



**Hebron, Ohio**  
Licking County

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2002**

*Prepared by:*  
Ms. Glenna Plaisted  
Treasurer





**Auditor of State  
Betty Montgomery**

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Board of Education  
Lakewood Local School District  
Hebron, Ohio

We have reviewed the Independent Auditor's Report of the Lakewood Local School District, Licking County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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**LAKWOOD LOCAL SCHOOL DISTRICT**  
**For the Fiscal Year Ended June 30, 2002**

**TABLE OF CONTENTS**

<b>Independent Auditors' Report .....</b>	<b>1 – 2</b>
<b>Management's Discussion and Analysis .....</b>	<b>3 – 12</b>
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements:</b>	
<b>Statement of Net Assets .....</b>	<b>13</b>
<b>Statement of Activities .....</b>	<b>14 – 15</b>
<b>Fund Financial Statements:</b>	
<b>Balance Sheet – Governmental Funds .....</b>	<b>16 – 17</b>
<b>Statement of Revenues, Expenditures and Changes in         Fund Balances – Governmental Funds .....</b>	<b>18 – 19</b>
<b>Statement of Revenues, Expenditures and Changes in         Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....</b>	<b>20 – 21</b>
<b>Statement of Fund Net Assets – Proprietary Funds .....</b>	<b>22</b>
<b>Statement of Revenues, Expenses and Changes in         Fund Net Assets – Proprietary Funds .....</b>	<b>23</b>
<b>Statement of Cash Flows – Proprietary Funds .....</b>	<b>24</b>
<b>Statement of Fiduciary Assets and Liabilities – Agency Fund .....</b>	<b>25</b>
<b>Statement of Changes in Fiduciary Net Assets .....</b>	<b>26</b>
<b>Notes to the General Purpose Financial Statements .....</b>	<b>27 – 51</b>
<b>Schedule of Federal Award Receipts and Expenditures .....</b>	<b>53</b>
<b>Report on Compliance and on Internal Control over Financial Reporting     Based on an Audit of Financial Statements Performed in Accordance     with <i>Government Auditing Standards</i> .....</b>	<b>54</b>
<b>Report on Compliance with Requirements Applicable to each     Major Program and Internal Control over Compliance in Accordance     with OMB Circular A-133.....</b>	<b>55 – 56</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>57 – 58</b>
<b>Status of Prior Audit Findings and Questioned Costs .....</b>	<b>59</b>
<b>Conclusion Statement .....</b>	<b>60</b>

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Lakewood Local School District  
Hebron, Ohio

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material aspects, the financial position of Lakewood Local School District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the District adjusted the beginning net assets due to revaluation of all fixed assets, as of and for the year ended June 30, 2001. The District adopted the provisions of Governmental Auditing Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of July 1, 2001. This results in a change to the District's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.



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

**Jones, Cochenour & Co.  
November 21, 2002**

# **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002***

***Unaudited***

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The discussion and analysis of Lakewood Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

## **FINANCIAL HIGHLIGHTS**

**Key financial highlights for 2002 are as follows:**

- ❑ In total, net assets increased \$1,208,949. Net assets of governmental activities increased \$1,117,652, which represents a 21.5% increase from 2001. Net assets of business-type activities increased \$91,297 or 147.4% from 2001.
- ❑ General revenues accounted for \$15,142,833 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,528,714 or 14% of total revenues of \$17,671,547.
- ❑ The District had \$15,801,745 in expenses related to governmental activities; only \$1,776,754 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,142,643 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$14,662,346 in revenues and \$13,409,772 in expenditures. The general fund's fund balance increased \$1,256,477 to \$2,485,158. The increase included a combination of factors including an increase in personal property tax revenues and state foundation revenues, as well as a decrease in wages and salaries and related benefits and pupil transportation costs.
- ❑ Net assets for enterprise funds increased by \$91,297. This increase is attributable to an increase in revenues due to an increase in lunch prices, as well as a decrease in wages and salaries and related benefits.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

# **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002***

***Unaudited***

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The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
  - To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District are divided into two categories:

- *Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service and uniform school supplies are reported as business activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002**

**Unaudited**

**Proprietary Funds** – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Fiduciary Funds** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency and private purpose. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities	Business-type Activities	Total
	2002	2002	2002
Current and other assets	\$13,712,633	\$127,648	\$13,840,281
Capital assets, Net	18,128,147	126,747	18,254,894
Total assets	31,840,780	254,395	32,095,175
Long-term debt outstanding	15,040,220	15,660	15,055,880
Other liabilities	10,473,477	85,519	10,558,996
Total liabilities	25,513,697	101,179	25,614,876
Net assets			
Invested in capital assets, net of related debt	3,304,424	126,747	3,431,171
Restricted	934,974	0	934,974
Unrestricted	2,087,685	26,469	2,114,154
Total net assets	\$6,327,083	\$153,216	\$6,480,299

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002**

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2002:

	Governmental Activities	Business-type Activities	Total
	2002	2002	2002
Revenues			
Program revenues:			
Charges for Services and Sales	\$610,385	\$445,367	\$1,055,752
Operating Grants and Contributions	1,163,105	306,593	1,469,698
Capital Grants and Contributions	3,264	0	3,264
General revenues:			
Property Taxes	9,439,433	0	9,439,433
Grants and Entitlements	5,295,793	0	5,295,793
Other	407,417	190	407,607
Total revenues	16,919,397	752,150	17,671,547
Program Expenses			
Instruction	8,831,815	0	8,831,815
Support Services:			
Pupils	989,832	0	989,832
Instructional Staff	563,834	0	563,834
Board of Education	21,037	0	21,037
Administration	1,371,649	0	1,371,649
Fiscal Services	473,835	0	473,835
Business	13,295	0	13,295
Operation and Maintenance of Plant	1,241,528	0	1,241,528
Pupil Transportation	886,433	0	886,433
Central	80,841	0	80,841
Operation of Non-Instructional Services	122,219	0	122,219
Extracurricular Activities	493,591	0	493,591
Debt Service:			
Interest and Fiscal Charges	711,836	0	711,836
Food Service	0	653,675	653,675
Uniform School Supplies	0	7,178	7,178
Total expenses	15,801,745	660,853	16,462,598
Total Change in Net Assets	1,117,652	91,297	1,208,949
Beginning Net Assets	5,209,431	61,919	5,271,350
Total Change in Net Assets	\$6,327,083	\$153,216	\$6,480,299

### **Governmental Activities**

Net assets of the District's governmental activities increased by \$1,117,652. This was due to a combination of factors including an increase in personal property tax revenues and state foundation revenues. The Board of Education also approved a plan of reduction for \$780,000 for fiscal year 2002 which resulted in a decrease in wages and salaries and related benefits and pupil transportation costs.

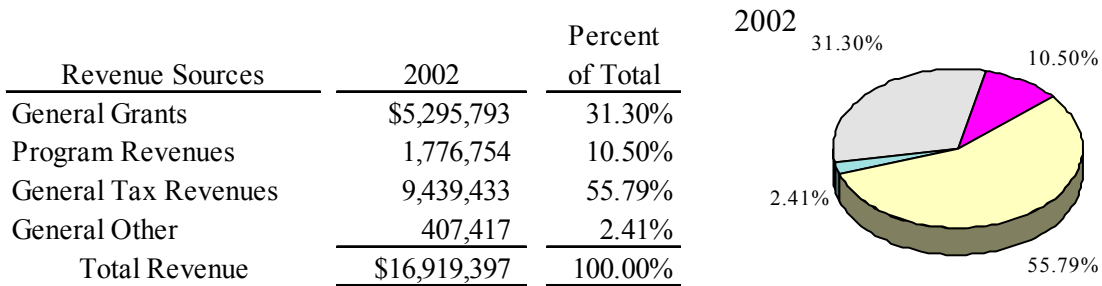
## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002**

**Unaudited**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 56% of revenues for governmental activities for Lakewood Local Schools in fiscal year 2002. The District's reliance upon tax revenues is demonstrated by the following graph:



### **Business-Type Activities**

Net assets of the business-type activities increased by \$91,297. This is attributable to increased revenue funding due to an increase in the price of lunches as well as decreased wages and salaries and related benefits. These programs had revenues of \$752,150 and expenses of \$660,853 for fiscal year 2002. Business activities receive no support from tax revenues and remain self-supporting.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$3,241,620, which is above last year's total of \$2,098,739. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2002 and 2001.

	Fund Balance June 30, 2002	Fund Balance June 30, 2001	Increase (Decrease)
General	\$2,485,158	\$1,228,681	\$1,256,477
Debt Service	385,926	374,999	10,927
Building Acquisition and Construction	64,020	170,532	(106,512)
Other Governmental	306,516	324,527	(18,011)
Total	\$3,241,620	\$2,098,739	\$1,142,881

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002**

**Unaudited**

*General Fund* – The District's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2002 Revenues	2001 Revenues	Increase (Decrease)
Taxes	\$8,409,795	\$8,054,807	\$354,988
Tuition	256,345	270,058	(13,713)
Investment Earnings	113,850	220,724	(106,874)
Extracurricular Activities	157,907	22,481	135,426
Class Materials and Fees	21,264	20,176	1,088
Intermediate Sources	5,000	30,250	(25,250)
Intergovernmental - State	5,404,809	4,782,444	622,365
Intergovernmental - Federal	35,923	0	35,923
All Other Revenue	257,453	60,636	196,817
Total	\$14,662,346	\$13,461,576	\$1,200,770

General Fund revenues in 2002 increased approximately 9% compared to revenues in fiscal year 2001. The primary factors contributing to this increase included and increase in the personal property tax revenues and the State's foundation revenues.

	2002 Expenditures	2001 Expenditures	Increase (Decrease)
Instruction	\$8,037,805	\$7,824,777	\$213,028
Supporting Services:			
Pupils	823,678	774,964	48,714
Instructional Staff	476,895	715,116	(238,221)
Board of Education	20,997	17,346	3,651
Administration	1,262,562	1,188,954	73,608
Fiscal Services	443,551	359,412	84,139
Business	13,056	9,525	3,531
Operation & Maintenance of Plant	1,205,729	1,214,499	(8,770)
Pupil Transportation	761,609	859,607	(97,998)
Central	52,651	47,538	5,113
Operation of Non-Instructional Services	61,890	23,714	38,176
Extracurricular Activities	174,766	157,678	17,088
Debt Service			
Principal Retirement	52,767	215,408	(162,641)
Interest and Fiscal Charges	21,816	35,181	(13,365)
Total	\$13,409,772	\$13,443,719	(\$33,947)

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002**

**Unaudited**

The expenditures decreased by \$33,947 or .3% compared to the prior year mostly due to a freeze on wages and salaries for 2002 as well as the Board of Education's plan of reduction beginning in 2002 which resulted in a decrease of wages and salaries and related benefits as well as a decrease in pupil transportation costs.

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

During the course of fiscal year 2002 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$15.1 million, above original budget estimates of \$14.1 million. Most of this \$1 million difference was due to an increase in personal property tax revenues and State Foundation revenues. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal 2002 the District had \$18,254,894 net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$18,128,147 was related to governmental activities and \$126,747 to the business-type activities. The following table shows fiscal year 2001 and 2002 balances:

	Governmental Activities		Increase (Decrease)
	2002	2001	
Land	\$275,555	\$275,555	\$0
Land Improvements	446,828	435,181	11,647
Buildings and Improvements	20,155,436	19,921,331	234,105
Furniture, Fixtures and Equipment	3,461,223	3,281,800	179,423
Vehicles	1,536,084	1,536,084	0
Less: Accumulated Depreciation	(7,746,979)	(6,842,016)	(904,963)
Totals	\$18,128,147	\$18,607,935	(\$479,788)

	Business-Type Activities		Increase (Decrease)
	2002	2001	
Furniture and Equipment	\$305,043	\$261,390	\$43,653
Less: Accumulated Depreciation	(178,296)	(168,366)	(9,930)
Totals	\$126,747	\$93,024	\$33,723

The primary increase occurred in buildings and improvements, which included final payouts for the Lakewood Local High School building. Investment in furniture, fixtures and equipment increased primarily as a result of computer purchases.

Additional information on the District's capital assets can be found in Note 7.



## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002**

**Unaudited**

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### **Debt**

At June 30, 2002, the District had \$14.8 million in bonds, notes and loans outstanding, \$432,514 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2002:

	<u>2002</u>	<u>2001</u>
Governmental Activities:		
General Obligation Bond:		
School Improvement	\$14,591,870	\$14,951,870
Long-Term Notes Payable	165,000	345,000
EPA Loan Payable	33,815	41,330
Capital Leases Payable	231,853	284,620
Compensated Absences	<u>637,767</u>	<u>573,398</u>
Total Governmental Activities	15,660,305	16,196,218
Business-Type Activities:		
Compensated Absences	<u>15,660</u>	<u>19,615</u>
Totals	<u><u>\$15,675,965</u></u>	<u><u>\$16,215,833</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2002, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

### **ECONOMIC FACTORS**

The District relies on its property taxes and State Foundation Funds to provide the funds necessary to maintain its educational programs. The Board of Education approved a plan of reduction for \$780,000 for fiscal year 2002 as a result of the five-year forecast deficit balance projections. This plan of reduction eliminated several administrative positions, eliminated bussing for students in grades 9-12, eliminated all-day every-day kindergarten, reduced custodial staff and implemented a pay to participate fee of \$250 per participant per sport. The combined result of the \$780,000 budget reduction and the impact of the State's new education budget delayed the implementation of further budget reductions for fiscal year 2003. However the District has been continuously on the ballot trying to pass an emergency levy since May 2001 with no success. The district is still projecting excess expenditures over revenues in its five-year forecast and will continue to seek the passage of some local form of taxes.

A challenge facing the District is the future of state funding. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including a change in the school districts that are used as the basis for determining the base cost support amount and fully funding parity aid no later than the beginning of fiscal year 2004. In November 2001, the Court granted the state's motion for reconsideration but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court. As of the date of these financial statements, the District is unable to determine what effect, if any, the decision and the reconsideration will have on its future state funding and on its financial operations.

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June, 30, 2002***

***Unaudited***

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In conclusion, the Lakewood Local School District has committed itself to financial excellence for many years.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Glenna Plaisted, Treasurer of Lakewood Local School District.

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

**Statement of Net Assets**  
**June 30, 2002**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,980,945	\$ 68,053	\$ 2,048,998
Cash and Cash Equivalents in Segregated Accounts	2,402	0	2,402
Investments	1,152,081	0	1,152,081
Receivables:			
Taxes	9,870,758	0	9,870,758
Accounts	22,173	85	22,258
Intergovernmental	220,674	28,891	249,565
Interest	11,285	0	11,285
Inventory Held for Resale	68,787	23,568	92,355
Prepaid Items	127,842	7,051	134,893
Restricted Assets:			
Cash and Cash Equivalents	255,686	0	255,686
Capital Assets, Net	<u>18,128,147</u>	<u>126,747</u>	<u>18,254,894</u>
<b>Total Assets</b>	<u>31,840,780</u>	<u>254,395</u>	<u>32,095,175</u>
<b>Liabilities:</b>			
Accounts Payable	214,988	3,080	218,068
Accrued Wages and Benefits	1,157,229	39,098	1,196,327
Intergovernmental Payable	376,188	26,173	402,361
Deferred Revenue - Taxes	8,044,900	0	8,044,900
Deferred Revenue	0	17,168	17,168
Accrued Interest Payable	60,087	0	60,087
Long Term Liabilities:			
Due Within One Year	620,085	0	620,085
Due in More Than One Year	<u>15,040,220</u>	<u>15,660</u>	<u>15,055,880</u>
<b>Total Liabilities</b>	<u>25,513,697</u>	<u>101,179</u>	<u>25,614,876</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	3,304,424	126,747	3,431,171
Restricted For:			
Capital Projects	64,020	0	64,020
Debt Service	375,990	0	375,990
Other Purposes	494,964	0	494,964
Unrestricted (Deficit)	<u>2,087,685</u>	<u>26,469</u>	<u>2,114,154</u>
<b>Total Net Assets</b>	<u>\$ 6,327,083</u>	<u>\$ 153,216</u>	<u>\$ 6,480,299</u>

See accompanying notes to the basic financial statements

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

### **Statement of Activities** **For the Fiscal Year Ended June 30, 2002**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 8,831,815	\$ 282,717	\$ 681,365	\$ 3,264
Support Services:				
Pupils	989,832	0	157,996	0
Instructional Staff	563,834	0	104,388	0
Board of Education	21,037	0	0	0
Administration	1,371,649	0	77,578	0
Fiscal Services	473,835	0	45,432	0
Business	13,295	0	0	0
Operation and Maintenance of Plant	1,241,528	0	0	0
Pupil Transportation	886,433	0	40,856	0
Central	80,841	0	8,265	0
Operation of Non-Instructional Services	122,219	1,703	42,225	0
Extracurricular Activities	493,591	325,965	5,000	0
Debt Service:				
Interest and Fiscal Charges	711,836	0	0	0
<b>Total Governmental Activities</b>	<b>15,801,745</b>	<b>610,385</b>	<b>1,163,105</b>	<b>3,264</b>
<b>Business-Type Activities:</b>				
Food Service	653,675	440,449	262,940	43,653
Uniform School Supplies	7,178	4,918	0	0
<b>Total Business-Type Activities</b>	<b>660,853</b>	<b>445,367</b>	<b>262,940</b>	<b>43,653</b>
<b>Totals</b>	<b>\$ 16,462,598</b>	<b>\$ 1,055,752</b>	<b>\$ 1,426,045</b>	<b>\$ 46,917</b>

#### **General Revenues**

Property Taxes Levied for:

    General Purposes

    Debt Service

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

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

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (7,864,469)	\$ 0	\$ (7,864,469)
(831,836)	0	(831,836)
(459,446)	0	(459,446)
(21,037)	0	(21,037)
(1,294,071)	0	(1,294,071)
(428,403)	0	(428,403)
(13,295)	0	(13,295)
(1,241,528)	0	(1,241,528)
(845,577)	0	(845,577)
(72,576)	0	(72,576)
(78,291)	0	(78,291)
(162,626)	0	(162,626)
<u>(711,836)</u>	<u>0</u>	<u>(711,836)</u>
<u>(14,024,991)</u>	<u>0</u>	<u>(14,024,991)</u>
0	93,367	93,367
<u>0</u>	<u>(2,260)</u>	<u>(2,260)</u>
0	91,107	91,107
<u>\$ (14,024,991)</u>	<u>\$ 91,107</u>	<u>\$ (13,933,884)</u>
8,257,386	0	8,257,386
1,182,047	0	1,182,047
5,295,793	0	5,295,793
123,352	0	123,352
282,496	0	282,496
<u>1,569</u>	<u>190</u>	<u>1,759</u>
<u>15,142,643</u>	<u>190</u>	<u>15,142,833</u>
1,117,652	91,297	1,208,949
<u>5,209,431</u>	<u>61,919</u>	<u>5,271,350</u>
<u>\$ 6,327,083</u>	<u>\$ 153,216</u>	<u>\$ 6,480,299</u>

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

**Balance Sheet  
Governmental Funds  
June 30, 2002**

	General	Debt Service	Building Acquisition and Construction	Other Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,360,798	\$ 283,226	\$ 44,517	\$ 292,404
Cash and Cash Equivalents in Segregated Accounts	0	0	0	2,402
Investments	1,152,081	0	0	0
Receivables:				
Taxes	8,779,091	1,091,667	0	0
Accounts	1,976	0	19,863	334
Intergovernmental	87,121	0	0	133,553
Interest	11,285	0	0	0
Inventory Held for Resale	68,787	0	0	0
Prepaid Items	123,563	0	0	4,279
Restricted Assets:				
Cash and Cash Equivalents	255,686	0	0	0
<b>Total Assets</b>	<b>\$ 11,840,388</b>	<b>\$ 1,374,893</b>	<b>\$ 64,380</b>	<b>\$ 432,972</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 199,274	\$ 0	\$ 360	\$ 15,354
Accrued Wages and Benefits	1,090,746	0	0	66,483
Intergovernmental Payable	255,874	0	0	13,179
Deferred Revenue - Taxes	7,756,791	988,967	0	0
Deferred Revenue	6,039	0	0	31,440
Compensated Absences Payable	46,506	0	0	0
<b>Total Liabilities</b>	<b>9,355,230</b>	<b>988,967</b>	<b>360</b>	<b>126,456</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	255,540	0	0	31,409
Reserved for Prepaid Items	123,563	0	0	4,279
Reserved for Supplies Inventory	68,787	0	0	0
Reserved for Debt Service	0	342,326	0	0
Reserved for Property Taxes	296,400	43,600	0	0
Statutory Reserves	120,052	0	0	0
Reserved for Bus Purchase	135,634	0	0	0
Unreserved, Undesignated in:				
General Fund (Deficit)	1,485,182	0	0	0
Special Revenue Funds	0	0	0	270,828
Capital Projects Funds	0	0	64,020	0
<b>Total Fund Balances</b>	<b>2,485,158</b>	<b>385,926</b>	<b>64,020</b>	<b>306,516</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 11,840,388</b>	<b>\$ 1,374,893</b>	<b>\$ 64,380</b>	<b>\$ 432,972</b>

See accompanying notes to the basic financial statements

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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Total Governmental Funds	<b><i>Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2002</i></b>	
	<b>Total Governmental Fund Balances</b>	\$ 3,241,620
\$ 1,980,945		
2,402		
1,152,081		
9,870,758	<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
22,173		
220,674	Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	18,128,147
11,285		
68,787		
127,842	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	738,337
255,686		
\$ 13,712,633	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(15,781,021)
\$ 214,988	<b><i>Net Assets of Governmental Activities</i></b>	<u>\$ 6,327,083</u>
1,157,229		
269,053		
8,745,758		
37,479		
46,506		
10,471,013		
286,949		
127,842		
68,787		
342,326		
340,000		
120,052		
135,634		
1,485,182		
270,828		
64,020		
3,241,620		
\$ 13,712,633		

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

### **Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2002**

	General	Debt Service	Building Acquisition and Construction	Other Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 8,409,795	\$ 1,182,047	\$ 0	\$ 0
Tuition	256,345	0	0	0
Investment Earnings	113,850	0	3,463	0
Extracurricular Activities	157,907	0	0	168,058
Class Materials and Fees	21,264	0	0	0
Intermediate Sources	5,000	0	0	7,720
Intergovernmental - State	5,404,809	91,518	0	129,821
Intergovernmental - Federal	35,923	0	0	710,465
All Other Revenue	257,453	0	23,127	52,604
<b>Total Revenue</b>	<b>14,662,346</b>	<b>1,273,565</b>	<b>26,590</b>	<b>1,068,668</b>
<b>Expenditures:</b>				
Current:				
Instruction	8,037,805	0	0	506,027
Supporting Services:				
Pupils	823,678	0	0	175,027
Instructional Staff	476,895	0	0	62,937
Board of Education	20,997	0	0	0
Administration	1,262,562	0	0	72,703
Fiscal Services	443,551	20,769	0	2,845
Business	13,056	0	0	0
Operation & Maintenance of Plant	1,205,729	0	0	0
Pupil Transportation	761,609	0	0	0
Central	52,651	0	0	28,190
Operation of Non-Instructional Services	61,890	0	0	20,830
Extracurricular Activities	174,766	0	0	217,375
Capital Outlay	0	0	133,102	0
Debt Service:				
Principal Retirement	52,767	547,515	0	0
Interest & Fiscal Charges	21,816	694,354	0	0
<b>Total Expenditures</b>	<b>13,409,772</b>	<b>1,262,638</b>	<b>133,102</b>	<b>1,085,934</b>
Excess (Deficiency) of Revenues				
Over Expenditures	1,252,574	10,927	(106,512)	(17,266)
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	2,774	0	0	7,100
Operating Transfers Out	(460)	0	0	(7,845)
<b>Total Other Financing Sources (Uses)</b>	<b>2,314</b>	<b>0</b>	<b>0</b>	<b>(745)</b>
Net Change in Fund Balance	1,254,888	10,927	(106,512)	(18,011)
<b>Fund Balances at Beginning of Year</b>	<b>1,228,681</b>	<b>374,999</b>	<b>170,532</b>	<b>324,527</b>
Increase (Decrease) in Inventory Reserve	1,589	0	0	0
<b>Fund Balances End of Year</b>	<b>\$ 2,485,158</b>	<b>\$ 385,926</b>	<b>\$ 64,020</b>	<b>\$ 306,516</b>

See accompanying notes to the basic financial statements



**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended June 30, 2002***

Total Governmental Funds			
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,141,292</b>
\$ 9,591,842		<b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>	
256,345		Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(479,788)
117,313		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(114,930)
325,965		Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	600,282
21,264		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	4,334
12,720		Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
5,626,148		Compensated Absences	(34,085)
746,388		Pension Obligation (Intergovernmental Payable)	(1,042)
333,184		Change in Inventory	1,589
17,031,169			(33,538)
		<b><i>Change in Net Assets of Governmental Activities</i></b>	<b>\$ 1,117,652</b>
8,543,832			
998,705			
539,832			
20,997			
1,335,265			
467,165			
13,056			
1,205,729			
761,609			
80,841			
82,720			
392,141			
133,102			
600,282			
716,170			
15,891,446			
1,139,723			
9,874			
(8,305)			
1,569			
1,141,292			
2,098,739			
1,589			
\$ 3,241,620			

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2002***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 7,946,990	\$ 8,591,950	\$ 8,591,950	\$ 0
Tuition	241,000	274,353	274,391	38
Investment Earnings	100,000	113,374	111,862	(1,512)
Extracurricular Activities	140,000	157,462	157,642	180
Class Material and Fees	19,685	20,650	21,253	603
Intermediate Sources	30,250	35,000	35,000	0
Intergovernmental - State	5,039,015	5,294,738	5,398,259	103,521
Intergovernmental - Federal	20,000	30,605	30,605	0
All Other Revenues	173,431	177,660	178,268	608
Total Revenues	<u>13,710,371</u>	<u>14,695,792</u>	<u>14,799,230</u>	<u>103,438</u>
<b>Expenditures:</b>				
Current:				
Instructional Services	8,164,352	8,256,792	8,016,422	240,370
Support Services:				
Pupils	830,671	885,019	821,993	63,026
Instructional Staff	553,823	578,814	540,823	37,991
Board of Education	22,861	23,699	22,049	1,650
Administration	1,398,119	1,273,742	1,236,180	37,562
Fiscal Services	390,927	446,127	436,581	9,546
Business	14,796	13,988	12,943	1,045
Operation and Maintenance of Plant	1,682,437	1,638,101	1,297,924	340,177
Pupil Transportation	867,404	981,964	952,544	29,420
Central	55,949	56,161	52,698	3,463
Operation of Non-Instructional Services	44,268	68,492	62,690	5,802
Extracurricular Activities	145,963	184,629	174,946	9,683
Total Expenditures	<u>14,171,570</u>	<u>14,407,528</u>	<u>13,627,793</u>	<u>779,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(461,199)	288,264	1,171,437	883,173

(Continued)

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2002***

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**Other Financing Sources (Uses):**

Proceeds from the Sale of Fixed Assets	3,900	4,000	4,000	0
Operating Transfers In	241,248	293,192	293,192	0
Operating Transfers Out	(240,693)	(290,880)	(290,880)	0
Advances In	130,000	112,000	112,000	0
Advances Out	(130,000)	(112,000)	(112,000)	0
Refund of Prior Year's Expenditures	25	706	706	0
Total Other Financing Sources (Uses):	<u>4,480</u>	<u>7,018</u>	<u>7,018</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(456,719)	295,282	1,178,455	883,173
Fund Balance at Beginning of Year	1,080,785	1,080,785	1,080,785	0
Prior Year Encumbrances	66,844	66,844	66,844	0
Fund Balance at End of Year	<u>\$ 690,910</u>	<u>\$ 1,442,911</u>	<u>\$ 2,326,084</u>	<u>\$ 883,173</u>

See accompanying notes to the basic financial statements

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2002**

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	Business-Type Activities		
	Enterprise Funds		
	Food Service	Uniform School Supplies	Total
<b>Assets:</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 53,879	\$ 14,174	\$ 68,053
Receivables:			
Accounts	59	26	85
Intergovernmental	28,891	0	28,891
Inventory Held for Resale	23,568	0	23,568
Prepaid Items	7,051	0	7,051
<i>Total Current Assets</i>	113,448	14,200	127,648
<i>Non Current Assets:</i>			
Capital Assets, Net	126,747	0	126,747
<b>Total Assets</b>	<b>240,195</b>	<b>14,200</b>	<b>254,395</b>
<b>Liabilities:</b>			
<i>Current Liabilities:</i>			
Accounts Payable	2,742	338	3,080
Accrued Wages and Benefits	39,098	0	39,098
Intergovernmental Payable	26,173	0	26,173
Deferred Revenue	17,168	0	17,168
<i>Total Current Liabilities</i>	85,181	338	85,519
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	15,660	0	15,660
<b>Total Liabilities</b>	<b>100,841</b>	<b>338</b>	<b>101,179</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	126,747	0	126,747
Unrestricted	12,607	13,862	26,469
<b>Total Net Assets</b>	<b>\$ 139,354</b>	<b>\$ 13,862</b>	<b>\$ 153,216</b>

See accompanying notes to the basic financial statements

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2002**

	Business-Type Activities		
	Enterprise Funds		
	Food Service	Uniform School Supplies	Total
<b>Operating Revenues:</b>			
Sales	\$ 439,385	\$ 0	\$ 439,385
Tuition and Fees	0	4,918	4,918
<b>Total Operating Revenues</b>	<b>439,385</b>	<b>4,918</b>	<b>444,303</b>
<b>Operating Expenses:</b>			
Salaries and Wages	214,690	0	214,690
Fringe Benefits	123,209	0	123,209
Contractual Services	8,131	0	8,131
Supplies and Materials	296,907	7,178	304,085
Depreciation	9,930	0	9,930
Other Operating Expense	808	0	808
<b>Total Operating Expenses</b>	<b>653,675</b>	<b>7,178</b>	<b>660,853</b>
Operating Income (Loss)	(214,290)	(2,260)	(216,550)
<b>Nonoperating Revenue (Expenses):</b>			
Operating Grants	262,940	0	262,940
Investment Earnings	1,064	0	1,064
<b>Total Nonoperating Revenues (Expenses)</b>	<b>264,004</b>	<b>0</b>	<b>264,004</b>
Net Income (Loss) before			
Contributions and Operating Transfers	49,714	(2,260)	47,454
Capital Contributions	43,653	0	43,653
Operating Transfers In	190	0	190
Change in Net Assets	93,557	(2,260)	91,297
Net Assets Beginning of Year	45,797	16,122	61,919
Net Assets End of Year	<b>\$ 139,354</b>	<b>\$ 13,862</b>	<b>\$ 153,216</b>

See accompanying notes to the basic financial statements

# **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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## ***Statement of Cash Flows Proprietary Funds June 30, 2002***

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	<b><i>Enterprise Funds</i></b>
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$444,277
Cash Payments for Goods and Services	(262,325)
Cash Payments to Employees for Services and Benefits	(349,950)
Net Cash Used by Operating Activities	<u>(167,998)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	184,828
Operating Transfers In	190
Advance Received from General Fund	25,000
Repayment of Advance from General Fund	(25,000)
Net Cash Provided by Noncapital Financing Activities	<u>185,018</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Receipt of Interest	1,064
Net Cash Provided by Investing Activities	<u>1,064</u>
Net Increase in Cash and Cash Equivalents	18,084
Cash and Cash Equivalents at Beginning of Year	<u>49,969</u>
Cash and Cash Equivalents at End of Year	<u><u>\$68,053</u></u>
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u></b>	
Operating Loss	(\$216,550)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,930
Donated Commodities Used During the Year	49,221
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(26)
Increase in Inventory	(12,076)
Increase in Prepaid Items	(282)
Increase in Accounts Payable	2,820
Decrease in Accrued Wages and Benefits	(3,160)
Decrease in Intergovernmental Payables	(3,006)
Increase in Deferred Revenue	10,734
Decrease in Compensated Absences	(5,603)
Total Adjustments	<u>48,552</u>
Net Cash Used by Operating Activities	<u><u>(\$167,998)</u></u>

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**Schedule of Noncash Investing, Capital and Financing Activities:**

During fiscal year 2002, the Food Service Fund received \$43,654 of capital assets from other funds.

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

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2002**

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	Private Purpose Trust	
	Special Trust Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 1,050	\$ 3,965
<b>Total Assets</b>	<u>1,050</u>	<u>3,965</u>
<b>Liabilities:</b>		
Due to Students	0	3,965
<b>Total Liabilities</b>	<u>0</u>	<u>3,965</u>
<b>Net Assets:</b>		
Unrestricted	1,050	0
<b>Total Net Assets</b>	<u>\$ 1,050</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Statement of Changes in Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2002**

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	<u>Private Purpose Trust</u>	<u>Special Trust Fund</u>
<b>Additions:</b>		
Contributions:		
Private Donations	1,200	
Total Contributions	<u>1,200</u>	
Total Additions	<u>1,200</u>	
<b>Deductions:</b>		
Community Gifts, Awards and Scholarships	(150)	
Transfers Out	<u>(1,759)</u>	
Total Deductions	<u>(1,909)</u>	
Change in Net Assets	(709)	
Net Assets at Beginning of Year		<u>1,759</u>
Net Assets End of Year		<u>\$ 1,050</u>

See accompanying notes to the basic financial statements



## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

##### **A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 106 non-certified and approximately 180 certified teaching personnel and administrative employees providing education to 2,276 students.

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

Lakewood Local School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the Licking Area Computer Association (LACA), Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Information regarding these organizations is presented in Notes 12 and 13.

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

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

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

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

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

The following fund types are used by the District:

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

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

**Debt Service Fund** - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Building Acquisition and Construction Fund** - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by proprietary funds).

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

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

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

**Food Services Fund** - This fund accounts for the financial transactions related to the food service operations of the District.

**Uniform School Supplies Fund** - This fund accounts for the purchase and sale of school supplies for use in the District. Profits derived from such sales are used for school purposes or activities connected with the school.

## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

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

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

##### **C. Basis of Presentation and Measurement Focus – Financial Statements**

***Government-wide Financial Statements*** – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

##### **C. Basis of Presentation and Measurement Focus – Financial Statements (Continued)**

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

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

Fiduciary funds are reported using the economic resources measurement focus.

##### **D. Basis of Accounting**

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

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

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2002, and which are not intended to finance fiscal 2002 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, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

##### **D. Basis of Accounting (Continued)**

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and the private-purpose trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

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

***Revenues – Exchange and Non-exchange Transactions*** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

##### **E. Budgetary Process**

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

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

# **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

#### **E. Budgetary Process (Continued)**

##### **1. Tax Budget**

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

##### **2. Estimated Resources**

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

##### **3. Appropriations**

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

##### **4. Encumbrances**

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

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002***

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

**E. Budgetary Process (Continued)**

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**6. Budgetary Basis of Accounting**

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

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

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$1,254,888
Increase (Decrease):	
Accrued Revenues at June 30, 2002, received during FY 2003	(1,116,643)
Accrued Revenues at June 30, 2001, received during FY 2002	1,254,693
Accrued Expenditures at June 30, 2002, paid during FY 2003	1,592,400
Accrued Expenditures at June 30, 2001, paid during FY 2002	(1,354,827)
FY 2001 Prepays for FY 2002	107,402
FY 2002 Prepays for FY 2003	(123,563)
Adjustment to Fair Value	3,258
Encumbrances Outstanding	(439,153)
Budget Basis	<u>\$1,178,455</u>

# ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

#### **F. Cash and Cash Equivalents**

During fiscal year 2002, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, "Cash and Cash Equivalents."

#### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 3, "Cash and Cash Equivalents."

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

#### **H. Inventory**

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

#### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.



**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002***

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

**J. Capital Assets and Depreciation**

**1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business-type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

**2. Property, Plant and Equipment – Business-Type Activities**

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost). Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

**3. Depreciation**

All capital assets are depreciated. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	10-15
Buildings	15-20
Furniture, Fixtures and Equipment	5 - 25
Vehicles	5-7

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002***

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

**K. Long-Term Obligations**

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

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

**L. Compensated Absences**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

##### **N. Pensions**

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

##### **O. Interfund Activity**

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

##### **P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, a reserve for textbook purchases and a reserve for capital maintenance. The textbook purchase and capital maintenance reserves are required by State statute. Fund balance reserves have also been established for these amounts.

##### **Q. Reservations of Fund Balance**

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

##### **R. Estimates**

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

## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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

##### **S. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and tuition and fees for uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS**

##### **A. Prior Period Adjustments**

During the fiscal year ended June 30, 2002, the District completed a physical inventory and revaluation of all fixed assets. The inventory and revaluation resulted in the restatement of the retained earnings balance at June 30, 2001 of the Food Service Fund.

##### **B. Changes in Accounting Principles**

For fiscal year 2002, the District has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the accrual basis of accounting.

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002**

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**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)**

**C. Restatement of Fund Balance/Retained Earnings**

The changes to the beginning fund balance/retained earnings, as well as the transition from fund balance/retained earnings to net assets of the governmental activities and the business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund Balance/Retained Earnings June 30, 2001	\$2,098,739	(\$24,803)
Adjustments:		
Restate Fixed Assets	<u>0</u>	<u>55,327</u>
Total Prior Period Adjustments	<u>0</u>	<u>55,327</u>
GASB 34 Adjustments:		
Capital Assets	18,607,935	0
Contributed Capital	0	31,395
Long-Term Liabilities	(16,350,510)	0
Long-Term (Deferred) Assets	<u>853,267</u>	<u>0</u>
Net Assets, June 30, 2001	<u><u>\$5,209,431</u></u>	<u><u>\$61,919</u></u>

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

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

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

## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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#### **NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*,” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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#### **NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

*Deposits:*

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

*Investments:*

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

#### **A. Deposits**

At year end the carrying amount of the District's deposits was \$515,659 and the bank balance was \$642,440. Federal depository insurance covered \$100,000 of the bank balance and all remaining deposits were classified as Category 3.

Investment earnings of \$21,380 earned by other funds was credited to the General Fund as required by state statute.

#### **B. Investments**

The District's investments at June 30, 2002 were as follows:

	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
<b>Categorized Investments</b>			
Repurchase Agreements	\$0	\$65,686	\$65,686
United States Agency Securities	652,081	0	652,081
<b>Noncategorized Investments</b>			
STAR Ohio	N/A	N/A	2,230,756
Total Investments	<u>\$652,081</u>	<u>\$65,686</u>	<u>\$2,948,523</u>

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002**

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**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,312,101	\$1,152,081
Certificates of Deposit (with maturities of more than 3 months)	500,000	(\$500,000)
Repurchase Agreements	(65,686)	65,686
STAR Ohio	<u>(2,230,756)</u>	<u>2,230,756</u>
Per GASB Statement No. 3	<u>\$515,659</u>	<u>\$2,948,523</u>

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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



**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002**

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**NOTE 4 - PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Lakewood Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2002 receipts were based are:

	2001 Second Half <u>Collections</u>	2002 First Half <u>Collections</u>
Agricultural/Residential and Other Real Estate	\$221,019,420	\$231,012,540
Public Utility Personal	19,703,930	15,072,540
Tangible Personal Property	<u>76,473,440</u>	<u>84,725,760</u>
Total Assessed Value	<u>\$317,196,790</u>	<u>\$330,810,840</u>
Tax rate per \$1,000 of assessed valuation	\$44.09	\$43.96

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts, interest receivable and intergovernmental receivables.

**NOTE 6 – INTERFUND TRANSACTIONS**

Following is a summary of transfers in and out for all funds at June 30, 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$2,774	\$460
Nonmajor Governmental Funds:		
Public School Support Fund	2,292	5,288
District Managed Student Activity Fund	<u>4,808</u>	<u>2,557</u>
Total Nonmajor Governmental Funds	7,100	7,845
Enterprise Funds:		
Food Service Fund	190	0
Fiduciary Fund:		
Special Trust Fund	<u>0</u>	<u>1,759</u>
Total All Funds	<u>\$10,064</u>	<u>\$10,064</u>

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002**

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**NOTE 7 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2002:

**Historical Cost:**

Class	Restated June 30, 2001	Additions	Deletions	June 30, 2002
Land	\$275,555	\$0	\$0	\$275,555
Land Improvements	435,181	11,647	0	446,828
Buildings and Improvements	19,921,331	234,105	0	20,155,436
Furniture, Fixtures and Equipment	3,281,800	179,423	0	3,461,223
Vehicles	1,536,084	0	0	1,536,084
Total Cost	<u>\$25,449,951</u>	<u>\$425,175</u>	<u>\$0</u>	<u>\$25,875,126</u>

**Accumulated Depreciation:**

Class	Restated June 30, 2001	Additions	Deletions	June 30, 2002
Land Improvements	(\$325,528)	(\$32,809)	\$0	(\$358,337)
Buildings and Improvements	(4,172,657)	(486,293)	0	(4,658,950)
Furniture, Fixtures and Equipment	(1,213,035)	(268,633)	0	(1,481,668)
Vehicles	(1,130,796)	(117,228)	0	(1,248,024)
Total Depreciation	<u>(\$6,842,016)</u>	<u>(\$904,963) *</u>	<u>\$0</u>	<u>(\$7,746,979)</u>

**Net Value:** \$18,607,935 \$18,128,147

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	(\$510,015)
Support Services:	
Instructional Staff	(30,423)
Administration	(36,529)
Operations & Maintenance of Plant	(42,434)
Pupil Transportation	(118,643)
Extracurricular Activities	(127,420)
Other Noninstructional Services	(39,499)
Total Depreciation Expense	<u>(\$904,963)</u>

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002**

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**NOTE 7 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at June 30, 2002:

***Historical Cost:***

Class	Restated June 30, 2001	Additions	Deletions	June 30, 2002
Furniture and Equipment	\$261,390	\$43,653	\$0	\$305,043
Total Cost	<u>\$261,390</u>	<u>\$43,653</u>	<u>\$0</u>	<u>\$305,043</u>

***Accumulated Depreciation:***

Class	Restated June 30, 2001	Additions	Deletions	June 30, 2002
Furniture and Equipment	(\$168,366)	(\$9,930)	\$0	(\$178,296)
Total Depreciation	<u>(\$168,366)</u>	<u>(\$9,930)</u>	<u>\$0</u>	<u>(\$178,296)</u>

<b><i>Net Value:</i></b>	<u>\$93,024</u>	<u>\$33,723</u>	<u>\$0</u>	<u>\$126,747</u>
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**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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#### **NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, (latest information available) 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$291,768, \$277,356, and \$254,310, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2001 employer contribution rate (latest information available) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$233,400.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 were \$315.7 million.

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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#### **NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, (latest information available) 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$1,026,156, \$1,022,136, and \$978,660, respectively, which were equal to the required contributions for each year.

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$329,836 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$369,354,000. There were 102,132 eligible benefit recipients.

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002**

#### **NOTE 9 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

Details of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2002 are as follows:

		<u>Balance June 30, 2001</u>	<u>Issued (Retired)</u>	<u>Balance June 30, 2002</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
(Long-Term Notes Payable)					
Energy Conservation Project	6.10%	\$130,000	(\$130,000)	\$0	\$0
Energy Conservation Project	5.15%	215,000	(50,000)	165,000	50,000
Total Long-Term Notes Payable		345,000	(180,000)	165,000	50,000
(EPA Loan Payable)					
Asbestos Federal EPA Loan	0.00%	41,330	(7,515)	33,815	7,514
(General Obligation Bonds Payable)					
School Improvement Bonds 1999a 3.0-5.0%		5,367,000	(130,000)	5,237,000	135,000
School Improvement Bonds 1999b 3.15-5.0%		9,584,870	(230,000)	9,354,870	240,000
Total General Obligation Bonds Payable		14,951,870	(360,000)	14,591,870	375,000
Capital Leases Payable		284,620	(52,767)	231,853	53,269
Compensated Absences		573,398	64,369	637,767	134,302
Total Governmental Activities		16,196,218	(535,913)	15,660,305	620,085
<b>Business-Type Activities:</b>					
Compensated Absences		21,263	(5,603)	15,660	0
Total Long Term Liabilities		\$16,217,481	(\$541,516)	\$15,675,965	\$620,085

#### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2002, follows:

Years	<u>Long-Term Notes Payable</u>		<u>EPA Loan Payable</u>		<u>General Obligation Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$50,000	\$7,210	\$7,514	\$0	\$375,000	\$663,263
2004	55,000	4,506	7,515	0	390,000	648,915
2005	60,000	1,545	7,514	0	400,000	633,705
2006	0	0	7,515	0	415,000	617,605
2007	0	0	3,757	0	153,120	609,305
2008-2012	0	0	0	0	1,983,750	2,892,720
2013-2017	0	0	0	0	2,815,000	2,336,684
2018-2022	0	0	0	0	3,540,000	1,584,841
2023-2027	0	0	0	0	4,520,000	586,750
Totals	<u>\$165,000</u>	<u>\$13,261</u>	<u>\$33,815</u>	<u>\$0</u>	<u>\$14,591,870</u>	<u>\$10,573,788</u>

**LAKWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002**

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**NOTE 10 - CAPITAL LEASE COMMITMENTS**

The District leases copiers and office equipment under capital leases. The cost of the equipment obtained under capital leases is \$292,735, which is included in the General Activities Capital Assets and the related liability is included in the Governmental Activities Long-Term Liabilities.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2002

Year Ending June 30,	Capital Lease
2003	\$69,922
2004	70,956
2005	70,241
2006	59,663
Minimum Lease Payments	270,782
Less: Amount representing interest at the District's incremental borrowing rate of interest	(38,929)
Present Value of minimum lease payments	\$231,853

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002 the District contracted for various insurance coverages, as follows:

Company	Coverages	Deductible	Coverage Amount
Nationwide Insurance	Building and Contents	\$1,000	\$33,684,900
Mutual Insurance Company	Inland Marine	\$100	22,918
Ohio School Plan	Automobile Liability	\$250-Comprehensive \$500-Collision	1,000,000
Ohio School Plan	General Liability Per occurrence		1,000,000
	General Aggregate	\$2,500	3,000,000

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

## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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#### **NOTE 11 - RISK MANAGEMENT (Continued)**

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

#### **NOTE 12 - INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* – The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

##### **A. Licking Area Computer Association**

The District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of thirteen members made up of the thirteen district superintendents. The continued existence of LACA is not dependent on the District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The District paid LACA \$44,988 for services provided during the year. Financial information can be obtained from their fiscal agent, the Licking County Joint Vocational School, Cory Thompson, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.



## ***LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

##### **B. Metropolitan Education Council**

The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 135 members, which includes school districts, joint vocational school, educational service centers and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurance, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts), and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2002 was \$875. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

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

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, representatives of universities, and student and persons with disabilities representations. The District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, Early Childhood Services Project, and the Ohio Resource Center for Low Incidence and Severely Handicapped Project. These services are to assist the District in complying with mandates of Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSERRC. The District made no contributions to COSERRC during fiscal year 2002.

**LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002**

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**NOTE 14 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts for textbook and capital acquisition into various reserves. The reserve for budget stabilization became optional under state law in fiscal year 2001. The District has elected not to continue this reserve and is depleting this reserve for instructional material purchases. The District also receives resources from the State of Ohio which are restricted by state law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the general fund at fiscal year end. During the fiscal year ended June 30, 2002, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2001	\$66,082	\$0	\$277,131	\$343,213
Current Year Set-Aside Requirement	287,275	287,275	0	574,550
Current Year Offset Credits	0	0	(204,164)	(204,164)
Qualifying Disbursements	<u>(305,130)</u>	<u>(422,888)</u>	<u>(1,142)</u>	<u>(729,160)</u>
Total	<u>\$48,227</u>	<u>(\$135,613)</u>	<u>\$71,825</u>	<u>(\$15,561)</u>
Cash Balance Carried Forward to FY 2003	<u>\$48,227</u>	<u>\$0</u>	<u>\$71,825</u>	\$120,052
Amount Restricted for bus purchases				<u>135,634</u>
Total Restricted Assets				<u>\$255,686</u>

Actual capital expenditures in excess of current year or accumulated set-aside requirements from the capital acquisition reserve may be carried forward to offset future years' capital acquisition reserve set-aside requirements. Actual cash balances in excess of required set-asides may also be carried forward to offset future years' set-aside requirements.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2002.

## **LAKEWOOD LOCAL SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002***

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#### **NOTE 15 – CONTINGENCIES (Continued)**

##### **C. State School Funding**

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

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

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issues his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

#### **NOTE 16 – SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES – SIGNIFICANT ACCOUNTING POLICIES**

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

#### **NOTE 17 – SUBSEQUENT EVENTS**

On August 1, 2002, the District entered into a 10-year installment loan agreement in the amount of \$726,650. The loan is for improvements that constitute "energy conservation measures" under House bill 264.

On September 9, 2002, the District entered into a 3-year lease agreement for the Lakewood Local Band Boosters to purchase band instruments in the amount of \$36,415 in which payment is to be reimbursed annually by the Lakewood Local Band Boosters.

**LAKWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
For the Year Ended June 30, 2002**

<u>Federal Grantor/ Pass-Through Grantor/ Program Grant Title</u>	<u>Pass-Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<i>U.S. Department of Agriculture/ Ohio Department of Education</i>				
National School Breakfast Program	05-PU 01 & 02	10.553	\$ 18,211	\$ 18,211
National School Lunch Program	04-PU 00 & 01	10.555	152,780	152,780
Commodities		10.550	<u>56,234</u>	<u>49,221</u>
<b>TOTAL NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE</b>			227,225	220,212
<i>U.S. Department of Education/ Ohio Department of Education</i>				
<b>Title I</b>				
Grants to Local Educational Agencies	C1-S1 01 & 02	84.010	361,959	381,307
<b>Title VI-B</b>				
Special Education Grants to State	6B-SF 02-P	84.027	163,328	163,130
Drug Free Educational Subsidy	DR-S1 02	84.186	9,750	9,294
Innovative Education Program Strategies	C2-S1 02	84.298	11,430	16,489
Title VI-R Class Size Reduction	CR-S1 02	84.340	67,341	62,765
Goals	G2-59 01	84.276	15,000	25,431
Eisenhower Prof. Dev. Grant	MS-S1 02	84.281	12,497	12,333
Comprehensive School Reform	RF-S1 01	84.332	<u>45,000</u>	<u>20,300</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>686,305</u>	<u>691,049</u>
<b>TOTAL FEDERAL AWARD RECEIPTS AND EXPENDITURES</b>			<u>\$ 913,530</u>	<u>\$ 911,261</u>

- Commodities are based on the fair market value.



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

Board of Education  
Lakewood Local School District  
Hebron, Ohio

We have audited the basic financial statements of Lakewood Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 21, 2002. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, as of July 1, 2001. This results in a change to the Authority’s method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Lakewood Local School 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lakewood Local School District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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.

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

Jones, Cochenour & Co.  
November 21, 2002



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

Board of Education  
Lakewood Local School District  
Hebron, Ohio

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

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

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

**Jones, Cochenour & Co.  
November 21, 2002**

**LAKESWOOD LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 § .505  
 JUNE 30, 2002**

**1. SUMMARY OF AUDITORS' RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>National School Breakfast Program CFDA Number 10.553 National School Lunch Program CFDA Number 10.555 Commodities CFDA Number 10.550 Title VI-B CFDA Number 84.027</b>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	<b>Type A: \$300,000 Type B: All others</b>
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>Yes</b>



**LAKWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2002**

**2. FINDINGS RELATED TO FINANCIAL STATEMENTS**

**There are no findings or questioned costs for the year ended June 30, 2002.**

**3. FINDINGS RELATED TO FEDERAL AWARDS**

**There are no findings or questioned costs for the year ended June 30, 2002.**

**LAKWOOD LOCAL SCHOOL DISTRICT  
STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

<u>Finding Number/Brief Description</u>	<u>Status</u>	<u>Response</u>
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**Citations/Reportable Conditions:**

2001-2252-001 (1999)	Corrected	N/A
2001-2252-002 (1999)	Corrected	N/A
2001-2252-003 (2001)	Corrected	N/A

**LAKWOOD LOCAL SCHOOL DISTRICT  
CONCLUSION STATEMENT  
JUNE 30, 2002**

**The draft audit report was furnished to the District officials at a post audit conference on December 16, 2002. The District was given five (5) business days to review the financial statements and to approve for final issuance.**





**Auditor of State  
Betty Montgomery**

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**LAKESWOOD LOCAL SCHOOL DISTRICT**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 30, 2003**