		(28,464)	0
Pension Benefit Obligation	<u>534,803</u>	<u>578,172</u>	<u>(534,803)</u>	<u>578,172</u>
 Total General Long-Term Obligations	 <u>\$26,898,992</u>	 <u>\$804,338</u>	 <u>\$(5,088,241)</u>	 <u>\$22,615,089</u>

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$53,320,346 (including available funds of \$2,169,518), an unvoted debt margin of \$723,954 and an unvoted energy conservation debt margin of \$4,560,583.

NOTE 11 - NOTES PAYABLE

The school improvements notes described below have been issued in anticipation of the issuance of bonds for the purpose of renovations to school buildings and an outdoor sports facility, and for paving roadways and parking areas at the high school. These notes are backed by the full faith and credit of the District. The note liability is reported as a liability of the General fund, which received the proceeds upon issuance.

The District's note activity, including amounts outstanding, interest rates and the purpose for which the notes were issued is as follows:

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 11 - NOTES PAYABLE- (Continued)

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Notes Outstanding 07/01/99	<u>Issued</u>	<u>Retired</u>	Notes Outstanding 6/30/00
Bond Anticipation Notes:							
School Improvement	3.78%	4/1/99	3/30/00	\$250,000		\$(250,000)	\$ 0
School Improvement	4.78%	3/3/00	3/29/01	<u>0</u>	<u>\$225,000</u>		<u>225,000</u>
Totals				<u>\$250,000</u>	<u>\$225,000</u>	<u>\$(250,000)</u>	<u>\$225,000</u>

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 2000, the District contracted with Wausau National Insurance Company for property and fleet insurance, general liability insurance, and inland marine coverage. The limitations of coverages provided by Wausau are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$86,329,800
Inland Marine Coverage (\$100 deductible)	283,946
Boiler and Machinery (\$1,000 per location deductible)	5,000,000
Crime Insurance (\$1,000 deductible each coverage)	various
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	12,500/25,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

B. OSBA Worker's Compensation Group Rating

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 12 - RISK MANAGEMENT - (Continued)

B. OSBA Worker's Compensation Group Rating - (Continued)

Prior to 1995, the District participated in the State Workers' Compensation retrospective rating and payment system. The plan involved the payment of a minimum premium for administrative services and stop-loss coverage, plus the actual claim costs for employees who had been injured. During 1995, the District switched to the traditional, fully-funded plan provided by the State. The District retains a liability for claims incurred while the District participated in the plan. A third party, Navisource, reviews all claims, which are then paid by the District. Incurred but not reported claims of \$15,863 have been accrued as a liability in the workers' compensation Internal Service fund, based on an estimate by the claims administrator. As this estimate changes, it results in positive or negative claims expense in the Internal Service fund.

C. Group Health and Dental Insurance

The District operates and manages employee health benefits on a self-insured basis. The District maintains a self-insurance Internal Service fund to account for and finance its uninsured risks of loss in this program. A third party, Self-Funded Plans, Inc., reviews all claims, which are then paid by the District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Incurred but not reported claims of \$819,960 have been accrued as a liability in the self-insurance Internal Service fund at June 30, 2000.

The claims liability of \$974,842 reported in the fund at June 30, 2000, is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the current and past three fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
1997	\$812,319	\$3,724,471	\$3,840,393	\$696,397
1998	696,397	3,921,007	4,133,828	483,576
1999	483,576	4,777,722	4,686,800	574,498
2000	574,498	4,627,980	4,326,196	876,282

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

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

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operations of food service and recreation. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the fiscal year ended June 30, 2000:

	<u>Food Service</u>	<u>Recreation</u>	<u>Total</u>
Operating Revenue	\$1,136,351	\$217,810	\$1,354,161
Depreciation Expense	22,675		22,675
Operating Loss	(690,295)	(60,622)	(750,917)
Non-operating Revenue:			
Operating grants	552,345		552,345
Donated federal commodities	53,706		53,706
Net Loss	(47,924)	(60,622)	(108,546)
Fixed Assets:			
Additions	13,828		13,828
Net Working Capital	488,898	57,822	546,720
Total Assets	693,269	108,303	801,572
Long-Term Liabilities			
Payable from Fund Revenues	74,843	2,697	77,540
Total Fund Equity	503,643	45,279	548,922
Encumbrances Outstanding as of 6/30/00	96,958	15,029	111,987

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

A. School Employees Retirement System - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.5 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,506,267, \$1,312,586 and \$810,848, respectively; 52 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$729,084, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$6,043,612, \$3,724,016, and \$2,832,921, respectively; 89 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$656,638, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$3,453,493 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999 (the latest information available). As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$1,053,181 during the 2000 fiscal year. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Early Retirement Incentive

The District Board of Education has approved an early retirement incentive program for certified employees. The Board will purchase, from STRS, additional service credit for those employees who elect to participate in the plan. Participation was open to employees who were at least fifty years old, qualified for retirement with the years purchased by the Board, and agreed to retire either at the end of fiscal year 1998 or at the end of fiscal year 1999. The enrollment period for the early retirement incentive was between January 29, 1998 and February 6, 1998. The credit could not exceed the lesser of three years or one-fifth of each member's total Ohio service. The Board did not limit the number of employees participating in the plan in any one year. The Board has the option of paying the liability in its entirety or in installments. The Board elected to pay, in fiscal year 2000, the entire liability for those employees who retired at the end of the 1999 fiscal year, which totaled \$2,117,738. In addition, employees who elected to participate in the plan will receive a lump sum payment for their unused sick leave, to the extent allowed by the current labor agreement. June 30, 1998 retirees will receive their severance payment in September, 2001, while June 30, 1999 retirees will receive their severance in September, 2002.

A liability for unpaid severance, in the amount of \$805,137 (included as part of the total liability for compensated absences), have both been recorded in the General Long-Term Obligations Account Group at June 30, 2000. Both obligations will ultimately be paid from the fund in which the employee was paid.

B. Special Termination Benefits

A Timely Retirement Incentive Plan (TRIP) was also offered to both certified and non-certified employees. In order to take advantage of the TRIP, employees were required to meet the criteria established by the respective retirement system to which the employee belonged, and retire by the end of fiscal year 1998 or 1999. The enrollment period for STRS employees was between January 29, 1998 and February 6, 1998. There was no specified enrollment period for SERS employees. The retirees will receive sixty percent of his/her final salary (excluding extended days and supplemental contracts) in addition to payment for unused sick leave credit, to the extent allowed by current labor agreements. Payments will be made in two equal installments beginning in January following the employee's retirement for certified employees and within 90 days of retirement for non-certified employees. TRIP payments in fiscal 2000 totaled \$399,398 (including both the salary and the severance portions).

A liability of \$155,082 for the salary portion of TRIP, and \$98,179 for the severance portion of TRIP (included as part of the total liability for compensated absences) have both been recorded in the General Long-Term Obligations Account Group at June 30, 2000. Both obligations will ultimately be paid from the fund in which the employee was paid.

A liability of \$8,202 for TRIP severance has been reported as a compensated absences liability in the Enterprise funds at June 30, 2000.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable in Governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) The District repays short-term note debt from the Debt Service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been reclassified accordingly.

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

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

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$(2,069,100)	\$ 26,169	\$ 159,959	\$(404,638)
Net Adjustment for Revenue Accruals	(1,139,706)	44,308	(121,996)	(336)
Net Adjustment for Expenditure Accruals	916,227	(105,187)	258,788	13,568
Net Adjustment for Other Financing Sources/(Uses)	162,882	76,832	(259,423)	0
Net Adjustment for Fund Reclassification	80,968	55,224	0	0

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

Adjustment for Encumbrances	<u>1,589,940</u>	<u>277,477</u>	<u>0</u>	<u>0</u>
GAAP Basis	<u>\$ (458,789)</u>	<u>\$ 374,823</u>	<u>\$ 37,328</u>	<u>\$(391,406)</u>

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$16,699,734 of school foundation total support for its General fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

NOTE 18 - CONTINGENT LIABILITIES - (Continued)

C. School Funding Decision

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

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to year end, the District has settled three new labor contracts. The estimated total cost to the District over the next 2 years is \$2.4 million.

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**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$48,810	\$0	\$53,706
National School Breakfast	044198 05-PU-00	10.553	18,122	0	18,122	0
National School Lunch Program	044198 04-PU-00	10.555	399,503	0	399,503	0
Child Care Food Program	044198 21-ML-00	10.558	116,145	0	116,176	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			533,770	48,810	533,801	53,706
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Education For All Handicapped	044198 6B-PM 99	84.027	2,500	0	7,308	0
	044198 6B-PM 00		25,000	0	19,139	0
	044198 6B-SF 99		56,144	0	90,692	0
	044198 6B-SF 00		381,944	0	393,154	0
Total CFDA			465,588	0	510,293	0
Preschool Grant, Education For Handicapped	044198 PG-S1 99	84.173	7,807	0	25,539	0
	044198 PG-S1 00		45,484	0	35,711	0
Total CFDA			53,291	0	61,250	0
Total Special Education Cluster			518,879	0	571,543	0
Title I	041198 C1-S1 99	84.010	55,420	0	240,381	0
	044198 C1-S1 00		975,430	0	802,494	0
Total CFDA			1,030,850	0	1,042,875	0
Title I - Even Start	044198 EV-S4 99	84.213	10,228	0	37,636	0
Total CFDA			10,228	0	37,636	0
Chapter 1 - Capital Expenses	044198 CX-S1 98	84.216	35,000	0	98,898	0
Total CFDA			35,000	0	98,898	0
Technology Literacy Challenge	044198 TF-VM 00	84.318	27,000	0	26,756	0
Total CFDA			27,000	0	26,756	0
Reading Excellence	044198 RN-S1 00	84.338	25,311	0	0	0
Total CFDA			25,311	0	0	0
Class Size Reduction	044198 CR-S1 00	84.340	155,875	0	124,481	0
Total CFDA			155,875	0	124,481	0
Refugee School Impact	044198 RI-S1 00	93.576	8,850	0	5,045	0
Total CFDA			8,850	0	5,045	0

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education: (Continued)</i>						
Safe and Drug Free Schools	044198 DR-S1 98	84.186	0	0	12,649	0
	044198 DR-S1-99		15,740	0	26,523	0
	044198 DR-S1 00		<u>66,732</u>	<u>0</u>	<u>35,770</u>	<u>0</u>
Total CFDA			82,472	0	74,942	0
Eisenhower Professional Development State Grant	044198 MS-S1 98	84.281	0	0	1,769	0
	044198 MS-S1 99		22,738	0	15,839	0
	044198 MS-S1 00		<u>19,445</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total CFDA			42,183	0	17,608	0
Adult Basic Education	044198 AB-S1 98	84.002	0	0	587	0
	044198 AB-S1 99		0	0	12,292	0
	044198 AB-S1 00		<u>50,148</u>	<u>0</u>	<u>50,148</u>	<u>0</u>
Total CFDA			50,148	0	63,027	0
CPD Vocational and Applied Technology Act - Title II Adult Grant	044198 20-A4 98	84.048	32,154	0	0	0
	044198 20-A4 99		11,250	0	4,218	0
	044198 20-A5 99		25,000	0	21,500	0
	044198 20-C1 99		25,459	0	3,713	0
	044198 20C1 00		156,386	0	181,086	0
	044198 WK-BE 00		13,146	0	7,140	0
044198 20-00 99		<u>70</u>	<u>0</u>	<u>70</u>	<u>0</u>	
Total CFDA			263,465	0	217,727	0
Innovative Educational Program Strategies	044198 C2-S1 99	84.298	12,288	0	13,285	0
	044198 C2-S1 00		<u>41,666</u>	<u>0</u>	<u>16,621</u>	<u>0</u>
Total CFDA			53,954	0	29,906	0
Emergency Immigrant Education	044198 EI-S1 00	84.162	14,873	0	5,514	0
Total CFDA			<u>14,873</u>	<u>0</u>	<u>5,514</u>	<u>0</u>
Total U.S. Department of Education			<u>2,319,088</u>	<u>0</u>	<u>2,315,958</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through the Ohio Department of Mental Retardation & Developmental Disabilities:</i>						
Medicaid Title XIX	N/A	93.778	276,914	0	276,914	0
Total CFDA			<u>276,914</u>	<u>0</u>	<u>276,914</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>276,914</u>	<u>0</u>	<u>276,914</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
<i>Passed Through the City of Lakewood:</i>						
Community Services Block Grant	CAMP CAN DO/STOP	14.218	3,460	0	3,460	0
	S.T.O.P.		1,220	0	1,220	0
	CHILDCARE		<u>19,366</u>	<u>0</u>	<u>22,566</u>	<u>0</u>
Total CFDA			24,046	0	27,246	0
Total U.S. Department of Housing and Urban Development			<u>24,046</u>	<u>0</u>	<u>27,246</u>	<u>0</u>
Totals			<u>\$3,153,818</u>	<u>\$48,810</u>	<u>\$3,153,919</u>	<u>\$53,706</u>

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

**Lakewood City School District
Cuyahoga County**

**Notes to Schedule of Federal Awards Expenditures
For The Year Ended June 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2000, the District had no significant food commodities in inventory.

NOTE C - NATIONAL SCHOOL LUNCH AND SPECIAL MILK PROGRAM

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

N/A - Not applicable

CFDA - Catalog of Federal Domestic Assistance

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

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

We have audited the financial statements of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated March 27, 2001, wherein we noted the District restated beginning General Fund balance and retained earnings in the Internal Service Fund. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 27, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 27, 2001.

Lakewood City School District
Cuyahoga County
Report on Compliance and on Internal Control Required By
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

March 27, 2001



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

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

Compliance

We have audited the compliance of the Lakewood City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 27, 2001.

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

Jim Petro
Auditor of State

March 27, 2001

LAKEWOOD CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2000

SCHEDULE OF FINDINGS

1. SUMMARY OF AUDITOR'S RESULTS
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OMB CIRCULAR A-133 Section .505

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Child Nutrition Program: CFDA No's 10.550, 10.553, 10.555 and 10.558; Medicaid Title XIX: CFDA No. 93.778
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



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OFFICE OF THE AUDITOR

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LAKESWOOD 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
APRIL 10, 2001**