LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE YEAR ENDED JUNE 30, 2008

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CUYAHOGA COUNTY
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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lakewood City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lakewood City School District, Cuyahoga County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3C to the financial statements, the District restated fund balances in the debt service fund and building fund at July 1, 2007 to properly report note proceeds.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 24, 2009

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The management's discussion and analysis of Lakewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets increased $4,084,230. Net assets of governmental activities increased $4,364,102, which represents a 21.06% increase from 2007. Net assets of business-type activities decreased $279,872 from 2007.

- Governmental activities general revenues accounted for $72,311,390 in revenue or 85.28% of all governmental activities revenues. Governmental activities program specific revenues in the form of charges for services and sales, grants and contributions accounted for $12,479,846 or 14.72% of total governmental activities revenues of $84,791,236. The District also had special items in the amount of $533,631

- The District had $80,960,765 in expenses related to governmental activities; only $12,479,846 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $72,311,390 were adequate to provide for these programs.

- The District had $2,245,360 in expenses related to business-type activities; a total of $1,963,284 were offset by program specific charges for services, grants and contributions. General revenues include only interest earnings were $2,204. Total revenues were not adequate to provide for these programs by $279,872 resulting in a decrease to a deficit of $257,625 from net assets of $22,247.

- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had $67,241,786 in revenues and other financing sources and $68,977,852 in expenditures and other financing uses. The general fund's fund balance decreased $1,736,066 from $18,821,731 to $17,085,665.

- Another of the District's major governmental funds is the debt service fund. The debt service fund had $30,657,586 in revenues and other financing sources and $31,105,818 in expenditures. The debt service fund's fund balance decreased $448,232 from $5,176,244 to $4,728,012.

- The District's other major governmental fund is the building fund. The building fund had $25,972,690 in revenues and other financing sources and $31,674,203 in expenditures. The building fund's fund balance decreased $5,701,513 from $35,612,404 to $29,910,891.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The District's statement of net assets and statement of activities can be found on pages 17-19 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund.

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. The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 29-30. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-77 of this report.

The District as a Whole

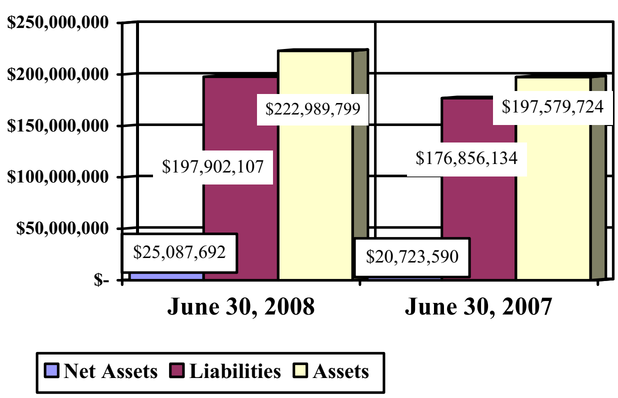
The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2008 and June 30, 2007:

Net Assets

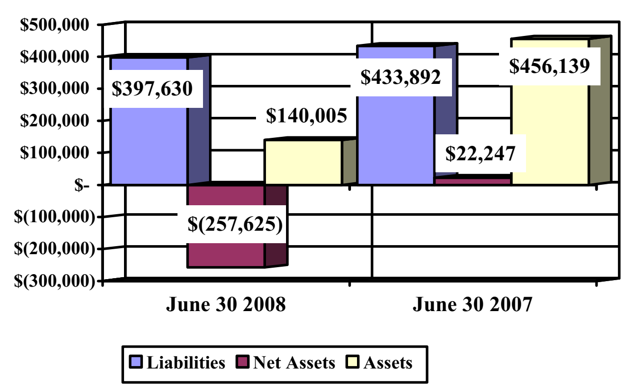
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	$ 111,679,013	$117,669,343	$ 110,584	$ 422,586	$ 111,789,597	$ 118,091,929
Capital assets, net	111,310,786	79,910,381	29,421	33,553	111,340,207	79,943,934
Total assets	222,989,799	197,579,724	140,005	456,139	223,129,804	198,035,863
Liabilities						
Current liabilities	52,523,124	52,634,789	271,908	317,793	52,795,032	52,952,582
Long-term liabilities	145,378,983	124,221,345	125,722	116,099	145,504,705	124,337,444
Total liabilities	197,902,107	176,856,134	397,630	433,892	198,299,737	177,290,026
Net Assets						
Invested in capital assets, net of related debt	19,103,860	11,963,850	29,421	33,553	19,133,281	11,997,403
Restricted	6,837,356	7,365,272	-	-	6,837,356	7,365,272
Unrestricted (deficit)	(853,524)	1,394,468	(287,046)	(11,306)	(1,140,570)	1,383,162
Total net assets (deficit)	$ 25,087,692	$ 20,723,590	$(257,625)	$ 22,247	$ 24,830,067	$ 20,745,837

The graphs below show the District's assets, liabilities and net assets at June 30, 2008 and June 30, 2007:

Governmental – Net Assets



Business-Type – Net Assets



LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The table below shows the changes in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services and sales	$ 4,542,656	$ 4,773,785	$ 1,101,576	$ 1,163,159	$ 5,644,232	$ 5,936,944
Operating grants and contributions	7,937,190	8,436,040	861,708	825,881	8,798,898	9,261,921
Capital grants and contributions	-	46,986	-	-	-	46,986
General revenues:						
Property taxes	43,936,875	45,098,216	-	-	43,936,875	45,098,216
Grants and entitlements	24,332,260	22,702,458	-	-	24,332,260	22,702,458
Investment earnings	3,811,405	3,678,267	2,204	15,437	3,813,609	3,693,704
Miscellaneous	230,850	93,348	-	-	230,850	93,348
Total revenues	84,791,236	84,829,100	1,965,488	2,004,477	86,756,724	86,833,577
Expenses						
Program expenses:						
Instruction:						
Regular	26,952,398	25,984,936	-	-	26,952,398	25,984,936
Special	11,608,202	11,374,356	-	-	11,608,202	11,374,356
Vocational	3,834,521	3,921,562	-	-	3,834,521	3,921,562
Adult/continuing	340,940	306,211	-	-	340,940	306,211
Other	3,019,710	3,183,667	-	-	3,019,710	3,183,667
Support services:						
Pupil	4,896,852	4,774,842	-	-	4,896,852	4,774,842
Instructional staff	5,197,986	5,116,643	-	-	5,197,986	5,116,643
Board of education	107,112	97,335	-	-	107,112	97,335
Administration	3,121,868	3,420,275	-	-	3,121,868	3,420,275
Fiscal	1,825,274	1,701,584	-	-	1,825,274	1,701,584
Business	1,310,454	1,112,377	-	-	1,310,454	1,112,377
Operations and maintenance	8,808,497	8,102,755	-	-	8,808,497	8,102,755
Pupil transportation	89,318	140,304	-	-	89,318	140,304
Central	409,254	404,573	-	-	409,254	404,573
Operation of non-instructional services	1,553,402	1,553,210	-	-	1,553,402	1,553,210
Extracurricular activities	1,232,393	1,211,876	-	-	1,232,393	1,211,876
Intergovernmental pass through	977,223	1,129,724	-	-	977,223	1,129,724
Interest and fiscal charges	5,675,361	4,152,269	-	-	5,675,361	4,152,269
Food service	-	-	1,972,355	1,850,413	1,972,355	1,850,413
Recreation	-	-	273,005	334,332	273,005	334,332
Total expenses	80,960,765	77,688,499	2,245,360	2,184,745	83,206,125	79,873,244
Special items	533,631	-	-	-	533,631	-
Changes in net assets	4,364,102	7,140,601	(279,872)	(180,268)	4,084,230	6,960,333
Net assets at						
beginning of year	20,723,590	13,582,989	22,247	202,515	20,745,837	13,785,504
Net assets at end of year	$ 25,087,692	$ 20,723,590	$ (257,625)	$ 22,247	$ 24,830,067	$ 20,745,837

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

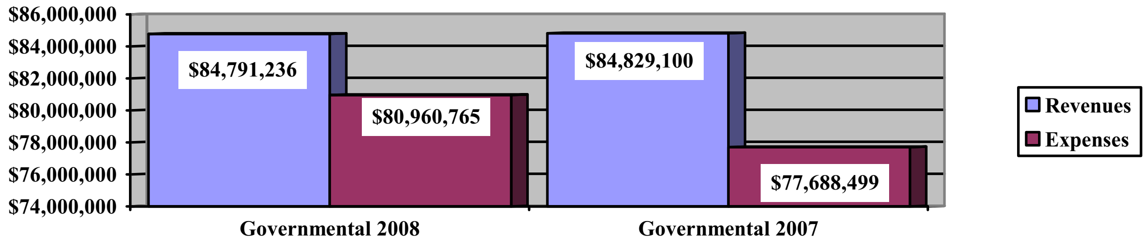
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Governmental Activities

Net assets of the District's governmental activities increased $4,364,102. Total governmental expenses of $80,960,765 were offset by program revenues of $12,479,846 and general revenues of $72,311,390. Program revenues supported 15.41% of the total governmental expenses.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. It identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements.

Governmental Activities

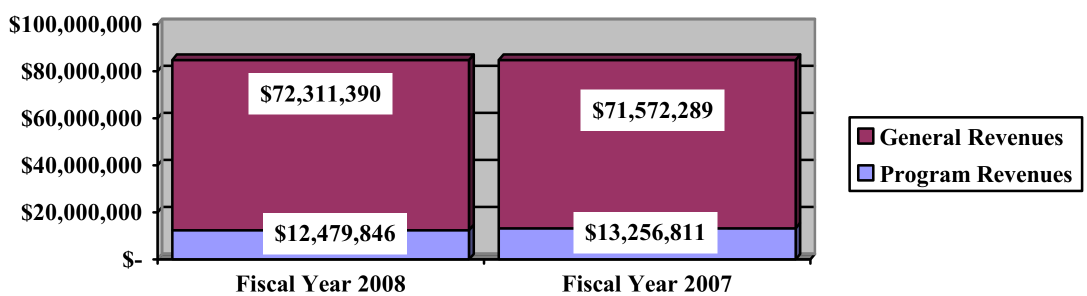
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses:				
Instruction:				
Regular	26,952,398	24,386,113	25,984,936	23,179,503
Special	11,608,202	8,124,072	11,374,356	7,675,033
Vocational	3,834,521	2,233,796	3,921,562	2,388,439
Adult/continuing	340,940	(46,908)	306,211	(42,816)
Other	3,019,710	3,019,710	3,183,667	3,099,352

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Support services:				
Pupil	4,896,852	4,465,820	4,774,842	4,208,610
Instructional staff	5,197,986	3,885,819	5,116,643	3,908,955
Board of Education	107,112	107,112	97,335	97,335
Administration	3,121,868	2,905,759	3,420,275	3,002,181
Fiscal	1,825,274	1,824,747	1,701,584	1,684,326
Business	1,310,454	1,310,454	1,112,377	1,112,377
Operations and maintenance	8,808,497	8,561,336	8,102,755	7,832,807
Pupil transportation	89,318	(118,590)	140,304	(113,127)
Central	409,254	352,177	404,573	339,469
Operation of non-instructional services	1,553,402	1,293,633	1,553,210	1,255,482
Extracurricular activities	1,232,393	634,627	1,211,876	622,683
Intergovernmental	977,223	(134,119)	1,129,724	28,810
Interest and fiscal charges	5,675,361	5,675,361	4,152,269	4,152,269
Total expenses	$ 80,960,765	$ 68,480,919	$ 77,688,499	$ 64,431,688

The dependence upon tax revenue during fiscal year 2008 for governmental activities is apparent, as 82.43% of 2008 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 84.59% in 2008. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include recreation and the food service operation. These programs had revenues of $1,965,488 and expenses of $2,245,360 for fiscal year 2008. The food service operations had expenses of $1,972,355 and revenues of $1,681,540. This resulted in a decrease to net assets for the fiscal year of $290,815. The recreation programs had expenses of $273,005 and revenues of $283,948. This resulted in an increase to net assets for the fiscal year of $10,943. These funds are self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of $53,357,740 which is below last year's total of $61,078,035. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007. Certain balances at June 30, 2007 have been restated as described in Note 3.C.

	Fund Balance June 30, 2008	Restated Fund Balance June 30, 2007	Increase/ (Decrease)
General	$ 17,085,665	$ 18,821,731	$ (1,736,066)
Debt Service	4,728,012	5,176,244	(448,232)
Building	29,910,891	35,612,404	(5,701,513)
Other Governmental	1,633,172	1,467,656	165,516
Total	$ 53,357,740	$ 61,078,035	$ (7,720,295)

General Fund

The District's general fund balance decreased $1,736,066. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2007 Amount	Change	Percentage Change
Revenues				
Taxes	$ 35,833,808	$ 36,827,715	$ (993,907)	(2.70) %
Interest earnings	1,533,111	1,874,420	(341,309)	(18.21) %
Intergovernmental	25,407,138	24,348,673	1,058,465	4.35 %
Other revenues	3,871,195	3,978,643	(107,448)	(2.70) %
Total	$ 66,645,252	$ 67,029,451	$ (384,199)	(0.57) %

Overall revenues of the general fund decreased $384,199 or 0.57%. Tax revenue decreased $993,907 or 2.70% from the prior year. This decrease is primarily due to fluctuations in the amount of taxes collected by the Cuyahoga County Auditor and available to the District as an advance at fiscal year-end. The amount of taxes collected and available as an advance at fiscal year-end can vary depending upon when tax bills are sent by the County Auditor. At June 30, 2008, 2007 and 2006, the amount collected by the Cuyahoga County Auditor and available as an advance in the general fund was $4,358,471, $4,397,231 and $3,513,237, respectively. The amount available as an advance at any particular year-end is recorded as revenue. Intergovernmental revenues increased $1,058,465 or 4.35%. This increase is due an increase in tangible personal property tax reimbursements and an increase in State foundation.

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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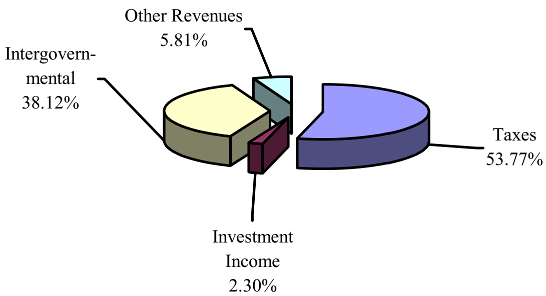
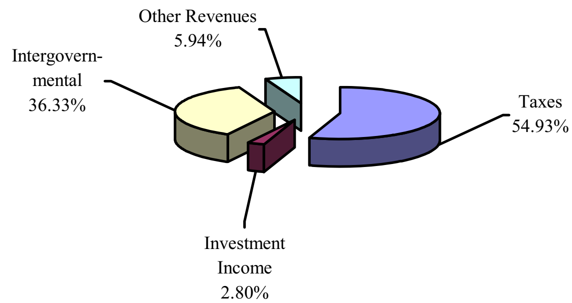
Revenues – Fiscal Year 2008



Revenues – Fiscal Year 2007

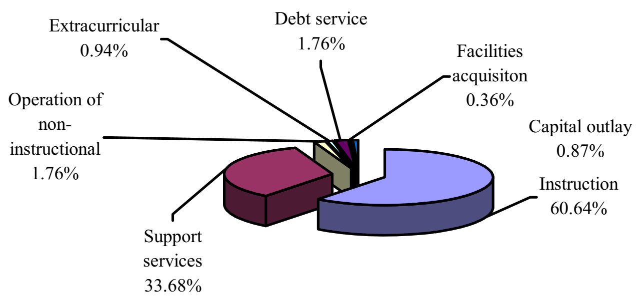


The table that follows assists in illustrating the expenditures of the general fund.

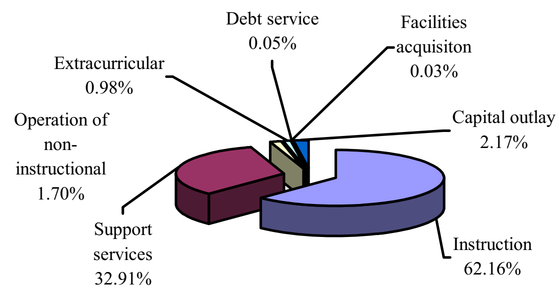
	2008 Amount	2007 Amount	Change	Percentage Change
Expenditures				
Instruction	$ 41,807,110	$ 41,913,672	$ (106,562)	(0.25) %
Support services	23,217,764	22,188,704	1,029,060	4.64 %
Operation of non-instructional services	1,212,022	1,145,172	66,850	5.84 %
Extracurricular activities	651,412	658,479	(7,067)	(1.07) %
Facilities acquisiton and construction	247,564	19,136	228,428	1,193.71 %
Capital outlay	596,534	1,460,986	(864,452)	(59.17) %
Debt service	1,210,446	32,451	1,177,995	3,630.07 %
Total	$ 68,942,852	$ 67,418,600	$ 1,524,252	2.26 %

Support service expenditures increased due to normal and customary increases in costs associated with wages, benefits, insurance, and retirement contributions. Capital outlay decreased due to the District entering into a larger capital lease during fiscal year 2007 compared to 2008. Debt service expenditures increased due to the District making 1 extra lease payment on the capital lease entered into during fiscal year 2007. Facilities acquisition and construction increased primarily due to the District purchasing furniture and equipment for construction projects. All other expenditures remained comparable.

Expenditures – Fiscal Year 2008



Expenditures – Fiscal Year 2007



Debt Service Fund

The debt service fund had $30,657,586 in revenues and other financing sources and $31,105,818 in expenditures. The debt service fund's fund balance decreased $448,232 from $5,176,244 to $4,728,012. The decrease in fund balance is related to a combination of the proceeds of bonds of $19,999,977 deposited in the debt service fund and to debt service payments, most notably a $20,000,000 bond anticipation note that was retired during the fiscal year.

Building Fund

The building fund had $25,972,690 in revenues and other financing sources and $31,674,203 in expenditures. The building fund's fund balance decreased $5,701,513 from $35,612,404 to $29,910,891. The fund balance decrease is due to the issuance of $23,779,990 in bonds during fiscal year 2008 to the building fund and the payments made to contractors for acquisition and construction of several school buildings.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, final budgeted revenues and other financing sources were $66,648,316, which was increased from the original budgeted revenues and other financing sources estimate of $66,138,432. Actual revenues and other financing sources for fiscal year 2008 was $67,989,571. This represents a $1,341,255 increase over final budgeted revenues.

General fund original appropriations (expenditures and other financing uses) of $72,103,260 were increased to $72,462,912 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled $71,965,666, which was $497,246 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

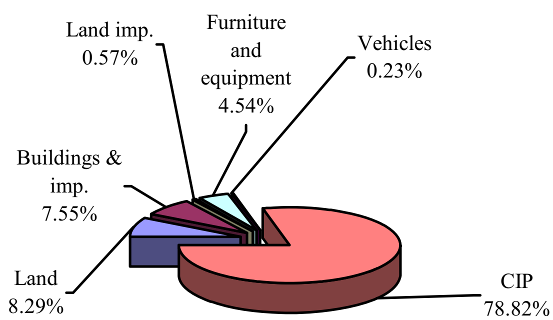
At June 30, 2008, the District had $111,340,207 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). Of this total, $111,310,786 was reported in governmental activities and $29,421 was reported in business-type activities. The following table shows June 30, 2008 balances compared to June 30, 2007:

Capital Assets at June 30
(Net of Depreciation)

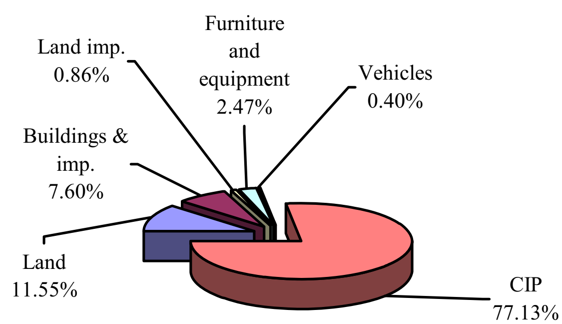
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 9,229,170	$ 9,229,170	$ -	$ -	$ 9,229,170	$ 9,229,170
Land improvements	635,907	688,940	-	-	635,907	688,940
Building and improvements	8,394,924	6,072,123	-	-	8,394,924	6,072,123
Furniture and equipment	5,056,231	1,971,260	29,421	33,553	5,085,652	2,004,813
Vehicles	259,736	316,049	-	-	259,736	316,049
Construction in progress	87,734,818	61,632,839	-	-	87,734,818	61,632,839
Total	$ 111,310,786	$ 79,910,381	$ 29,421	$ 33,553	$ 111,340,207	$ 79,943,934

The following graphs show the breakdown of governmental activities capital assets by category for 2008 and 2007.

Capital Assets - Governmental Activities
2008



Capital Assets - Governmental Activities
2007



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

Debt Administration

At June 30, 2008 the District had $132,713,851 in general obligation bonds and capital leases outstanding. Of this total, $3,472,597 is due within one year and $129,241,254 is due within greater than one year. The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds	$ 131,672,049	$ 92,181,458
Notes payable	-	20,000,000
Capital leases	1,041,802	1,559,320
Total	$ 132,713,851	$113,740,778

During fiscal year 2008, the District issued $43,779,967 in school improvement bonds. The District maintains an A-1 bond rating.

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

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the balance sheet on page 20 shows, the general fund's unrestricted cash balance was $20,060,960 at June 30, 2008. Fiscal year-end general fund unrestricted cash balances were $22,942,386, $21,859,407, $22,002,572, $18,040,883, $13,226,206, $10,049,111, and $11,539,538 at June 30 in fiscal years 2007, 2006, 2005, 2004, 2003, 2002, and 2001, respectively. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance, pass three consecutive operating levies in 1995, 1999, and 2002 at minimum millage amounts possible, and continue a quality, comprehensive educational program.

The Board's five-year projections indicated that the natural budget cycle needs would require additional operating income beginning in fiscal year 2003. In May 2002, the Board submitted, and the electors of the District approved (by a vote of 55.66% to 44.34%) a 6.9-mill ad valorem property tax for the purpose of current expenses for a continuing period of time. That levy generates approximately $5,591,929 annually. By monitoring its five-year forecast, the Board was able to request voter approval early in the forecast cycle to lower the millage amount needed and not face possible reductions in educational programming. The Board is committed to utilizing the additional funds the District receives from the new levy to increase teacher salaries and purchase instructional materials, textbooks, and technology. It is anticipated that additional operating funds from local taxes will be necessary again in Fiscal Year 2009. In April and May 2005, the Board announced a series of reductions in operating expenses that took effect in Fiscal year 2006. These reductions of approximately $2 million annually are necessary to minimize the size of the next operating levy that will be needed by the District, and to offset the lack of additional state funding needed to meet increasing costs. The District passed a 6.5 mill bond issue in March 2004 on which collections began in January 2005.

Several significant legislative and judicial actions have occurred that will have a major impact on our School District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. There is concern that the State may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the State budget. The biennial budget approved by the State for Fiscal Years 2007 and 2008 did not prove helpful to the funding situation for Lakewood City Schools. The District was projected by the State of Ohio to receive approximately the same amount of state funding in fiscal years 2007 and 2008 as it received in fiscal year 2006. The Board is presently exploring the possibility of going a sixth year between operating levies. Budget cuts and operational efficiencies implemented over the past several years allow this discussion to occur. Additionally, the District has been able to streamline some of its operations, thus cutting expenses, due to commencement of its new school facilities program.

Declining enrollment over the past ten years is a trend that has received, and will continue to receive, the attention of the Board and Administration. Reduced student counts lead to staffing cuts, excess building capacity, and less state funding. Each of these factors negatively impacts the operations of the District.

Another challenge facing the District is the need to update its facilities to streamline operations and to enhance learning space design for students. The Board empowered the "Designing Our Schools for the Next 50 Years" Committee to develop a plan for school building replacement/renovation, grade configuration, and building numbers and locations. The Board has worked with the Ohio School Facilities Commission (OSFC) to develop a master facilities plan and project agreement, both of which are necessary in order to access state funds to assist with costs related to the plan. OSFC funding will comprise approximately 31% of the approved project costs; thus, it is important to capture this revenue source to relieve some of the financial burden from local taxpayers. The Lakewood community passed a $93.6 million bond issue in March 2005, to begin the first construction phase of the facilities plan. Community and staff committees have designed two new elementary schools and two new middle schools. The Lakewood community also passed a $30.1 million bond issue on May 8, 2007. The 1.9 mill levy will be for a term of 27 years commencing in 2007 with collections beginning in 2008. This bond issue was passed to continue various construction and renovation projects to school facilities. When the entire project is completed over the next six to eight years, the District will reduce its operations from 14 school buildings (10 elementary schools, 3 middle schools, and 1 high school) to 10 school buildings (7 elementary schools, 2 middle schools and 1 high school). The operational efficiencies created by this realignment of facilities will lessen millage amounts that will be needed for general fund operations in years after the facilities plan is completed.

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

Contacting the District's Financial Management

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

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Lakewood City Academy
Assets:				
Equity in pooled cash and investments	$ 61,378,343	$ 93,290	$ 61,471,633	$ 229,862
Cash in segregated accounts	1,028,451	-	1,028,451	-
Receivables:				
Taxes	45,333,047	-	45,333,047	-
Accounts	3,136	-	3,136	-
Intergovernmental	2,000,801	-	2,000,801	4,373
Accrued interest	686,664	-	686,664	-
Prepayments	12,687	-	12,687	-
Materials and supplies inventory	-	17,294	17,294	-
Unamortized bond issue costs	1,235,884	-	1,235,884	-
Capital assets:				
Land and construction in progress	96,963,988	-	96,963,988	-
Depreciable capital assets, net	14,346,798	29,421	14,376,219	85,480
Total capital assets, net	111,310,786	29,421	111,340,207	85,480
Total assets	222,989,799	140,005	223,129,804	319,715
Liabilities:				
Accounts payable	585,965	9,046	595,011	2,517
Contracts payable	3,837,622	-	3,837,622	-
Retainage payable	1,028,451	-	1,028,451	-
Accrued wages and benefits	7,464,694	174,281	7,638,975	-
Pension obligation payable	1,694,759	84,872	1,779,631	-
Intergovernmental payable	1,033,314	3,709	1,037,023	28,962
Unearned revenue	36,331,933	-	36,331,933	-
Accrued interest payable	546,386	-	546,386	-
Long-term liabilities:				
Due within one year	4,831,587	149	4,831,736	-
Due within more than one year	140,547,396	125,573	140,672,969	-
Total liabilities	197,902,107	397,630	198,299,737	31,479
Net Assets:				
Invested in capital assets, net of related debt	19,103,860	29,421	19,133,281	85,480
Restricted for:				
Debt service	4,878,435	-	4,878,435	-
Capital projects	676,331	-	676,331	-
Locally funded programs	50,367	-	50,367	-
State funded programs	334,829	-	334,829	-
Federally funded programs	674,661	-	674,661	4,477
Student activities	222,733	-	222,733	-
Unrestricted (deficit)	(853,524)	(287,046)	(1,140,570)	198,279
Total net assets (deficit)	$ 25,087,692	$ (257,625)	$ 24,830,067	$ 288,236

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues	
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental activities:			
Instruction:			
Regular	$ 26,952,398	$ 2,228,436	$ 337,849
Special	11,608,202	4,555	3,479,575
Vocational	3,834,521	1,163,545	437,180
Adult/continuing	340,940	186,903	200,945
Other	3,019,710	-	-
Support services:			
Pupil	4,896,852	656	430,376
Instructional staff	5,197,986	15,849	1,296,318
Board of education	107,112	-	-
Administration	3,121,868	1,675	214,434
Fiscal	1,825,274	-	527
Business	1,310,454	-	-
Operations and maintenance	8,808,497	247,161	-
Pupil transportation	89,318	598	207,310
Central	409,254	-	57,077
Operation of non-instructional services	1,553,402	120,721	139,048
Extracurricular activities	1,232,393	572,557	25,209
Intergovernmental pass through	977,223	-	1,111,342
Interest and fiscal charges	5,675,361	-	-
Total governmental activities	80,960,765	4,542,656	7,937,190
Business-Type activities:			
Nonmajor enterprise funds:			
Food service	1,972,355	817,628	861,708
Recreation	273,005	283,948	-
Total business-type activities	2,245,360	1,101,576	861,708
Totals	$ 83,206,125	$ 5,644,232	$ 8,798,898
Component Units:			
Lakewood City Academy	$ 931,836	$ -	$ 890,063
Totals	$ 931,836	$ -	$ 890,063

General Revenues:
Property taxes levied for:
General purposes
Debt service
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues

Special items - litigation and settlements

Total general revenues, and special items

Change in net assets

Net assets at beginning of year

Net assets (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Lakewood City Academy
$ (24,386,113)	$ -	$ (24,386,113)	$ -
(8,124,072)	-	(8,124,072)	-
(2,233,796)	-	(2,233,796)	-
46,908	-	46,908	-
(3,019,710)	-	(3,019,710)	-
(4,465,820)	-	(4,465,820)	-
(3,885,819)	-	(3,885,819)	-
(107,112)	-	(107,112)	-
(2,905,759)	-	(2,905,759)	-
(1,824,747)	-	(1,824,747)	-
(1,310,454)	-	(1,310,454)	-
(8,561,336)	-	(8,561,336)	-
118,590	-	118,590	-
(352,177)	-	(352,177)	-
(1,293,633)	-	(1,293,633)	-
(634,627)	-	(634,627)	-
134,119	-	134,119	-
(5,675,361)	-	(5,675,361)	-
(68,480,919)	-	(68,480,919)	-
-	(293,019)	(293,019)	-
-	10,943	10,943	-
-	(282,076)	(282,076)	-
(68,480,919)	(282,076)	(68,762,995)	-
-	-	-	(41,773)
-	-	-	(41,773)
36,129,344	-	36,129,344	-
7,807,531	-	7,807,531	-
24,332,260	-	24,332,260	-
3,811,405	2,204	3,813,609	11,652
230,850	-	230,850	2,651
72,311,390	2,204	72,313,594	14,303
533,631	-	533,631	-
72,845,021	2,204	72,847,225	14,303
4,364,102	(279,872)	4,084,230	(27,470)
20,723,590	22,247	20,745,837	315,706
$ 25,087,692	$ (257,625)	$ 24,830,067	$ 288,236

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash					
and investments	$ 20,060,960	$ 3,657,233	$ 33,414,112	$ 3,216,197	$ 60,348,502
Cash in segregated accounts	-	-	1,028,451	-	1,028,451
Receivables:					
Taxes	36,971,774	8,361,273	-	-	45,333,047
Accounts	3,136	-	-	-	3,136
Intergovernmental	344,698	-	-	1,656,103	2,000,801
Accrued interest	249,241	-	437,423	-	686,664
Interfund loans	1,787,600	-	-	-	1,787,600
Prepayments	12,687	-	-	-	12,687
Total assets	$ 59,430,096	$ 12,018,506	$ 34,879,986	$ 4,872,300	$ 111,200,888
Liabilities:					
Accounts payable	$ 449,099	$ -	$ 730	$ 136,136	$ 585,965
Contracts payable	-	-	3,837,622	-	3,837,622
Retainage payable	-	-	1,028,451	-	1,028,451
Accrued wages and benefits	7,195,569	-	-	269,125	7,464,694
Compensated absences payable	31,371	-	-	-	31,371
Pension obligation payable	1,609,143	-	-	85,616	1,694,759
Intergovernmental payable	294,752	-	-	52,012	346,764
Interfund loans payable	-	-	-	1,787,600	1,787,600
Deferred revenue	3,026,272	696,786	102,292	908,639	4,733,989
Unearned revenue	29,738,225	6,593,708	-	-	36,331,933
Total liabilities	42,344,431	7,290,494	4,969,095	3,239,128	57,843,148
Fund Balances:					
Reserved for encumbrances	811,086	-	24,841,441	202,022	25,854,549
Reserved for property tax unavailable					
for appropriation	4,358,471	1,067,913	-	-	5,426,384
Reserved for debt service	-	3,660,099	-	-	3,660,099
Reserved for prepayments	12,687	-	-	-	12,687
Unreserved, undesignated, reported in:					
General fund	11,903,421	-	-	-	11,903,421
Special revenue funds	-	-	-	873,781	873,781
Capital projects funds	-	-	5,069,450	557,369	5,626,819
Total fund balances	17,085,665	4,728,012	29,910,891	1,633,172	53,357,740
Total liabilities and fund balances	$ 59,430,096	$ 12,018,506	$ 34,879,986	$ 4,872,300	$ 111,200,888

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		$ 53,357,740
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		111,310,786
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	$ 3,540,575	
Accounts receivable	26,295	
Intergovernmental receivable	908,639	
Accrued interest receivable	258,480	
Total		4,733,989
Unamortized deferred charges are not recognized in the funds.		2,805,418
Unamortized premiums on bond issuances are not recognized in the funds.		(6,392,403)
Unamortized bond issuance costs are not recognized in the funds.		1,235,884
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		343,291
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(131,672,049)	
Compensated absences payable	(5,858,141)	
Retirement incentives	(3,188,635)	
Capital lease obligations	(1,041,802)	
Accrued interest payable	(546,386)	
Total		(142,307,013)
Net assets of governmental activities		$ 25,087,692

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	$ 35,833,808	$ 7,715,100	$ -	$ -	$ 43,548,908
Tuition	2,531,236	-	-	8,505	2,539,741
Earnings on investments	1,533,111	-	2,184,650	34,393	3,752,154
Extracurricular	51,199	-	-	897,395	948,594
Classroom materials and fees	166,799	-	-	44,868	211,667
Other local revenues	1,121,961	-	8,050	168,073	1,298,084
Intergovernmental - intermediate	-	-	-	19,103	19,103
Intergovernmental - state	25,300,715	935,218	-	1,837,032	28,072,965
Intergovernmental - federal	106,423	-	-	3,523,558	3,629,981
Total revenue	66,645,252	8,650,318	2,192,700	6,532,927	84,021,197
Expenditures:					
Current:					
Instruction:					
Regular	25,585,634	-	-	683,315	26,268,949
Special	9,626,786	-	-	1,835,497	11,462,283
Vocational	3,443,050	-	-	201,467	3,644,517
Adult/continuing	134,487	-	-	209,734	344,221
Other	3,017,153	-	-	-	3,017,153
Support services:					
Pupil	4,461,309	-	-	382,706	4,844,015
Instructional staff	3,719,075	-	-	1,214,780	4,933,855
Board of education	104,264	-	-	-	104,264
Administration	2,939,298	-	-	218,176	3,157,474
Fiscal	1,765,557	-	-	417	1,765,974
Business	1,274,736	-	21,823	-	1,296,559
Operations and maintenance	8,520,369	-	-	329,330	8,849,699
Pupil transportation	68,719	-	-	625	69,344
Central	364,437	-	-	57,057	421,494
Operation of non-instructional services	1,212,022	-	-	248,946	1,460,968
Extracurricular activities	651,412	-	-	584,481	1,235,893
Intergovernmental pass through	-	-	-	969,511	969,511
Facilities acquisition and construction	247,564	-	31,652,380	-	31,899,944
Capital outlay	596,534	-	-	-	596,534
Debt service:					
Principal retirement	1,114,052	25,050,000	-	-	26,164,052
Interest and fiscal charges	96,394	5,650,994	-	-	5,747,388
Bond issuance costs	-	404,824	-	-	404,824
Total expenditures	68,942,852	31,105,818	31,674,203	6,936,042	138,658,915
Excess of revenues over (under) expenditures	(2,297,600)	(22,455,500)	(29,481,503)	(403,115)	(54,637,718)

- - Continued

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Transfers in	$ -	$ -	$ -	$ 35,000	$ 35,000
Transfers (out)	(35,000)	-	-	-	(35,000)
Capital lease transaction	596,534	-	-	-	596,534
Premium on bonds sold.	-	2,007,291	-	-	2,007,291
Sale of bonds	-	19,999,977	23,779,990	-	43,779,967
Total other financing sources (uses)	561,534	22,007,268	23,779,990	35,000	46,383,792
Special items:					
Litigation and settlements	-	-	-	533,631	533,631
Total special items.	-	-	-	533,631	533,631
Net change in fund balances	(1,736,066)	(448,232)	(5,701,513)	165,516	(7,720,295)
Fund balances at beginning of year (restated)	18,821,731	5,176,244	35,612,404	1,467,656	61,078,035
Fund balances at end of year	$ 17,085,665	$ 4,728,012	$ 29,910,891	$ 1,633,172	$ 53,357,740

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds		$ (7,720,295)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	$ 32,560,341	
Current year depreciation	(1,159,936)	
Total		31,400,405
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	716,599	
Accretion of interest on "capital appreciation" bonds	(760,624)	
Amortization of bond premiums	328,408	
Amortization of deferred charges on refundings	(138,030)	
Amortization of bond issue costs	(74,326)	
Total		72,027
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	387,967	
Tuition	(115,426)	
Earnings on investments	88,470	
Intergovernmental	409,028	
Total		770,039
Repayment of bond, note and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	5,050,000	
Notes	20,000,000	
Capital leases	1,114,052	
Total		26,164,052
Proceeds of bonds and capital lease transactions are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
Bonds	(43,779,967)	
Capital lease	(596,534)	
Total		(44,376,501)
Premiums on bonds sold are recognized as an other financing source in the governmenta funds, however, they are amortized over the life of the issuance in the statement of activitie:		(2,007,291)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amorized over the life of the issuance in the statement of activitie:		404,824
Some expenses reported in the statement of activities, such as compensated absences and retirement incentives payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(514,686)
An internal service fund is used by management to charge the costs of worker's compensation insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		171,528
Change in net assets of governmental activities		$ 4,364,102

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Taxes	$ 35,351,122	$ 35,628,148	$ 35,870,344	$ 242,196
Tuition	2,692,852	2,713,956	2,532,251	(181,705)
Earnings on investments	1,650,513	1,663,447	1,657,991	(5,456)
Extracurricular	57,867	58,320	51,199	(7,121)
Classroom materials and fees	180,800	182,217	166,898	(15,319)
Other local revenues	973,426	981,054	1,123,750	142,696
Intergovernmental - state	23,948,905	24,128,516	25,300,715	1,172,199
Intergovernmental - federal	210,447	220,158	106,423	(113,735)
Total revenues	65,065,932	65,575,816	66,809,571	1,233,755
Expenditures:				
Current:				
Instruction:				
Regular	27,748,218	27,888,542	27,468,623	419,919
Special	9,696,483	9,745,519	9,660,890	84,629
Vocational	3,801,727	3,820,953	3,565,322	255,631
Adult/continuing	174,055	174,935	136,596	38,339
Other	3,209,015	3,225,243	3,180,771	44,472
Support services:				
Pupil	4,423,814	4,446,186	4,443,828	2,358
Instructional staff	3,771,869	3,790,944	3,780,818	10,126
Board of education	118,392	118,991	108,814	10,177
Administration	2,951,421	2,966,347	2,960,266	6,081
Fiscal	1,810,664	1,819,821	1,769,514	50,307
Business	1,436,917	1,444,184	1,389,595	54,589
Operations and maintenance	9,151,708	9,197,989	9,003,837	194,152
Pupil transportation	148,364	149,114	118,327	30,787
Central	397,433	399,443	364,679	34,764
Operation of non-instructional services	1,292,014	1,298,548	1,266,642	31,906
Extracurricular activities	724,217	727,879	661,270	66,609
Facilities acquisition and construction	261,949	263,274	263,274	-
Total expenditures	71,118,260	71,477,912	70,143,066	1,334,846
Excess of revenues over (under) expenditures	(6,052,328)	(5,902,096)	(3,333,495)	2,568,601
Other financing sources (uses):				
Transfers (out)	(35,000)	(35,000)	(35,000)	-
Advances in	1,072,500	1,072,500	1,180,000	107,500
Advances (out)	(950,000)	(950,000)	(1,787,600)	(837,600)
Total other financing sources (uses)	87,500	87,500	(642,600)	(730,100)
Net change in fund balance	(5,964,828)	(5,814,596)	(3,976,095)	1,838,501
Fund balance at beginning of year	21,098,577	21,098,577	21,098,577	-
Prior year encumbrances appropriated	1,843,809	1,843,809	1,843,809	-
Fund balance at end of year	$ 16,977,558	$ 17,127,790	$ 18,966,291	$ 1,838,501

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash		
and investments.	$ 93,290	$ 1,029,841
Materials and supplies inventory	17,294	-
Total current assets	110,584	1,029,841
Noncurrent assets:		
Depreciable capital assets, net	29,421	-
Total assets	140,005	1,029,841
Liabilities:		
Accounts payable.	9,046	-
Accrued wages and benefits	174,281	-
Compensated absences payable	149	-
Pension obligation payable.	84,872	-
Intergovernmental payable	3,709	686,550
Total current liabilities	272,057	686,550
Long-term liabilities:		
Compensated absences payable.	125,573	-
Total liabilities	397,630	686,550
Net assets:		
Invested in capital assets.	29,421	-
Unrestricted (deficit).	(287,046)	343,291
Total net assets (deficit).	$ (257,625)	$ 343,291

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-Type Activities - Nonmajor Enterprise Funds	**Governmental Activities - Internal Service Fund**
Operating revenues:		
Sales/charges for services	$ 1,101,576	$ 736,146
Total operating revenues	1,101,576	736,146
Operating expenses:		
Personal services	1,245,987	-
Purchased services	34,029	564,618
Materials and supplies	940,274	-
Depreciation	4,132	-
Other	20,938	-
Total operating expenses	2,245,360	564,618
Operating income (loss)	(1,143,784)	171,528
Nonoperating revenues:		
Federal donated commodities	67,378	-
Interest revenue	2,204	-
Grants and subsidies	794,330	-
Total nonoperating revenues	863,912	-
Change in net assets	(279,872)	171,528
Net assets at beginning of year	22,247	171,763
Net assets (deficit) at end of year	$ (257,625)	$ 343,291

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/charges for services	$ 1,101,576	$ 736,146
Cash payments for personal services	(1,270,624)	-
Cash payments for contractual services	(36,470)	(475,379)
Cash payments for materials and supplies	(865,950)	-
Cash payments for other expenses	(26,560)	-
Net cash provided by (used in) operating activities	(1,098,028)	260,767
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies	895,050	-
Net cash provided by noncapital financing activities	895,050	-
Cash flows from investing activities:		
Interest received	2,204	-
Net cash provided by investing activities	2,204	-
Net change in cash and cash investments	(200,774)	260,767
Cash and investments at beginning of year	294,064	769,074
Cash and investments at end of year	$ 93,290	$ 1,029,841
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (1,143,784)	$ 171,528
Adjustments:		
Depreciation	4,132	-
Federal donated commodities	67,378	-
Changes in assets and liabilities:		
Decrease in materials and supplies inventory	10,508	-
(Decrease) in accounts payable	(11,625)	-
(Decrease) in accrued wages and benefits	(11,855)	-
Increase (decrease) in intergovernmental payable	(312)	89,239
Increase in compensated absences payable	9,623	-
(Decrease) in pension obligation payable	(22,093)	-
Net cash provided by (used in) operating activities	$ (1,098,028)	$ 260,767

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and investments	$ 28,310	$ 131,968
Total assets	28,310	$ 131,968
Liabilities:		
Accounts payable	-	$ 556
Intergovernmental payable	-	11,754
Due to students	-	119,658
Total liabilities	-	$ 131,968
Net Assets:		
Held in trust for scholarships	28,310	
Total net assets	$ 28,310	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	$ 2,344
Total additions	2,344
Deductions:	
Scholarships awarded	1,000
Total deductions	1,000
Change in net assets	1,344
Net assets at beginning of year	26,966
Net assets at end of year	$ 28,310

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 50th largest by enrollment among the 896 public school districts and community schools in the State of Ohio. It currently operates 14 instructional buildings, 1 administrative building and 1 garage. The District employs 335 non-certified and 546 certified full-time and part-time employees to provide services to approximately 5,904 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its business-type activity and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The District has elected not to apply these FASB Statements and Interpretations. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". When applying GASB Statement No. 14, management has considered all potential component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the debt, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the District has one component unit.

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

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

COMPONENT UNIT

The Lakewood City Academy - The Lakewood City Academy (the "Academy") is a legally separate, conversion community school, served by a Board of Directors. The Academy provides students within the District with curriculum and instruction via distance learning technology. The Board of Directors consists of the Executive Director of TRECA, the Superintendent of Lakewood City School District, the Assistant Superintendent of Lakewood City School District, the Coordinator of Student Services for the Lakewood City School District, the Director of Human Services for the City of Lakewood, the Vice-President of Retail/Chief Savings Officer of the First Federal of Lakewood Savings Bank and the Clinical Supervisor of the City of Lakewood Division of Youth Services. The Lakewood City School District is the sponsoring School District of the Academy under Ohio Law Section 3314. The Superintendent of the District serves as the Chief Administrative Officer of the Academy and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the Academy, the Academy's purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Directors of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 1470 Warren Road, Lakewood, OH 44107-3918. See Note 21 for further information on the Academy.

JOINTLY GOVERNED ORGANIZATIONS

Lakeshore Northeast Ohio Computer Association - The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau among fourteen public school districts. The primary function of LNOCA is to provide data services to the 14 member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge, dependent upon the software packages used. In fiscal year 2008, $172,504 was paid to LNOCA by the District. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, OH 44125.

Ohio Schools Council - The Ohio Schools Council Association (the "Council") is a jointly governed organization comprised of one hundred and nine member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the District paid $1,704,629 to the Council for membership and other services as well as for the electric and natural gas purchasing programs. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

The District participates in the Council's Energy for Education Program. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating in the program for an extended period of time. The current three year contract expires in December 2008. The participants make monthly payments based upon estimated usage. At the end of each fiscal year, these estimated payments are compared to actual usage for the year and additional billings are made or refunds are issued accordingly.

In April 2005, the Energy Acquisition Corporation II, a non-profit corporation with a self-appointing board, issued $246 million in bonds and used the proceeds to prepay for the estimated electric energy costs for 249 entities from Cleveland Electric Illuminating, Ohio Edison and Toledo Edison. The participating school districts are not obligated in any manner for this debt.

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

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

RELATED ORGANIZATION

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

INSURANCE PURCHASING POOLS

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

The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school district pays an enrollment fee to the GRP to cover the costs of administering the program.

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

Suburban Health Consortium

The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

The Fiscal Agent (North Royalton City School District) shall be the Board of Education responsible for administering the financial transactions of the Consortium. The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

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

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the North Royalton City School District (the Fiscal Agent) 6579 Royalton Rd., North Royalton, Ohio 44133.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

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

Building Fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students in job skills. Expenditures recorded here represent the costs of acquiring and improving capital facilities, including real property.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

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

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service fund accounts for workers' compensation activities.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net 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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets 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 funds 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.

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

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

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

D. Basis of Accounting

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2008 is as follows:

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

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

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

   The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2008.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control.

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

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

6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

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

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2008. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final appropriations for fiscal year 2008.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2008, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), commercial paper and certificates of deposit. Investments in STAR Ohio are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2008. 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, 2008.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2008 amounted to $1,533,111 includes $682,710 assigned from other District funds.

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

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

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

G. Inventory

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

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

H. Capital Assets

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

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

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The District did not have any internal balances at June 30, 2008.

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, property taxes unavailable for appropriation and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

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

O. Parochial Schools

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

P. Operating Revenues and Expenses

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

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

Q. Estimates

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

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

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

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

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

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

S. Interfund Activity

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District received $533,631 in litigation and settlements that is reported as a special item on the basic financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances/Net Assets

Fund balances/net assets at June 30, 2008 included the following individual fund deficits:

Nonmajor Governmental Funds	
Special trusts	$ 57,258
Adult basic education	14,045
Title VI-B	35,231
Title I	3,358
Preschool grants for the handicapped	4,879
Reducing class sizes	4,393
Nonmajor Enterprise Funds	
Food service	202,020
Recreation services	55,605

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Restatement of Fund Balances

A restatement of fund balances is required in the debt service fund and the building fund to properly report $20,000,000 of note proceeds in the building fund rather than the debt service fund . This restatement had the following effect on the District's governmental fund balances as previously reported:

	Debt Service	Building
Fund balance at June 30, 2007	$ 25,176,244	$ 15,612,404
Misposting of note proceeds	(20,000,000)	20,000,000
Fund balance at July 1, 2007, restated	$ 5,176,244	$ 35,612,404

D. Compliance

The District had 20 funds during the year that had total appropriations in excess of beginning unencumbered fund balance plus actual receipts contrary to Ohio Revised Code 5705.36(A). These funds were corrected at year end.

The District will conduct a closer monitoring of budgetary activity to ensure total appropriations do not exceed beginning unencumbered fund balance plus actual receipts in accordance with Ohio Revised Code 5705.36(A).

The District had a fund during the year that had appropriations in excess of estimated resources contrary to Ohio Revised Code 5705.39. The fund was corrected at year end.

The District will conduct a closer monitoring of budgetary activity to ensure total appropriations do not exceed estimated resources in accordance with Ohio Revised Code 5705.39.

The District had a fund during the year that had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code 5705.41(B). The fund was corrected by year-end.

The District will conduct a closer monitoring of budgetary activity to ensure expenditures and encumbrances do not exceed appropriations in accordance with Ohio Revised Code 5705.41(B).

NOTE 4 - DEPOSITS AND INVESTMENTS

State statute classifies monies held by the District into three categories.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

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

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash in Segregated Accounts

At fiscal year-end, $1,028,451 was on deposit with an escrow agent for retainge held as part of the District's construction contracts. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

B. Cash on Hand

At fiscal year-end, the District had $2,975 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "equity in pooled cash and investments".

C. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was $57,941,603. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, $57,723,620 of the District's bank balance of $58,123,620 was exposed to custodial risk as discussed below, while $400,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

D. Investments

As of June 30, 2008, the District had the following investments and maturities:

		Investment Maturities
Investment type	Fair Value	6 months or less
Commercial paper	$ 1,994,231	$ 1,994,231
STAR Ohio	1,693,102	1,693,102
Total	$ 3,687,333	$ 3,687,333

The weighted average maturity of investments is 0.08 years.

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

Credit Risk: The District's investments in commercial paper were rated P-1 and A+1 by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

Investment type	Fair Value	% of Total
Commercial paper	$ 1,994,231	54.08
STAR Ohio	1,693,102	45.92
Total	$ 3,687,333	100.00

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

Cash and Investments per note	
Carrying amount of deposits	$ 57,941,603
Investments	3,687,333
Cash in segregated accounts	1,028,451
Cash on hand	2,975
Total	$ 62,660,362
Cash and investments per Financial Statements	
Governmental activities	$ 62,406,794
Business-type activities	93,290
Private-purpose trust fund	28,310
Agency funds	131,968
Total	$ 62,660,362

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2008, as reported on the fund statement:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	$ 1,787,600

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental activities and business-type activities are reported as internal balances on the statement of net assets. The District had no internal balances at June 30, 2008.

B. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	Amount
Transfers from general fund to:	
Nonmajor governmental funds	$ 35,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.5% for property including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was $4,358,471 in the general fund and $1,067,913 in the debt service fund. These amounts have been recorded as revenue. The amounts that were available as an advance at June 30, 2007 was $4,397,231 in the general fund and $1,042,867 in the debt service fund. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 955,506,470	96.91	$ 960,543,900	98.35
Public utility personal	14,577,400	1.48	9,869,670	1.01
Tangible personal property	15,903,081	1.61	6,219,257	0.64
Total	$ 985,986,951	100.00	$ 976,632,827	100.00
Tax rate per $1,000 of assessed valuation for:				
Operations	$ 97.93		$ 97.93	
Debt service	8.67		8.97	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental Activities	
Taxes - current and delinquent	$ 45,333,047
Accounts	3,136
Intergovernmental	2,000,801
Accrued interest	686,664
Total receivables	$ 48,023,648

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

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Capital assets, not being depreciated:				
Land	$ 9,229,170	$ -	$ -	$ 9,229,170
Construction in progress	61,632,839	26,101,979	-	87,734,818
Total capital assets, not being depreciated	70,862,009	26,101,979	-	96,963,988
Capital assets, being depreciated:				
Land improvements	3,118,593	-	-	3,118,593
Building/improvements	26,049,932	2,727,462	-	28,777,394
Furniture/equipment	4,999,761	3,715,084	-	8,714,845
Vehicles	1,274,673	15,816	-	1,290,489
Total capital assets, being depreciated	35,442,959	6,458,362	-	41,901,321
Less: accumulated depreciation				
Land improvements	(2,429,653)	(53,033)	-	(2,482,686)
Building/improvements	(19,977,809)	(404,661)	-	(20,382,470)
Furniture/equipment	(3,028,501)	(630,113)	-	(3,658,614)
Vehicles	(958,624)	(72,129)	-	(1,030,753)
Total accumulated depreciation	(26,394,587)	(1,159,936)	-	(27,554,523)
Governmental activities capital assets, net	$ 79,910,381	$ 31,400,405	$ -	$ 111,310,786

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 844,261
Special	19,649
Vocational	47,075
Support services:	
Pupil	2,460
Instructional staff	36,261
Board of education	2,953
Administration	15,096
Fiscal	328
Business	10,151
Operations and maintenance of plant	39,426
Pupil transportation	35,835
Extracurricular	667
Operation of non-instructional services	105,774
Total depreciation expense	$ 1,159,936

B. Business-Type Activities

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Capital assets, being depreciated:				
Furniture/equipment	$ 195,078	$ -	$ -	$ 195,078
Less: accumulated depreciation	(161,525)	(4,132)	-	(165,657)
Business-type activities capital assets, net	$ 33,553	$ (4,132)	$ -	$ 29,421

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current fiscal year, the District entered into capital lease agreement for the acquisition of computers and networking equipment. In a prior fiscal year, the District entered into capital lease agreements for the acquisition of school buses. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of computer and networking equipment and school buses have been capitalized in the amount of $2,287,883. This amount represents the present value of the future minimum lease payments at the time of acquisition.

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

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2008 fiscal year totaled $1,114,052 and $96,394, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2008:

Year Ending June 30	Amount
2009	$ 585,677
2010	183,730
2011	172,432
2012	172,433
Total minimum lease payment	1,114,272
Less: amount representing interest	(72,470)
Present value of minimum lease payments	$ 1,041,802

NOTE 10 - LONG-TERM OBLIGATIONS

A. General obligation bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 2.52 (average) mill bonded debt tax levy.

B. Series 2007 School Facilities Improvement Bonds

On August 9, 2007, the District issued $43,779,967 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value $42,275,000 and capital appreciation bonds, par value $1,504,967. The interest rates on the current interest bonds range from 4.00% - 5.00%. The capital appreciation bonds mature each December 1, 2015 through 2018 (effective interest 11.474-11.618%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2015, 2016, 2017 and 2018 are $975,000, $1,165,000, $1,190,000 and $1,210,000, respectively. Total accreted interest of $143,641 has been included on the statement of net assets.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2007 school facilities improvement bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2009	$ 30,000	$ 2,006,412	$ 2,036,412	$ -	$ -	$ -
2010	30,000	2,005,176	2,035,176	-	-	-
2011	60,000	2,003,262	2,063,262	-	-	-
2012	60,000	2,000,712	2,060,712	-	-	-
2013	60,000	1,998,162	2,058,162	-	-	-
2014 - 2018	140,000	8,385,657	8,525,657	1,167,651	2,162,349	3,330,000
2019 - 2023	6,400,000	8,749,988	15,149,988	337,316	872,684	1,210,000
2024 - 2028	11,255,000	7,164,438	18,419,438	-	-	-
2029 - 2033	16,345,000	3,779,038	20,124,038	-	-	
2034 - 2035	7,895,000	359,212	8,254,212	-	-	-
Total	$ 42,275,000	$ 38,452,057	$ 80,727,057	$ 1,504,967	$ 3,035,033	$ 4,540,000

C. Series 2007 Refunding General Obligation Bonds

On May 9, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2004 school improvement current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded current interest bonds at June 30, 2008, is $47,140,000.

The refunding issue is comprised of both current interest bonds, par value $45,195,000 and capital appreciation bonds par value $1,944,953. The interest rates on the current interest bonds range from 4.00% - 4.50%. The capital appreciation bonds mature on each December 1, 2014 - 2017 (effective interest rate 15.821%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2014 - 2017 are $495,000, $2,675,000, $2,450,000 and $2,450,000, respectively. Total accreted interest of $341,064 has been included on the statement of net assets at June 30, 2008.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2007 refunding bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2009	$ 395,000	$ 1,943,196	$ 2,338,196	$ -	$ -	$ -
2010	410,000	1,927,096	2,337,096	-	-	-
2011	425,000	1,910,396	2,335,396	-	-	-
2012	440,000	1,893,096	2,333,096	-	-	-
2013	460,000	1,875,096	2,335,096	-	-	-
2014 - 2018	480,000	9,243,080	9,723,080	1,944,953	6,125,047	8,070,000
2019 - 2023	13,335,000	7,834,418	21,169,418	-	-	-
2024 - 2028	15,810,000	4,554,675	20,364,675	-	-	-
2029 - 2032	12,220,000	1,001,702	13,221,702	-	-	-
Total	$ 43,975,000	$ 32,182,755	$ 76,157,755	$ 1,944,953	$ 6,125,047	$ 8,070,000

D. Series 2006 Construction Bonds

On August 30, 2006, the District issued $13,499,995 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value $13,330,000 and capital appreciation bonds, par value $169,995. The interest rates on the current interest bonds range from 3.50% - 5.00%. The capital appreciation bonds mature each December 1, 2015 through 2016 (effective interest 17.253%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2015 is $400,000 and the accreted value at maturity for the capital appreciation bond maturing December 1, 2016 is $450,000. Total accreted interest of $57,653 has been included on the statement of net assets.

The following is a summary of the future debt service requirements to maturity for the series 2006 construction bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2009	$ 5,000	$ 566,216	$ 571,216	$ -	$ -	$ -
2010	105,000	564,016	669,016	-	-	-
2011	165,000	559,029	724,029	-	-	-
2012	180,000	552,992	732,992	-	-	-
2013	190,000	546,042	736,042	-	-	-
2014 - 2018	875,000	2,626,720	3,501,720	169,995	680,005	850,000
2019 - 2023	2,745,000	2,243,480	4,988,480	-	-	-
2024 - 2028	3,755,000	1,551,628	5,306,628	-	-	-
2029 - 2033	5,160,000	592,812	5,752,812	-	-	-
Total	$ 13,180,000	$ 9,802,935	$ 22,982,935	$ 169,995	$ 680,005	$ 850,000

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

E. Series 2004 School Improvement Bonds

During fiscal year 2004, the District issued $64,999,987 in general obligation bonds to provide financing for various construction projects. The issue is comprised of both current interest bonds, par value $63,740,000 and capital appreciation bonds, par value $1,259,987. The interest rates on the current interest bonds range from 2.75% - 5.25%. During fiscal year 2007, $47,140,000 was refunded as described in Note 10.C. The capital appreciation bonds mature December 1, 2013 (effective interest 5.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2013 is $2,110,000. Total accreted interest of $301,531 has been included on the statement of net assets.

The following is a summary of the future debt service requirements to maturity for the series 2004 school improvement bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2009	$ 1,325,000	$ 385,147	$ 1,710,147	$ -	$ -	$ -
2010	1,350,000	338,319	1,688,319	-	-	-
2011	1,640,000	272,850	1,912,850	-	-	-
2012	1,700,000	197,850	1,897,850	-	-	-
2013	1,745,000	128,950	1,873,950	-	-	-
2014 - 2015	2,090,000	141,075	2,231,075	1,259,987	850,013	2,110,000
Total	$ 9,850,000	$ 1,464,191	$ 11,314,191	$ 1,259,987	$ 850,013	$ 2,110,000

F. Series 2003 Library Improvement Bonds

On December 1, 2003, the District issued $12,500,000 in general obligation bonds on behalf of the Lakewood Public Library. The bonds were placed in the name of the Lakewood City School District. In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Lakewood City School District. The District, acting as taxing authority for the Library, collects levied taxes and makes required debt service payments. The library improvement bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds mature on December 1, 2023 and bear an annual interest rate of 1.20% - 5.00%. The source of payment is derived from a current bonded debt tax levy. At June 30, 2008, the balance of the bonds of $11,300,000, bond issuance costs of $57,699 and premiums of $132,125 have not been included in the calculation of invested in capital assets, net of related debt because the capital assets purchased from this issuance are not included in the District's capital assets.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2003 library improvement bonds:

Fiscal Year	Current Interest Bonds		
Ending June 30,	Principal	Interest	Total
2009	$ 370,000	$ 487,770	$ 857,770
2010	430,000	476,233	906,233
2011	440,000	462,633	902,633
2012	455,000	447,520	902,520
2013	535,000	430,195	965,195
2014 - 2018	3,205,000	1,760,005	4,965,005
2019 - 2023	4,690,000	821,076	5,511,076
2024	1,175,000	26,438	1,201,438
Total	$ 11,300,000	$ 4,911,870	$ 16,211,870

G. Series 2002 Refunding General Obligation Bonds

On December 1, 2002, the District issued general obligation bonds (Series 2002 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1993 School Improvement General Obligation Bonds (principal $4,385,000; interest rate 2.5%). The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value $4,020,000 and capital appreciation bonds, par value $364,993. The average interest rate on the current interest bonds is 2.79%. The capital appreciation bonds mature each December 1, 2012 and 2013 (effective interest 11.279%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2012 is $575,000 and the accreted value at maturity for the capital appreciation bond maturing December 1, 2013 is $575,000. Total accreted interest of $300,397 has been included on the statement of net assets.

The following is a summary of the future debt service requirements to maturity for the series 2002 refunding bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2009	$ 495,000	$ 65,731	$ 560,731	$ -	$ -	$ -
2010	510,000	48,762	558,762	-	-	-
2011	530,000	30,232	560,232	-	-	-
2012	550,000	10,313	560,313	-	-	-
2013	-	-	-	192,499	382,501	575,000
2014	-	-	-	172,494	402,506	575,000
Total	$ 2,085,000	$ 155,038	$ 2,240,038	$ 364,993	$ 785,007	$ 1,150,000

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

H. Series 2001 Refunding General Obligation Bonds

On June 14, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value $2,875,000 and capital appreciation bonds, par value $304,996. The average interest rate on the current interest bonds is 4.70%. The capital appreciation bonds mature each December 1, 2008 through 2010 (effective interest 14.489%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2008 - 2010 is $330,000 each year, respectively. Total accreted interest of $502,872 has been included on the statement of net assets.

The following is a summary of the future debt service requirements to maturity for the series 2001 refunding bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2009	$ -	$ 88,690	$ 88,690	$ 116,170	$ 213,830	$ 330,000
2010	-	88,690	88,690	101,006	228,994	330,000
2011	-	88,690	88,690	87,820	242,180	330,000
2012	330,000	80,605	410,605	-	-	-
2013	345,000	64,068	409,068	-	-	-
2014 - 2016	1,135,000	84,402	1,219,402	-	-	-
Total	$ 1,810,000	$ 495,145	$ 2,305,145	$ 304,996	$ 685,004	$ 990,000

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

I. The following is a summary of the bond and loan activity for fiscal year 2008:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08	Amounts due in One Year
General Obligation Bonds:					
Series 2007 school facilities improvement current interest bonds 4.00-5.00%, 12/1/2034 maturity	$ -	$ 42,275,000	$ -	$ 42,275,000	$ 30,000
Series 2007 school facilities improvement capital appreciation bonds	-	1,504,967	-	1,504,967	-
Series 2007 school facilities improvement capital appreciation bonds accreted interest 11.474-11.618% (average effective) 12/1/15-12/1/18 maturity	-	143,641	-	143,641	-
Series 2007, refunding current interest bonds (4.00-4.50%), 12/01/31 maturity	45,195,000	-	(1,220,000)	43,975,000	395,000
Series 2007, refunding capital appreciation bonds 15.821% (average effective) 12/01/14 to 17, maturity	1,944,953	-	-	1,944,953	-
Series 2007, refunding capital appreciation bonds accreted interest	18,182	322,882	-	341,064	-
Series 2006, school construction current interest bonds 3.50-5.00%, 12/01/32 maturity	13,330,000	-	(150,000)	13,180,000	5,000
Series 2006, school construction capital appreciation bonds 17.253%, 12/01/15 and 16, maturity	169,995	-	-	169,995	-
Series 2006, school construction capital appreciation bonds accreted interest	21,407	36,246	-	57,653	-
Series 2004, school improvement current interest bonds 2.75-5.25%, 12/01/14 maturity	12,380,000	-	(2,530,000)	9,850,000	1,325,000
Series 2004, school improvement capital appreciation bonds 5.55% (average effective), 12/01/13 maturity	1,259,987	-	-	1,259,987	-
Series 2004, school improvement bonds accreted interest	218,362	83,169	-	301,531	-
Series 2003, library improvement 1.20 - 5.00%, 12/01/23 maturity	11,660,000	-	(360,000)	11,300,000	370,000

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08	Amounts due in One Year
General Obligation Bonds:					
Series 2002, refunding current interest bonds 2.79%, 12/01/11 maturity	$ 2,560,000	$ -	$ (475,000)	$ 2,085,000	$ 495,000
Series 2002, refunding capital appreciation bonds 11.279% (average effective) 12/01/12 and 13	364,993	-	-	364,993	-
Series 2002, refunding capital appreciation bonds accreted interest	231,167	69,230	-	300,397	-
Series 2001, refunding current interest bonds 4.70%, 12/01/15 maturity	2,125,000	-	(315,000)	1,810,000	-
Series 2001, refunding capital appreciation bonds 14.489% (average effective) 12/01/08,09 and 10 maturity	304,996	-	-	304,996	116,170
Series 2001, refunding capital appreciation bonds accreted interest	397,416	105,456	-	502,872	191,539
Total Bonds	$ 92,181,458	$ 44,540,591	$ (5,050,000)	$ 131,672,049	$ 2,927,709

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

	Balance 06/30/07	Additions	Reductions	Balance 06/30/08	Amount Due in One Year
Governmental Activities:					
Compensated absences payable	$ 6,028,268	$ 595,953	$ (734,709)	$ 5,889,512	$ 415,888
Retirement incentives payable	2,682,227	1,207,925	(701,517)	3,188,635	943,102
General obligation bonds payable	92,181,458	44,540,591	(5,050,000)	131,672,049	2,927,709
Notes payable	20,000,000	-	(20,000,000)	-	-
Capital lease obligations	1,559,320	596,534	(1,114,052)	1,041,802	544,888
Total governmental activities long-term liabilities	$ 122,451,273	$ 46,941,003	$ (27,600,278)	$ 141,791,998	$ 4,831,587
Less: Unamortized deferred charge on refunding				(2,805,418)	
Add: Unamortized premium on refunding				6,392,403	
Total on statement of net assets				$ 145,378,983	

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	Balance 06/30/07	Additions	Reductions	Balance 06/30/08	Amount Due in One Year
Business-Type Activities:					
Compensated absences	$ 116,099	$ 10,185	$ (562)	$ 125,722	$ 149
Total business-type activities long-term liabilities	$ 116,099	$ 10,185	$ (562)	$ 125,722	$ 149

Compensated absences and the retirement incentives will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund. See Note 11 for a description of the District's notes payable, Note 12 for further detail on the District's retirement incentive programs and Note 9 for further detail on the District's capital lease obligations.

K. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008 are a voted debt margin of ($17,979,351), including available funds of $24,728,012, and an unvoted debt margin of $970,195.

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

NOTE 11 - NOTES PAYABLE

The District had the following note activity during fiscal year 2008:

	Issue Date	Maturity Date	Balance 06/30/07	Additions	Reductions	Balance 06/30/08
School Improvement	9/26/2006	9/26/2007	$ 20,000,000	$ -	$ (20,000,000)	$ -

School Improvement Notes
On September 26, 2006, the District issued $20,000,000 in bond anticipation notes to continue various construction projects. These notes were retired on September 25, 2007, with proceeds of bonds issued on August 9, 2007 (see Note 10.B). The notes bore an interest rate of 4.75%.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Timely Retirement Incentive Program (TRIP)

The District Board of Education has approved a TRIP for certified and classified employees. Participation was open to employees who were at least 50 years old, qualified for retirement with the years purchased by the Board and agreed to retire by the end of fiscal year 2006. Employees who elected to participate in the TRIP will receive a payment for their unused sick leave, to the extent allowed by the current labor agreement along with a payment of 60% of their annual salary. The payment for the TRIP is paid out over a five year period. The total liability for the TRIP at June 30, 2008 was $3,188,635 of which $943,102 is due within one year and $2,245,533 is due in greater than one year. The liability is recorded in the governmental activities statement of net assets as a component of “long-term liabilities”.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Indiana Insurance Company for property, crime, and inland marine insurance coverage, the Travelers Insurance Company for boiler and machinery insurance coverage, the Ohio Schools Risk Sharing Authority for fleet insurance coverage and the Ohio School Plan for general liability insurance coverage. The Ohio School Plan was formed in conjunction with the Ohio Revised Code 2744 which allows public entities to join together for coverage purposes. The Ohio School Plan is reinsured by ACE/Tempest Re, Odyssey Re and OBE. There is no deductible for general liability and a $2,500 deductible for error and omissions. The limitations of coverages are as follows:

Building and Contents-replacement cost ($5,000 deductible)	$173,282,750
Inland Marine Coverage ($500 deductible)	98,900
Boiler and Machinery ($5,000 per location deductible)	173,282,750
Crime Insurance ($1,000 deductible each coverage)	Various
Automobile Liability ($1,000 deductible)	1,000,000
Uninsured Motorists ($1,000 deductible)	1,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate per year	1,000,000

NOTE 13 - RISK MANAGEMENT - (Continued)

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

B. Worker's Compensation

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). 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. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts than can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

C. Group Health and Dental Insurance

For fiscal year 2008, the District was a participant in the Suburban Health Consortium (the "Consortium") to provide employee health, dental, vision and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the North Royalton City School District. The Treasurer of the fiscal agent pays monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums. The District's portion of the monthly insurance premiums is as follows:

	Board Share of Premium			
	Full-Time Family	Part-Time Family	Full-Time Single	Part-Time Single
Health:				
Suburban Health Consortium	$ 715.28	$ 357.64	$ 301.17	$ 150.99
Kaiser (HMO)	715.28	357.64	391.14	195.57
Prescription drug	203.31	101.66	85.60	42.80
Dental	85.06	42.53	30.88	15.44
Vision	9.40	4.70	2.32	1.16
Health/Employees covered by a working spouse:				
Suburban Health Consortium	607.99	304.00	301.17	150.59
Prescription drug	172.80	86.40	85.60	42.80

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

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $934,988, $991,511 and $949,303, respectively; 43.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NOTE 14 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $4,520,287, $4,454,354, and $4,408,350, respectively; 83.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $65,529 made by the District and $121,918 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $580,667, $475,594, and $480,279, respectively; 43.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $67,368, $67,423, and $75,557, respectively; 43.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $347,714, $342,643, and $339,104, respectively; 83.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget (non-GAAP) and actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	General Fund
Budget basis	$ (3,976,095)
Net adjustment for revenue accruals	(164,319)
Net adjustment for expenditure accruals	107,056
Net adjustment for other sources/uses	1,204,134
Adjustment for encumbrances	1,093,158
GAAP basis	$ (1,736,066)

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Maintenance
Set-aside balance as of June 30, 2007	$ (5,200,046)	$ -
Current year set-aside requirement	935,130	935,130
Qualifying disbursements	(2,256,180)	(2,230,789)
Total	$ (6,521,096)	$(1,295,659)
Balance carried forward to FY 2009	$ (6,521,096)	$ -

NOTE 17 - STATUTORY RESERVES - (Continued)

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

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

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 19 - CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at fiscal year-end:

Contractor	Contract Awarded	Amount Paid Through 6/30/08	Contractual Commitment
Blaze: Emerson	$ 5,466,000	$ (3,771,122)	$ 1,694,878
Castle Heating & Air HVAC: Emerson	1,589,900	(1,055,449)	534,451
Gateway Electric: Emerson	1,727,803	(1,031,211)	696,592
Steingass Fire Protection: Emerson	213,640	(109,951)	103,689
Steingass Plumbing: Emerson	562,900	(355,828)	207,072
Blaze: Horace Mann	5,970,000	(4,568,353)	1,401,647
Castle Heating & Air HVAC: Horace Mann	1,541,400	(1,161,344)	380,056
Gateway Electric: Horace Mann	1,790,908	(1,062,184)	728,724
John F. Gallager: Horace Mann	623,930	(612,927)	11,003
Steingass Mechanical: Horace Mann	225,600	(91,066)	134,534
Atlas Electric: High School	2,567,000	(114,484)	2,452,516
Blaze: High School	424,000	-	424,000
C.T. Taylor: High School	8,951,108	(621,392)	8,329,716
Cardinal Enviormental: High School	463,525	(427,556)	35,969
Castle Heating & Air HVAC: High School	2,561,000	(139,028)	2,421,972
Fire Protection, Inc.: High School	453,100	-	453,100
Mobile Lease: High School	2,935,120	(2,918,879)	16,241
The Conti Corporation: High School	2,532,800	(368,150)	2,164,650
Continental - Furnishings: District Wide	710,572	-	710,572
Doan/Pyramid - Tech.: District Wide	514,666	(134,160)	380,506
Gateway Fire Alarms: District Wide	179,975	-	179,975
Playcreations - Playground: District Wide	67,000	-	67,000
Valley Electric	1,624,830	(1,610,924)	13,906
Blaze Construction	10,308,000	(8,205,160)	2,102,840
John F. Gallager	838,494	(1,287,621)	(449,127)
Panzica	5,323,100	(4,946,107)	376,993
Soehnlen Piping	760,900	(700,896)	60,004
T H Martin	603,700	(506,663)	97,037
Gardner Trane: Temp Control	683,750	(743,621)	(59,871)
Fire Protection: Harding	236,520	(244,180)	(7,660)
Price & James: Harding	1,372,900	(1,272,922)	99,978
RJ Martin: Hayes	859,700	(778,382)	81,318
Steingass: Hayes	463,000	(294,050)	168,950
CT Taylor: Harrison	6,356,100	(4,201,460)	2,154,640
CT Taylor: Harrison Gym Floor	72,750	(77,917)	(5,167)
Gross: Harrison: Fire Protection	119,982	(111,998)	7,984
RJ Martin: Harrison	1,028,062	(1,288,639)	(260,577)
Steingass: Harrison	505,000	(316,963)	188,037
RJ Martin: Garfield	1,468,030	(917,997)	550,033
Gross: Garfield HVAC	1,241,025	(1,334,995)	(93,970)
CT Taylor: Garfield	12,813,000	(10,189,477)	2,623,523
CT Taylor: Garfield: Gym Floor	79,800	(78,649)	1,151
Continental - Furnishings: District Wide	1,687,832	(1,684,524)	3,308
Playcreations: Harrison	6,202	(6,201)	1
Playcreations: Hayes	6,202	(6,201)	1
Total	$ 90,530,826	$ (59,348,631)	$ 31,182,195

NOTE 20 - SUBSEQUENT EVENTS

On January 26, 2009, the District reached a settlement with URS Corporation (the Corporation). The District claimed that the Corporation was responsible for additional project costs arising from errors and omissions in the design of Harding and Garfield Middle School projects. The Corporation requested additional compensation in connection with this project. On this date, it was settled that the District shall receive a sum of $248,223 from the Corporation. In addition, the District shall pay the Corporation $71,044 for the additional compensation requested by the Corporation.

On September 10, 2007, the District entered into a contract with Blaze Building Corporation (the Corporation). In August 2008, Tech Dynamics, Inc., who is a subcontractor to the Corporation, served the District with two lien claims against the Corporation that totaled $215,113. The District, in accordance with Ohio Revised Code Section 1311.26 withheld these funds due to the Corporation under this contract. In December 2008, the District made a payment to Tech Dynamics, Inc. in the amount of $140,747 due to a partial settlement being reached between the Corporation and Tech Dynamics, Inc. Currently, the District is holding the remainder of the funds that totals $74,366.

In August 2008, Team Environmental, Inc (TEI), a subcontractor to Baumann Enterprises, Inc., which was a subcontractor to Blaze Building Corporation (the Corporation), served the District with two lien claims against the Corporation that totaled $630,198. The District, in accordance with Ohio Revised Code Section 1311.26 withheld these funds due to the Corporation under the contract. In October 2008, the Corporation filed a Notice to Commence Suit on TEI. Then in November 2008, the Corporation filed Discharge of Lien Bonds with the District. As a result of this, TEI's lien claims were void and the District was no longer required to hold funds. TEI then filed a Complaint for Enforcement of Claims of Payment, Breach of Contract, and Unjust Enrichment for damages that totaled $630,198 against the District, the Corporation and Baumann Enterprises. The District answered this on February 25, 2009 stating that these claims were void and thus the District was improperly named as a defendant. The District therefore has requested that TEI dismiss it as a defendant. A case management conference is scheduled for March 25, 2009.

On December 23, 2008, Hird Avenue Properties, LLC filed a Notice of Appeal with the Ohio Supreme Court appealing the decision of the Ohio Board of Tax Appeals relating to a 2005 tax valuation of Hird Avenue Properties, LLC real property. The District was named in the appeal. On February 19, 2009, a tentative settlement was reached by all parties.

The District is in a dispute with one of their Architects on the Capital Improvement Program. The District claims that they were harmed approximately $200,000 for various design errors and omissions relating to the work performed by the Architect. The Architect countered with a claim that it provided services in the amount of $70,000 for which it has not been compensated. If a resolution cannot be reached, the District may file a lawsuit against the Architect.

NOTE 21 - LAKEWOOD CITY ACADEMY

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

NOTE 21 - LAKEWOOD CITY ACADEMY - (Continued)

Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus

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

C. Basis of Accounting

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

NOTE 21 - LAKEWOOD CITY ACADEMY - (Continued)

D. Budgetary Process

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

E. Cash

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

F. Capital Assets and Depreciation

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

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over 5-10 years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for federally funded programs.

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

H. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the State of Ohio Educational Management Information System grant, the State of Ohio Core Implementation grant, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Federal Title IV Drug Free Schools grant, the Federal Title II-A Improving Teacher Quality grant, the Federal Title II-D Technology Grant and the Federal LCA Start-Up grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year.

NOTE 21 - LAKEWOOD CITY ACADEMY - (Continued)

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2008 was $82,956.

I. Operating Revenues and Expenses

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

J. Estimates

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

Deposits

At June 30, 2008, the carrying amount of the Academy's deposits was $229,862. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, $129,862 of the Academy's bank balance of $229,862 was exposed to custodial risk as discussed below, while $100,000 was covered by the Federal Deposit Insurance Corporation.

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

NOTE 21 - LAKEWOOD CITY ACADEMY - (Continued)

Capital Assets

Capital asset activity for the fiscal year 2008 was as follows:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Furniture and equipment	$ 115,116	$ 14,407	$ -	$ 129,523
Less: accumulated depreciation	(19,832)	(24,211)	-	(44,043)
Capital assets, net	$ 95,284	$ (9,804)	$ -	$ 85,480

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2008, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer $20,000.

Purchased Services

For the fiscal year 2008 purchased services expenses were as follows:

Professional and technical services	$ 882,008
Property services	3,000
Travel, mileage and meetings	2,462
Food services	1,947
Total	$ 889,417

Contingencies

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

NOTE 21 - LAKEWOOD CITY ACADEMY - (Continued)

B. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al*., Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

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

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy has not been reviewed as of June 30, 2008. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2009, as a result of the reviews which have yet to be completed.

Receivables

The Academy had the following intergovernmental receivable at June 30, 2008:

Title I	$ 4,373

The intergovernmental receivable is expected to be collected in the subsequent year.

Service Agreements

A. Tri-Rivers Educational Computer Association

The Academy entered into a two-year agreement on September 17, 2007, with Tri-Rivers Educational Computer Association ("TRECA") for planning, instructional, administrative and technical services required for the operation of the Academy. During the fiscal year 2008, the Academy paid TRECA $155,750 for services under the agreement. Under the contract, TRECA is required to provide the following services:

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

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

NOTE 21 - LAKEWOOD CITY ACADEMY - (Continued)

3. Provide technical services that include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel. The Academy is responsible for recovering and returning any and all equipment to TRECA. In cases where equipment is unrecoverable, the Academy shall reimburse TRECA up to $900 per student.

4. Curricular services limited to standardized curriculum developed by TRECA.

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

Enrollment - $3,650 per full-time student enrolled per year. In case of a student enrolled with an Individual Education Plan (IEP), the Academy will determine if special education will be provided by TRECA or otherwise. If substantially all of the special education and services are provided to such a student by an organization other than TRECA, the Academy does not have to pay TRECA the enrollment fee per the agreement, instead, the Academy will be required to pay only the actual costs for that student provided by TRECA. If the special education for a student is incurred by TRECA, then any additional amount received from the Department of Education for special education and related services is due to TRECA for that student.

If payments to the Academy from the Department of Education are reduced, the payments due from the Academy to TRECA shall be reduced accordingly.

B. Lakewood City School District

The Community School Sponsorship Contract and the annual Purchased Services Contract between the Academy and Lakewood City School District outlined the specific payments to be made by the Academy to Lakewood City School District during the fiscal year 2008. In addition the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Lakewood City School District. The Academy paid Lakewood City School District $649,399 during the fiscal year 2008 for services rendered under the Community School Sponsorship Contract and the annual Purchased Services Contract.

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LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Food Distribution	10.550	N/A	$ -	$ 33,738	$ -	$ 33,738
Child Nutrition Cluster:						
National School Breakfast Program	10.553	N/A	110,409	-	110,409	-
National School Lunch Program	10.555	N/A	755,226		755,226	
Total Child Nutrition Cluster			865,635	-	865,635	-
Total U.S. Department of Agriculture			865,635	33,738	865,635	33,738
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI-B	84.027	2007	167,214	-	136,511	-
		2008	1,292,585	-	1,460,800	-
Total Title VI-B			1,459,799		1,597,311	
Early Childhood Special Education	84.173	2007	(8,249)	-	283	-
		2008	83,132	-	95,208	-
Total Early Childhood Special Education			74,883		95,491	
Total Special Education Cluster			1,534,682	-	1,692,802	-
Adult Education State Grant Program	84.002	2007	20,143	-	15,509	-
		2008	103,527	-	110,855	-
Total Adult Education State Grant Program			123,670		126,364	
Vocational Education Basic Grants to State	84.048	2007	29,357	-	40,169	-
		2008	135,849	-	157,523	-
Total Vocational Education Basic Grants to State			165,206		197,692	
America's Career Resource Network (ACRN)	84.346	2007	-	-	16	-
Title I, ESEA	84.010	2007	37,466	-	69,266	-
		2008	791,023	-	887,174	-
Total Title I, ESEA			828,489		956,440	
Title IV, Safe and Drug Free Schools Grant	84.186	2007	(2,655)	-	-	-
		2008	12,047	-	11,400	-
Total Title IV, Safe and Drug Free Schools Grant			9,392		11,400	
Title V-Innovative Education Program Strategies	84.298	2007	-	-	724	-
		2008	6,281	-	13,119	-
Total Title V-Innovative Education Program Strategies			6,281		13,843	
Title IIA - Improving Teacher Quality	84.367	2007	42,834	-	71,102	-
		2008	221,765	-	230,587	-
Total Title IIA - Improving Teacher Quality			264,599		301,689	
Title II-D, Education Technology State Grant	84.318	2007	541	-	4,750	-
		2008	9,262	-	10,990	-
Total Title II-D, Education Technology State Grant			9,803		15,740	
Title III - Limited English Proficiency Grant	84.365	2007	(15,062)	-	(193)	-
		2008	76,467	-	85,839	-
Total Title III - Limited English Proficiency Grant			61,405		85,646	
Total U.S. Department of Education			3,003,527	-	3,401,632	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through the Ohio Department of Mental Retardation and Development Disabilities:						
Medicaid Assistance - Medicaid Title XIX	93.778	N/A	15,955	-	15,955	-
Passed Through the Educational Service Center of Cuyahoga County						
Integrated Systems Enhancement Grant	84.027	2008	5,000	-	-	-
Refugee Children Impact Program	93.576	2007	-	-	967	-
		2008	-	-	6,185	-
Total Refugee Children Impact Program			-	-	7,152	-
Passed Through Cuyahoga County Commissioners, Office of Health and Family Services						
ABLE Plus/TANF	93.558	2007	21,914	-	4,971	-
		2008	144,139	-	140,381	-
Total ABLE Plus/TANF			166,053	-	145,352	-
Passed Through Cuyahoga County Commissioners, Office of Health and Family Services						
Garfield Middle School Out of School/TANF	84.298	2008	13,758		36,310	
Total U.S. Department of Health and Human Services			200,766	-	204,769	-
Total Federal Awards Receipts and Expenditures			$ 4,069,928	$ 33,738	$ 4,472,036	$ 33,738

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

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – FEDERAL TRANSFERS/NEGATIVE RECEIPTS

The District transferred $8,249 from grant year 2007 to 2008 in the Early Childhood Special Education Grant, $2,655 from grant year 2007 to 2008 in the Safe and Drug Free School Grant and $15,062 from grant year 2007 to 2008 in the Title III Limited English Proficiency Grant. These transfers appear as negative receipts in the 2007 grant year and as positive receipts in the 2008 grant year. These transfers by ODE allowed the District to extend the availability period for expenditure of these receipts.

NOTE E – MEDICAID COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS) PAYMENTS

During the fiscal year ending June 30, 2008, the District received $15,955 in Medicaid settlement payments. The amounts received related to settlements for CAFS service provided during prior years.

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakewood City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2009, wherein we noted the District restated fund balances in the debt service fund and building fund to properly report note proceeds. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-004 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above, finding number 2008-004, is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 24, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 24, 2009

Mary Taylor, CPA
Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Lakewood City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Lakewood City School District, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 24, 2009.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 24, 2009

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other significant deficiencies reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any other significant deficiencies conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster: Title VI-B, CFDA #84.027, Early Childhood Special Education, CFDA #84.173 Child Nutrition Cluster: National School Breakfast Program, CFDA #10.553 National School Lunch Program, CFDA #10.555 Title IIA, Improving Teacher Quality, CFDA #84.367
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

Finding Number	**2008- 001**

Appropriations in excess of Estimated Resources – Noncompliance Finding

Ohio Rev. Code Section 5705.39 provides, in part, that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the county budget commission. In addition, Ohio Rev. Code 5705.40 requires, in part, that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The following fund, which was corrected by year-end, had appropriations in excess of estimated resources:

<u>**December 31, 2007**</u>

Fund	Estimated Resources	Appropriations	Variance
Building Fund (004)	$14,228,651	$36,263,650	($22,034,999)

This weakness could allow expenditures to exceed total available fund balances plus current year revenues which would result in a negative fund balance.

We recommend the District review appropriations and estimated resources, on a monthly basis, and make the necessary revisions to the budget and the County Auditor in order to comply with legal budgetary requirements.

Official's Response: The Treasurer will conduct a closer monitoring of budgetary activity to ensure appropriations do not exceed estimated resources in accordance with Ohio Revised Code Section 5705.39.

Finding Number	**2008- 002**

Obtaining a Reduced Amended Certificate of Estimated Resources – Noncompliance Finding

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Ohio Rev. Code Section 5705.36(A)(5) requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources, or the amended certificate of estimated resources, which was certified prior to making the appropriation or supplemental appropriation.

The following funds, which were corrected by year-end, had actual receipts (beginning unencumbered fund balance plus actual receipts) which were less than appropriations during the year:

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

Finding Number	2008- 002

Obtaining a Reduced Amended Certificate of Estimated Resources – Noncompliance Finding (Continued)

December 31, 2007

Funds	Beg. Unencumbered Fund Balance + Actual Receipts	Total Appropriations	Variance
General Fund (001)	$56,728,753	$70,275,905	($13,547,152)
EMIS Fund (432)	$8,637	$21,747	($13,110)
Public School Preschool Fund (439)	$208,507	$385,169	($176,662)
School Net Prof Develop Fund (452)	-	$3,300	($3,300)
Poverty Based Assistance Fund (494)	$180,646	$496,861	($316,215)
Adult Basic Education Fund (501)	$100,911	$373,039	($272,128)
Title VI-B Fund (516)	$730,662	$1,975,252	($1,244,590)
Vocational Education Fund (524)	$113,032	$186,700	($73,668)
Limited English Prof. Fund (551)	$21,556	$236,983	($215,427)
Transition Refugee Fund (571)	$967	$3,000	($2,033)
Title I Fund (572)	$458,746	$1,072,971	($614,225)
Title VI Fund (573)	$1,136	$28,088	($26,952)
Drug Free Schools Fund (584)	$4,823	$25,121	($20,298)
Preschool Fund (587)	$39,563	$104,970	($65,407)
Reducing Class Size Fund (590)	$169,135	$421,986	($252,851)
Other Federal Grants Fund (599)	$1,090	$54,136	($53,046)
Bond Retirement Fund (002)	$30,259,340	$73,273,330	($43,013,990)
Permanent Improvements Fund (003)	$26,930	$747,940	($721,010)
Food Service Fund (006)	$831,127	$1,626,958	($795,831)
Special Trusts Fund (007)	($59,521)	($478)	(59,043)

We recommend the District comply with the provisions of Ohio Rev. Code Section 5705.36(A)(4) and (A)(5) by requesting a reduced certificate and reducing their appropriations when actual receipts are less than appropriations.

Official's Response: The Treasurer will conduct a closer monitoring of budgetary activity to ensure appropriations do not exceed available resources in accordance with Ohio Revised Code Section 5705.36(A)(4) and 5705.36 (A)(5).

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

Finding Number	**2008- 003**

Expenditures Plus Encumbrances Exceeding Appropriations – Noncompliance Finding

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the District may not exceed appropriations at the legal level of control for all funds. The District's legal level of control is the fund level. The following fund, which was corrected by year-end, had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control during the year:

December 31, 2007

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
Special Trusts Funds (007)	($478)	$4,290	($4,768)

We recommend the District verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditure plus encumbrances in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements.

Official's Response: The Treasurer will conduct a closer monitoring of budgetary activity to ensure expenditures and encumbrances do not exceed appropriations in accordance with Ohio Revised Code Section 5705.41(B).

Finding Number	**2008- 004**

Statement on Auditing Standards 112 - Effects on Annual Financial Report – Material Weakness

Paragraph 18 of the *Statement on Auditing Standards 112* documents that the identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the District's accounting records:

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

Finding Number	2008- 004

Statement on Auditing Standards 112 - Effects on Annual Financial Report – Material Weakness (Continued)

1. The District did not record all Cash in Segregated Accounts and related Retainage payable in the Building Fund at June 30, 2008. There were 5 Escrow Bank Accounts in the name of the Lakewood Board of Education totaling $288,499 that were not originally recorded on the financial statements by the District.

2. The District misclassified proceeds from the sale of bonds. The District recorded the entire portion of proceeds, which amounted to $43,779,967 of the 2007 School Facilities Improvement Bonds, in the Building Fund. The $19,999,977 sale of proceeds should have been recorded in the Debt Service Fund to be used for the retirement of the original issue. The remaining sale of proceeds of the “New Money Portion” in the amount of $23,779,990 should have been the only amount recorded in the (Building) construction funds and used to pay a portion of the cost of the projects.

3. The following adjustment is a cash basis only correction. The District inadvertently posted fund 200 student managed extracurricular receipts, amounting to $162,312, in the receipt line item account 1800 (Miscellaneous). These receipts should be posted to receipt line item account 1600 (Extracurricular).

4. The District was required to restate the debt service fund and the building fund at July 1, 2007 to properly report $20,000,000 of note proceeds in the building fund rather than the debt service fund.

The following adjustments were inconsequential to the overall financial statements of the District and were not recorded in the financial statements but were recorded on the current year summary of unadjusted differences (SUD):

1. During the testing of capital leases, we determined the District failed to correctly capitalize the new capital lease for computers. The District capitalized the new lease of computers for $596,534, not the entire $600,000 as depicted in the capital lease agreement. Further, the District overstated the capital lease principal retirement and interest and fiscal charges in the General Fund by $392,665. The actual principal retirement and interest and fiscal charges on the capital lease payments was $785,330, not the $1,177,995 as recorded by the District.

2. During the testing of the pension obligations payable account, we noted the District classified the nonmajor enterprise funds SERS surcharge as accrued wages and benefits and not pension obligations payable. The total amount of accrued wages and benefits that was overstated by this error was $27,756.

The lack of controls over the recording of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

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

Finding Number	2008- 004

Statement on Auditing Standards 112 - Effects on Annual Financial Report – Material Weakness (Continued)

We recommend the Board of Education adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data throughout the year.

Official's Response: Management concurs with the finding.

LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2007-001	Ohio Rev. Code Section 5705.41 (B) – Expenditures Plus Encumbrances Exceeding Appropriations	No	Reissued as Schedule of Findings item 2008-003.
2007-002	Ohio Rev. Code Section 5705.10 (H) – Negative Balances	Yes	
2007-003	Statement on Auditing Standards 112 – Effects on Annual Financial Report	No	Reissued as Schedule of Findings item 2008-004

Mary Taylor, CPA
Auditor of State

LAKEWOOD CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2009

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