



Mary Taylor, CPA
Auditor of State

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE YEAR ENDED JUNE 30, 2009**

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LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
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Mary Taylor, CPA

Auditor of State

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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2010, 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, CPA
Auditor of State

March 3, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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, 2009. 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 2009 are as follows:

- In total, net assets decreased \$1,282,296. Net assets of governmental activities decreased \$1,179,849, which represents a 4.70% decrease from 2008. Net assets of business-type activities decreased \$102,447 from 2008.
- Governmental activities general revenues accounted for \$70,334,448 in revenue or 85.46% of all governmental activities revenues. Governmental activities program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,969,147 or 14.54% of total governmental activities revenues of \$82,303,595. The District also had special items in the amount of \$338,855.
- The District had \$83,822,299 in expenses related to governmental activities; only \$11,969,147 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 \$70,334,448 were not adequate to provide for these programs.
- The District had \$2,207,184 in expenses related to business-type activities; a total of \$2,104,718 were offset by program specific charges for services, grants and contributions. General revenues include only investment earnings of \$19. Total revenues were not adequate to provide for these programs by \$102,447 resulting in an increase to a deficit of \$360,072 from a deficit of \$257,625.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$66,170,073 in revenues and \$68,963,111 in expenditures and other financing uses. The general fund's fund balance decreased \$2,793,038 from \$17,085,665 to \$14,292,627.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$9,013,708 in revenues and \$8,493,140 in expenditures. The debt service fund's fund balance increased \$520,568 from \$4,728,012 to \$5,248,580.
- The District's other major governmental fund is the building fund. The building fund had \$558,411 in revenues and \$24,916,347 in expenditures. The building fund also reported \$338,855 in special items. The building fund's fund balance decreased \$24,019,081 from \$29,910,891 to \$5,891,810.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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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 2009?" 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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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 31-76 of this report.

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

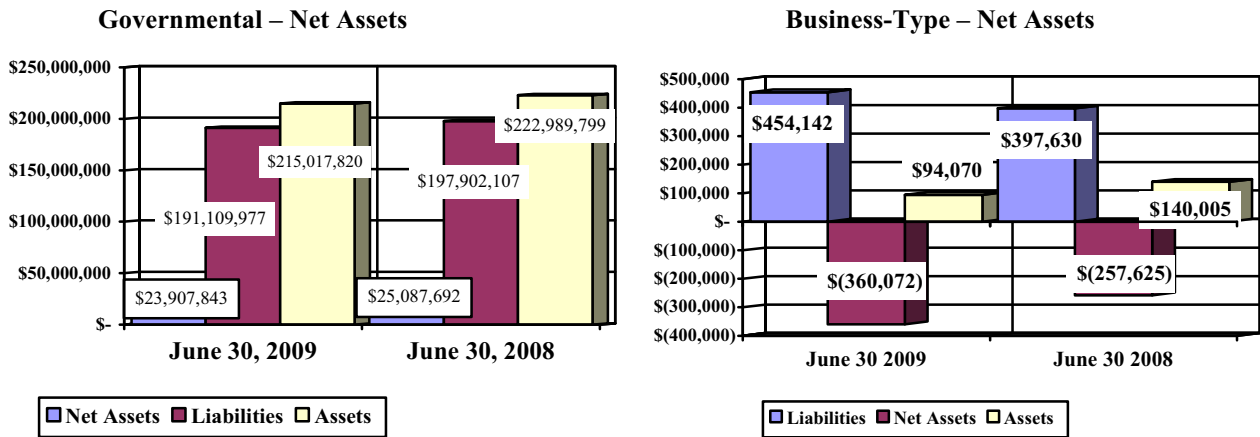
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

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, 2009 and June 30, 2008:

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 79,950,493	\$ 111,679,013	\$ 68,782	\$ 110,584	\$ 80,019,275	\$ 111,789,597
Capital assets, net	135,067,327	111,310,786	25,288	29,421	135,092,615	111,340,207
Total assets	215,017,820	222,989,799	94,070	140,005	215,111,890	223,129,804
Liabilities						
Current liabilities	47,675,910	52,523,124	300,744	271,908	47,976,654	52,795,032
Long-term liabilities	143,434,067	145,378,983	153,398	125,722	143,587,465	145,504,705
Total liabilities	191,109,977	197,902,107	454,142	397,630	191,564,119	198,299,737
Net Assets						
Invested in capital assets, net of related debt	20,848,518	19,103,860	25,288	29,421	20,873,806	19,133,281
Restricted	6,687,958	6,837,356	-	-	6,687,958	6,837,356
Unrestricted (deficit)	(3,628,633)	(853,524)	(385,360)	(287,046)	(4,013,993)	(1,140,570)
Total net assets (deficit)	\$ 23,907,843	\$ 25,087,692	\$ (360,072)	\$ (257,625)	\$ 23,547,771	\$ 24,830,067

The graphs below show the District's assets, liabilities and net assets at June 30, 2009 and June 30, 2008:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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The table below shows the changes in net assets for fiscal years 2009 and 2008. Intergovernmental pass-through expenses have been reclassified to operation of non-instructional expenses to conform to 2009's presentation.

	Change in Net Assets				Total	
	Governmental Activities		Business-type Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 4,599,204	\$ 4,542,656	\$ 1,106,918	\$ 1,101,576	\$ 5,706,122	\$ 5,644,232
Operating grants and contributions	7,369,943	7,937,190	997,800	861,708	8,367,743	8,798,898
General revenues:						
Property taxes	43,900,918	43,936,875	-	-	43,900,918	43,936,875
Grants and entitlements	24,971,577	24,332,260	-	-	24,971,577	24,332,260
Investment earnings	1,271,663	3,811,405	19	2,204	1,271,682	3,813,609
Miscellaneous	190,290	230,850	-	-	190,290	230,850
Total revenues	<u>82,303,595</u>	<u>84,791,236</u>	<u>2,104,737</u>	<u>1,965,488</u>	<u>84,408,332</u>	<u>86,756,724</u>
Expenses						
Program expenses:						
Instruction:						
Regular	28,457,587	26,952,398	-	-	28,457,587	26,952,398
Special	12,612,199	11,608,202	-	-	12,612,199	11,608,202
Vocational	3,557,051	3,834,521	-	-	3,557,051	3,834,521
Adult/continuing	256,597	340,940	-	-	256,597	340,940
Other	2,973,535	3,019,710	-	-	2,973,535	3,019,710
Support services:						
Pupil	5,025,550	4,896,852	-	-	5,025,550	4,896,852
Instructional staff	5,072,788	5,197,986	-	-	5,072,788	5,197,986
Board of education	182,108	107,112	-	-	182,108	107,112
Administration	3,428,079	3,121,868	-	-	3,428,079	3,121,868
Fiscal	1,732,571	1,825,274	-	-	1,732,571	1,825,274
Business	1,035,081	1,310,454	-	-	1,035,081	1,310,454
Operations and maintenance	8,341,357	8,808,497	-	-	8,341,357	8,808,497
Pupil transportation	113,771	89,318	-	-	113,771	89,318
Central	578,001	409,254	-	-	578,001	409,254
Operation of non-instructional services	2,903,896	2,530,625	-	-	2,903,896	2,530,625
Extracurricular activities	1,246,826	1,232,393	-	-	1,246,826	1,232,393
Interest and fiscal charges	6,305,302	5,675,361	-	-	6,305,302	5,675,361
Food service	-	-	1,812,212	1,972,355	1,812,212	1,972,355
Recreation	-	-	394,972	273,005	394,972	273,005
Total expenses	<u>83,822,299</u>	<u>80,960,765</u>	<u>2,207,184</u>	<u>2,245,360</u>	<u>86,029,483</u>	<u>83,206,125</u>
Special items	<u>338,855</u>	<u>533,631</u>	<u>-</u>	<u>-</u>	<u>338,855</u>	<u>533,631</u>
Changes in net assets	<u>(1,179,849)</u>	<u>4,364,102</u>	<u>(102,447)</u>	<u>(279,872)</u>	<u>(1,282,296)</u>	<u>4,084,230</u>
Net assets (deficit) at						
beginning of year	<u>25,087,692</u>	<u>20,723,590</u>	<u>(257,625)</u>	<u>22,247</u>	<u>24,830,067</u>	<u>20,745,837</u>
Net assets (deficit) at end of year	<u>\$ 23,907,843</u>	<u>\$ 25,087,692</u>	<u>\$ (360,072)</u>	<u>\$ (257,625)</u>	<u>\$ 23,547,771</u>	<u>\$ 24,830,067</u>

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

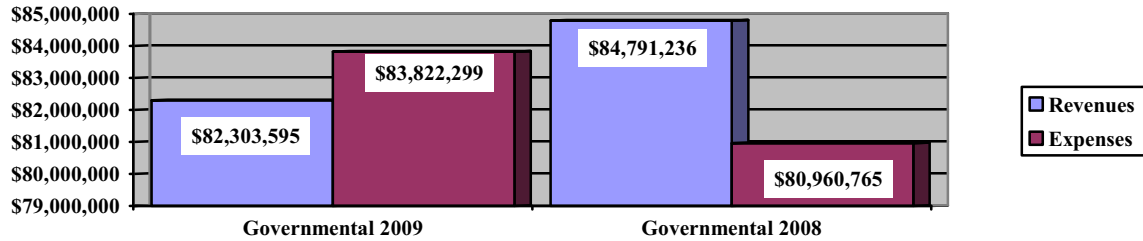
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

Governmental Activities

Net assets of the District's governmental activities decreased \$1,179,849. Total governmental expenses of \$83,822,299 were offset by program revenues of \$11,969,147 and general revenues of \$70,334,448. Program revenues supported 14.28% of the total governmental expenses.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

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 2009 and 2008. It identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements. Intergovernmental pass-through expenses have been reclassified to operation of non-instructional expenses to conform to 2009's presentation.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Program expenses:				
Instruction:				
Regular	28,457,587	25,684,659	26,952,398	24,386,113
Special	12,612,199	9,134,174	11,608,202	8,124,072
Vocational	3,557,051	2,015,008	3,834,521	2,233,796
Adult/continuing	256,597	121,923	340,940	(46,908)
Other	2,973,535	2,973,535	3,019,710	3,019,710

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

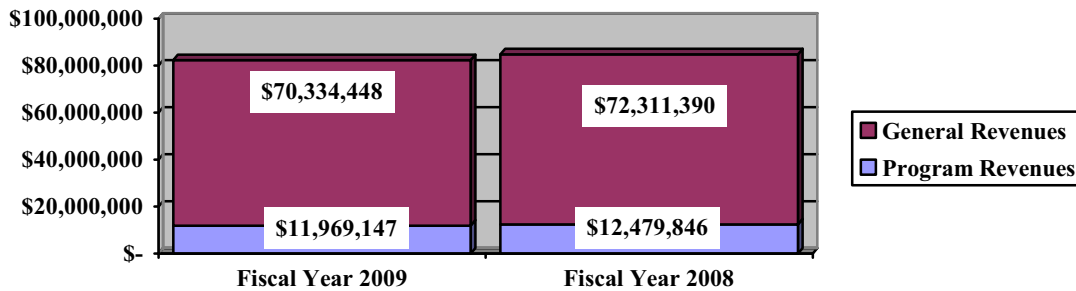
**MANAGEMENT'S DISCUSSION AND ANALYSIS
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	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Support services:				
Pupil	5,025,550	4,527,124	4,896,852	4,465,820
Instructional staff	5,072,788	4,168,038	5,197,986	3,885,819
Board of Education	182,108	182,108	107,112	107,112
Administration	3,428,079	3,326,146	3,121,868	2,905,759
Fiscal	1,732,571	1,732,571	1,825,274	1,824,747
Business	1,035,081	1,035,081	1,310,454	1,310,454
Operations and maintenance	8,341,357	7,900,700	8,808,497	8,561,336
Pupil transportation	113,771	(69,963)	89,318	(118,590)
Central	578,001	522,095	409,254	352,177
Operation of non-instructional services	2,903,896	1,587,227	2,530,625	1,159,514
Extracurricular activities	1,246,826	707,424	1,232,393	634,627
Interest and fiscal charges	6,305,302	6,305,302	5,675,361	5,675,361
Total expenses	\$ 83,822,299	\$ 71,853,152	\$ 80,960,765	\$ 68,480,919

The dependence upon tax revenues and unrestricted grants and entitlements during fiscal year 2009 for governmental activities is apparent, as 83.43% of 2009 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 85.72% in 2009. 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 2009 and 2008.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include recreation and the food service operation. These programs had revenues of \$2,104,737 and expenses of \$2,207,184 for fiscal year 2009. The food service operations had expenses of \$1,812,212 and revenues of \$1,786,107. The recreation fund has \$394,972 in expenses and revenues of \$318,630. This resulted in a decrease to net assets for the fiscal year of \$76,342. These funds intended to be self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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The District's Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$26,858,727 which is below last year's total of \$53,357,740. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Increase/</u> <u>(Decrease)</u>
General	\$ 14,292,627	\$ 17,085,665	\$ (2,793,038)
Debt Service	5,248,580	4,728,012	520,568
Building	5,891,810	29,910,891	(24,019,081)
Other Governmental	<u>1,425,710</u>	<u>1,633,172</u>	<u>(207,462)</u>
Total	<u>\$ 26,858,727</u>	<u>\$ 53,357,740</u>	<u>\$ (26,499,013)</u>

General Fund

The District's general fund balance decreased \$2,793,038. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

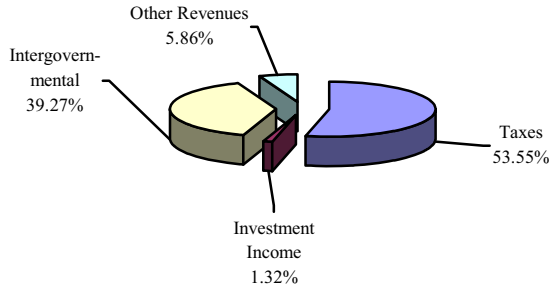
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 35,435,363	\$ 35,833,808	\$ (398,445)	(1.11) %
Earnings on investments	875,678	1,533,111	(657,433)	(42.88) %
Intergovernmental	25,983,046	25,407,138	575,908	2.27 %
Other revenues	<u>3,875,986</u>	<u>3,871,195</u>	<u>4,791</u>	0.12 %
Total	<u>\$ 66,170,073</u>	<u>\$ 66,645,252</u>	<u>\$ (475,179)</u>	(0.71) %

Overall revenues of the general fund decreased \$475,179 or 0.71%. Tax revenue decreased \$398,445 or 1.11% from the prior year. This decrease is primarily due to a decrease of approximately \$668,000 in tangible personal property tax receipts which are being phased out statewide. Intergovernmental revenues increased \$575,908 or 2.27%. This increase is due to an increase in tangible personal property tax reimbursements of \$488,000. Earnings on investments decreased \$657,433 due to a decrease in interest rates earned on investments compared to fiscal year 2008.

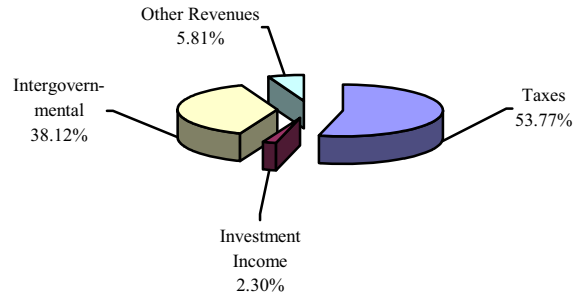
**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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Revenues – Fiscal Year 2009



Revenues – Fiscal Year 2008



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

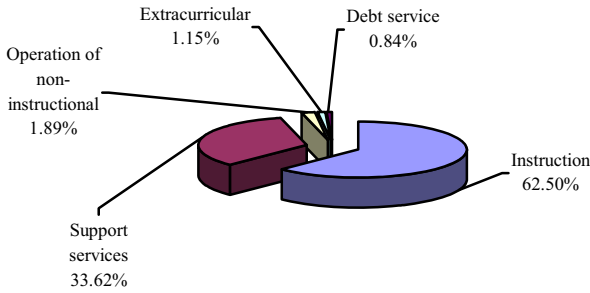
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 43,077,715	\$ 41,807,110	\$ 1,270,605	3.04 %
Support services	23,169,702	23,217,764	(48,062)	(0.21) %
Operation of non-instructional services	1,300,017	1,212,022	87,995	7.26 %
Extracurricular activities	790,946	651,412	139,534	21.42 %
Facilities acquisition and construction	-	247,564	(247,564)	(100.00) %
Capital outlay	-	596,534	(596,534)	(100.00) %
Debt service	579,731	1,210,446	(630,715)	(52.11) %
Total	<u>\$ 68,918,111</u>	<u>\$ 68,942,852</u>	<u>\$ (24,741)</u>	<u>(0.04) %</u>

Expenditures of the general fund decreased \$24,741 or 0.04%. Instruction expenditures increased \$1,270,605 or 3.04% due to contractual increases in teachers' salaries. Facilities acquisition and construction decreased due to improvements being paid out of the general fund during fiscal year 2008. Capital outlay decreased because the District did not enter into any new capital leases during fiscal year 2009. Debt service expenditures decreased due to a decrease in the amount of lease payments made during fiscal year 2009.

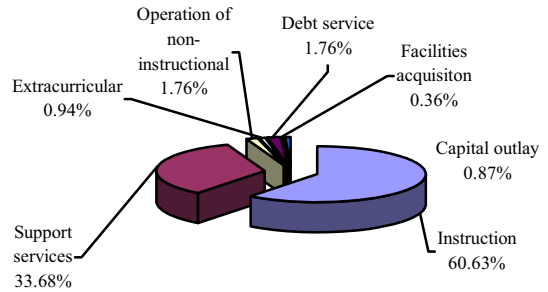
**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

Expenditures – Fiscal Year 2009



Expenditures – Fiscal Year 2008



Debt Service Fund

The debt service fund had \$9,013,708 in revenues and \$8,493,140 in expenditures. The debt service fund's fund balance increased \$520,568 from \$4,728,012 to \$5,248,580. The increase in fund balance is due to tax revenues exceeding the scheduled principal and interest payments on general obligation bonds during fiscal year 2009.

Building Fund

The building fund had \$558,411 in revenues and \$24,916,347 in expenditures. The building fund also had \$338,855 in special items. The building fund's fund balance decreased \$24,019,081 from \$29,910,891 to \$5,891,810. The fund balance decrease is due to expenditures related to construction projects in the District.

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 2009, 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 \$65,044,764, which was decreased from the original budgeted revenues and other financing sources estimate of \$66,065,510. Actual revenues and other financing sources for fiscal year 2009 was \$66,980,427. This represents a \$1,935,663 increase over final budgeted revenues.

General fund original appropriations (expenditures and other financing uses) of \$74,119,853 were increased to \$74,155,774 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$71,965,555, which was \$2,190,219 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

Capital Assets and Debt Administration

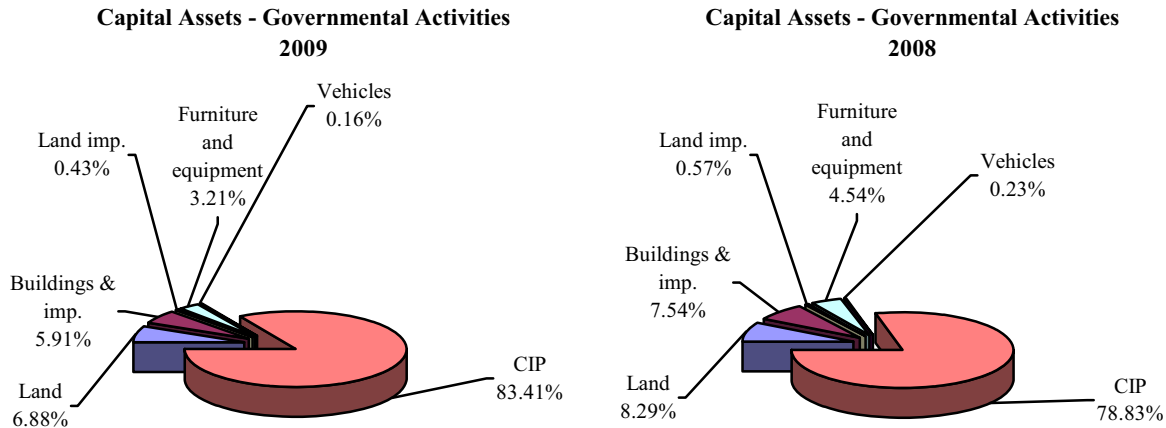
Capital Assets

At June 30, 2009, the District had \$135,092,615 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). Of this total, \$135,067,327 was reported in governmental activities and \$25,288 was reported in business-type activities. The following table shows June 30, 2009 balances compared to June 30, 2008:

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 9,294,255	\$ 9,229,170	\$ -	\$ -	\$ 9,294,255	\$ 9,229,170
Land improvements	583,552	635,907	-	-	583,552	635,907
Building and improvements	7,987,675	8,394,924	-	-	7,987,675	8,394,924
Furniture and equipment	4,339,309	5,056,231	25,288	29,421	4,364,597	5,085,652
Vehicles	219,468	259,736	-	-	219,468	259,736
Construction in progress	112,643,068	87,734,818	-	-	112,643,068	87,734,818
Total	\$ 135,067,327	\$ 111,310,786	\$ 25,288	\$ 29,421	\$ 135,092,615	\$ 111,340,207

The following graphs show the breakdown of governmental activities capital assets by category for 2009 and 2008.



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

Debt Administration

At June 30, 2009 the District had \$130,080,156 in general obligation bonds and capital leases outstanding. Of this total, \$3,305,759 is due within one year and \$126,774,397 is due within greater than one year. The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
General obligation bonds	\$ 129,595,192	\$ 131,672,049
Capital leases	<u>484,964</u>	<u>1,041,802</u>
Total	<u>\$ 130,080,156</u>	<u>\$ 132,713,851</u>

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 \$16,019,490 at June 30, 2009. Fiscal year-end general fund unrestricted cash balances were \$20,060,960, \$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 2008, 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 2010. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

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.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Lakewood City Academy
Assets:				
Equity in pooled cash and investments	\$ 32,333,491	\$ 68,498	\$ 32,401,989	\$ 265,483
Cash in segregated accounts.	747,794	-	747,794	-
Receivables:				
Taxes	44,303,626	-	44,303,626	-
Accounts	30,520	-	30,520	-
Intergovernmental	1,085,867	-	1,085,867	-
Accrued interest	267,581	-	267,581	-
Internal balances	10,000	(10,000)	-	-
Prepayments	11,295	-	11,295	21,997
Materials and supplies inventory	-	10,284	10,284	-
Unamortized bond issue costs	1,160,319	-	1,160,319	-
Capital assets:				
Land and construction in progress	121,937,323	-	121,937,323	-
Depreciable capital assets, net	13,130,004	25,288	13,155,292	60,639
Total capital assets, net	135,067,327	25,288	135,092,615	60,639
Total assets.	215,017,820	94,070	215,111,890	348,119
Liabilities:				
Accounts payable.	702,315	11,957	714,272	783
Contracts payable.	1,568,429	-	1,568,429	-
Retainage payable	747,794	-	747,794	-
Accrued wages and benefits	7,640,375	137,512	7,777,887	-
Pension obligation payable.	1,721,756	149,248	1,871,004	-
Intergovernmental payable	1,064,486	2,027	1,066,513	2,998
Unearned revenue	33,697,311	-	33,697,311	-
Accrued interest payable	533,444	-	533,444	-
Long-term liabilities:				
Due within one year.	5,049,750	9,031	5,058,781	-
Due within more than one year	138,384,317	144,367	138,528,684	-
Total liabilities.	191,109,977	454,142	191,564,119	3,781
Net Assets:				
Invested in capital assets, net of related debt.	20,848,518	25,288	20,873,806	60,639
Restricted for:				
Debt service.	5,511,463	-	5,511,463	-
Capital projects.	582,989	-	582,989	-
Locally funded programs	47,889	-	47,889	-
State funded programs	218,141	-	218,141	-
Federally funded programs	95,130	-	95,130	24,988
Student activities	219,853	-	219,853	-
Other purposes.	12,493	-	12,493	-
Unrestricted (deficit).	(3,628,633)	(385,360)	(4,013,993)	258,711
Total net assets (deficit).	\$ 23,907,843	\$ (360,072)	\$ 23,547,771	\$ 344,338

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 28,457,587	\$ 2,505,765	\$ 267,163
Special	12,612,199	613	3,477,412
Vocational	3,557,051	1,042,118	499,925
Adult/continuing	256,597	-	134,674
Other	2,973,535	-	-
Support services:			
Pupil	5,025,550	1,044	497,382
Instructional staff	5,072,788	9,876	894,874
Board of education	182,108	-	-
Administration	3,428,079	4,255	97,678
Fiscal	1,732,571	-	-
Business	1,035,081	-	-
Operations and maintenance	8,341,357	439,694	963
Pupil transportation	113,771	102	183,632
Central	578,001	-	55,906
Operation of non-instructional services	2,903,896	113,598	1,203,071
Extracurricular activities	1,246,826	482,139	57,263
Interest and fiscal charges	6,305,302	-	-
Total governmental activities	<u>83,822,299</u>	<u>4,599,204</u>	<u>7,369,943</u>
Business-Type activities:			
Food service	1,812,212	788,288	997,800
Recreation	394,972	318,630	-
Total business-type activities	<u>2,207,184</u>	<u>1,106,918</u>	<u>997,800</u>
Totals	<u>\$ 86,029,483</u>	<u>\$ 5,706,122</u>	<u>\$ 8,367,743</u>
Component Units:			
Lakewood City Academy	\$ 990,555	\$ 200	\$ 1,038,111

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 item - settlements
Total general revenues, and special items
Change in net assets
Net assets (deficit) 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			
Governmental Activities	Primary Government Business-Type Activities		Component Unit Lakewood City Academy
		Total	
\$ (25,684,659)	\$ -	\$ (25,684,659)	\$ -
(9,134,174)	-	(9,134,174)	-
(2,015,008)	-	(2,015,008)	-
(121,923)	-	(121,923)	-
(2,973,535)	-	(2,973,535)	-
(4,527,124)	-	(4,527,124)	-
(4,168,038)	-	(4,168,038)	-
(182,108)	-	(182,108)	-
(3,326,146)	-	(3,326,146)	-
(1,732,571)	-	(1,732,571)	-
(1,035,081)	-	(1,035,081)	-
(7,900,700)	-	(7,900,700)	-
69,963	-	69,963	-
(522,095)	-	(522,095)	-
(1,587,227)	-	(1,587,227)	-
(707,424)	-	(707,424)	-
(6,305,302)	-	(6,305,302)	-
<u>(71,853,152)</u>	<u>-</u>	<u>(71,853,152)</u>	<u>-</u>
-	(26,124)	(26,124)	-
-	(76,342)	(76,342)	-
-	(102,466)	(102,466)	-
<u>(71,853,152)</u>	<u>(102,466)</u>	<u>(71,955,618)</u>	<u>-</u>
-	-	-	47,756
35,810,303	-	35,810,303	-
8,090,615	-	8,090,615	-
24,971,577	-	24,971,577	-
1,271,663	19	1,271,682	2,567
190,290	-	190,290	5,779
<u>70,334,448</u>	<u>19</u>	<u>70,334,467</u>	<u>8,346</u>
<u>338,855</u>	<u>-</u>	<u>338,855</u>	<u>-</u>
<u>70,673,303</u>	<u>19</u>	<u>70,673,322</u>	<u>8,346</u>
(1,179,849)	(102,447)	(1,282,296)	56,102
<u>25,087,692</u>	<u>(257,625)</u>	<u>24,830,067</u>	<u>288,236</u>
<u>\$ 23,907,843</u>	<u>\$ (360,072)</u>	<u>\$ 23,547,771</u>	<u>\$ 344,338</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 16,019,490	\$ 3,947,514	\$ 7,452,179	\$ 3,737,143	\$ 31,156,326
Cash in segregated accounts	-	-	747,794	-	747,794
Receivables:					
Taxes	35,849,678	8,453,948	-	-	44,303,626
Accounts	30,520	-	-	-	30,520
Intergovernmental	418,719	-	-	667,148	1,085,867
Accrued interest	258,848	-	8,733	-	267,581
Interfund loans	1,987,700	-	-	-	1,987,700
Prepayments	11,295	-	-	-	11,295
Total assets	<u>\$ 54,576,250</u>	<u>\$ 12,401,462</u>	<u>\$ 8,208,706</u>	<u>\$ 4,404,291</u>	<u>\$ 79,590,709</u>
Liabilities:					
Accounts payable	\$ 417,880	\$ -	\$ 673	\$ 283,762	\$ 702,315
Contracts payable	-	-	1,568,429	-	1,568,429
Retainage payable	-	-	747,794	-	747,794
Accrued wages and benefits	7,376,863	-	-	263,512	7,640,375
Compensated absences payable	6,142	-	-	-	6,142
Pension obligation payable	1,613,505	-	-	108,251	1,721,756
Intergovernmental payable	203,525	-	-	73,578	277,103
Interfund loans payable	-	-	-	1,977,700	1,977,700
Deferred revenue	3,324,952	796,327	-	271,778	4,393,057
Unearned revenue	27,340,756	6,356,555	-	-	33,697,311
Total liabilities	<u>40,283,623</u>	<u>7,152,882</u>	<u>2,316,896</u>	<u>2,978,581</u>	<u>52,731,982</u>
Fund Balances:					
Reserved for encumbrances	790,487	-	4,548,247	306,640	5,645,374
Reserved for property tax unavailable for appropriation	5,238,220	1,295,957	-	-	6,534,177
Reserved for debt service	-	3,952,623	-	-	3,952,623
Reserved for prepayments	11,295	-	-	-	11,295
Unreserved, undesignated, reported in:					
General fund	8,252,625	-	-	-	8,252,625
Special revenue funds	-	-	-	536,081	536,081
Capital projects funds	-	-	1,343,563	582,989	1,926,552
Total fund balances	<u>14,292,627</u>	<u>5,248,580</u>	<u>5,891,810</u>	<u>1,425,710</u>	<u>26,858,727</u>
Total liabilities and fund balances	<u>\$ 54,576,250</u>	<u>\$ 12,401,462</u>	<u>\$ 8,208,706</u>	<u>\$ 4,404,291</u>	<u>\$ 79,590,709</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$ 26,858,727
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		135,067,327
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 4,015,056	
Accounts receivable	23,955	
Intergovernmental receivable	271,778	
Accrued interest receivable	82,268	
Total		4,393,057
Unamortized deferred charges are not recognized in the funds.		2,667,388
Unamortized premiums on bond issuances are not recognized in the funds.		(6,057,876)
Unamortized bond issuance costs are not recognized in the funds.		1,160,319
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.		389,782
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(533,444)
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	(129,595,192)	
Compensated absences payable	(5,802,650)	
Retirement incentives	(4,154,631)	
Capital lease obligations	(484,964)	
Total		(140,037,437)
Net assets of governmental activities		\$ 23,907,843

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 35,435,363	\$ 7,991,074	\$ -	\$ -	\$ 43,426,437
Tuition.	2,312,759	-	-	37,901	2,350,660
Earnings on investments.	875,678	-	558,411	40,179	1,474,268
Extracurricular.	76,819	-	-	760,010	836,829
Classroom materials and fees	174,660	-	-	56,437	231,097
Rental income	380,160	-	-	34,495	414,655
Contributions and donations	50	-	-	915	965
Services provided to other entities	740,278	-	-	27,005	767,283
Other local revenues.	191,260	-	-	120,886	312,146
Intergovernmental - intermediate	-	-	-	18,639	18,639
Intergovernmental - state	25,622,067	1,022,634	-	1,850,018	28,494,719
Intergovernmental - federal.	360,979	-	-	3,955,850	4,316,829
Total revenue	<u>66,170,073</u>	<u>9,013,708</u>	<u>558,411</u>	<u>6,902,335</u>	<u>82,644,527</u>
Expenditures:					
Current:					
Instruction:					
Regular	26,782,971	-	-	603,380	27,386,351
Special.	9,990,299	-	-	2,308,712	12,299,011
Vocational.	3,208,840	-	-	180,296	3,389,136
Adult/continuing	129,698	-	-	130,351	260,049
Other	2,965,907	-	-	-	2,965,907
Support services:					
Pupil.	4,498,469	-	-	575,826	5,074,295
Instructional staff	3,709,468	-	-	1,139,730	4,849,198
Board of education	179,159	-	-	-	179,159
Administration.	3,155,114	-	-	110,938	3,266,052
Fiscal	1,726,754	-	-	-	1,726,754
Business	1,013,513	-	8,097	-	1,021,610
Operations and maintenance.	8,327,804	-	-	70,158	8,397,962
Pupil transportation	78,421	-	-	125	78,546
Central.	481,000	-	-	56,199	537,199
Operation of non-instructional services.	1,300,017	-	-	1,526,528	2,826,545
Extracurricular activities.	790,946	-	-	450,790	1,241,736
Facilities acquisition and construction	-	-	24,908,250	1,764	24,910,014
Debt service:					
Principal retirement	556,838	2,950,000	-	-	3,506,838
Interest and fiscal charges	22,893	5,543,140	-	-	5,566,033
Total expenditures	<u>68,918,111</u>	<u>8,493,140</u>	<u>24,916,347</u>	<u>7,154,797</u>	<u>109,482,395</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(2,748,038)</u>	<u>520,568</u>	<u>(24,357,936)</u>	<u>(252,462)</u>	<u>(26,837,868)</u>

-- Continued

**LAKWOOD 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, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):					
Transfers in	\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000
Transfers (out)	(45,000)	-	-	-	(45,000)
Total other financing sources (uses)	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>-</u>
Special item:					
Settlements	-	-	338,855	-	338,855
Total special items.	<u>-</u>	<u>-</u>	<u>338,855</u>	<u>-</u>	<u>338,855</u>
Net change in fund balances	(2,793,038)	520,568	(24,019,081)	(207,462)	(26,499,013)
Fund balances at beginning					
of year	17,085,665	4,728,012	29,910,891	1,633,172	53,357,740
Fund balances at end of year	<u>\$ 14,292,627</u>	<u>\$ 5,248,580</u>	<u>\$ 5,891,810</u>	<u>\$ 1,425,710</u>	<u>\$ 26,858,727</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ (26,499,013)

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	\$ 25,162,823	
Current year depreciation	(1,406,282)	
Total		23,756,541

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	12,942	
Accretion of interest on "capital appreciation" bonds	(873,143)	
Amortization of bond premiums	334,527	
Amortization of deferred charges on refundings	(138,030)	
Amortization of bond issue costs	(75,565)	
Total		(739,269)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	474,481	
Tuition	(2,340)	
Earnings on investments	(176,212)	
Intergovernmental	(636,861)	
Total		(340,932)

Repayment of bond 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	2,950,000	
Capital leases	556,838	
Total		3,506,838

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.

(910,505)

An internal service fund 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.

46,491

Change in net assets of governmental activities \$ (1,179,849)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 34,663,580	\$ 34,113,116	\$ 34,532,929	\$ 419,813
Tuition.	2,338,928	2,301,785	2,317,149	15,364
Earnings on investments.	727,162	715,615	793,662	78,047
Extracurricular.	52,026	51,200	76,819	25,619
Classroom materials and fees	169,001	166,317	174,660	8,343
Rental income	229,706	226,058	382,160	156,102
Contributions and donations	-	-	50	50
Services provided to other entities	658,197	647,745	740,278	92,533
Other local revenues.	247,641	243,708	192,075	(51,633)
Intergovernmental - state	25,099,986	24,701,393	25,622,066	920,673
Intergovernmental - federal	91,683	90,227	360,979	270,752
Total revenues	<u>64,277,910</u>	<u>63,257,164</u>	<u>65,192,827</u>	<u>1,935,663</u>
Expenditures:				
Current:				
Instruction:				
Regular	28,416,843	28,430,803	27,818,686	612,117
Special.	10,152,290	10,157,277	9,972,372	184,905
Vocational.	3,938,423	3,940,358	3,316,519	623,839
Adult/continuing.	183,785	183,875	132,014	51,861
Other	3,207,119	3,208,694	3,116,303	92,391
Support services:				
Pupil.	4,608,482	4,610,746	4,468,403	142,343
Instructional staff	3,920,560	3,922,486	3,751,211	171,275
Board of education	196,024	196,120	157,872	38,248
Administration.	3,194,539	3,196,108	3,191,446	4,662
Fiscal	1,949,047	1,950,004	1,730,604	219,400
Business	1,317,698	1,318,345	1,009,919	308,426
Operations and maintenance.	9,091,232	9,095,698	8,553,084	542,614
Pupil transportation	144,502	144,573	115,918	28,655
Central.	500,100	500,346	480,382	19,964
Operation of non-instructional services	1,376,155	1,376,831	1,340,404	36,427
Extracurricular activities.	809,615	810,013	777,718	32,295
Facilities acquisition and construction.	118,439	118,497	-	118,497
Total expenditures	<u>73,124,853</u>	<u>73,160,774</u>	<u>69,932,855</u>	<u>3,227,919</u>
Excess of expenditures over revenues	<u>(8,846,943)</u>	<u>(9,903,610)</u>	<u>(4,740,028)</u>	<u>5,163,582</u>
Other financing sources (uses):				
Transfers (out)	(45,000)	(45,000)	(45,000)	-
Advances in.	1,787,600	1,787,600	1,787,600	-
Advances (out)	(950,000)	(950,000)	(1,987,700)	(1,037,700)
Total other financing sources (uses)	<u>792,600</u>	<u>792,600</u>	<u>(245,100)</u>	<u>(1,037,700)</u>
Net change in fund balance	(8,054,343)	(9,111,010)	(4,985,128)	4,125,882
Fund balance at beginning of year	18,966,291	18,966,291	18,966,291	-
Prior year encumbrances appropriated	1,093,158	1,093,158	1,093,158	-
Fund balance at end of year	<u>\$ 12,005,106</u>	<u>\$ 10,948,439</u>	<u>\$ 15,074,321</u>	<u>\$ 4,125,882</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and investments.	\$ 68,498	\$ 1,177,165
Materials and supplies inventory	10,284	-
	78,782	1,177,165
Total current assets		
Noncurrent assets:		
Depreciable capital assets, net	25,288	-
	104,070	1,177,165
Total assets		
Liabilities:		
Accounts payable.	11,957	-
Accrued wages and benefits	137,512	-
Compensated absences payable	358	-
Retirement incentive payable	8,673	-
Pension obligation payable.	149,248	-
Interfund loan payable	10,000	-
Intergovernmental payable	2,027	787,383
	319,775	787,383
Total current liabilities		
Long-term liabilities:		
Compensated absences payable.	109,675	-
Retirement incentive payable	34,692	-
	144,367	-
Total long-term liabilities		
	464,142	787,383
Total liabilities		
Net assets:		
Invested in capital assets.	25,288	-
Unrestricted (deficit).	(385,360)	389,782
	\$ (360,072)	\$ 389,782
Total net assets (deficit).		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Sales/charges for services.	\$ 1,106,918	\$ 863,312
Total operating revenues	1,106,918	863,312
Operating expenses:		
Personal services.	1,291,646	-
Purchased services.	30,987	816,821
Materials and supplies	846,240	-
Depreciation	4,133	-
Other.	34,178	-
Total operating expenses.	2,207,184	816,821
Operating income (loss)	(1,100,266)	46,491
Nonoperating revenues:		
Federal donated commodities	69,398	-
Interest revenue	19	-
Grants and subsidies.	928,402	-
Total nonoperating revenues.	997,819	-
Change in net assets	(102,447)	46,491
Net assets (deficit) at beginning of year . .	(257,625)	343,291
Net assets (deficit) at end of year	\$ (360,072)	\$ 389,782

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, 2009

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/charges for services.	\$ 1,106,918	\$ 863,312
Cash payments for personal services.	(1,238,045)	-
Cash payments for contractual services	(31,412)	(715,988)
Cash payments for materials and supplies	(775,477)	-
Cash payments for other expenses	(25,197)	-
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	<u>(963,213)</u>	<u>147,324</u>
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies.	928,402	-
Advances in from other funds	10,000	-
	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities.	<u>938,402</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	19	-
	<u> </u>	<u> </u>
Net cash provided by investing activities	<u>19</u>	<u>-</u>
Net change in cash and cash investments	(24,792)	147,324
Cash and investments at beginning of year	<u>93,290</u>	<u>1,029,841</u>
Cash and investments at end of year	<u>\$ 68,498</u>	<u>\$ 1,177,165</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (1,100,266)	\$ 46,491
Adjustments:		
Depreciation.	4,133	-
Federal donated commodities	69,398	-
Changes in assets and liabilities:		
Decrease in materials and supplies inventory.	7,010	-
Increase in accounts payable	2,911	-
(Decrease) in accrued wages and benefits.	(36,769)	-
Increase (decrease) in intergovernmental payable.	(1,682)	100,833
(Decrease) in compensated absences payable	(15,689)	-
Increase in retirement incentive payable	43,365	-
Increase in pension obligation payable	64,376	-
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	<u>\$ (963,213)</u>	<u>\$ 147,324</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 29,083	\$ 128,847
Total assets	29,083	\$ 128,847
Liabilities:		
Accounts payable	-	\$ 760
Intergovernmental payable	-	12,588
Due to students	-	115,499
Total liabilities	-	\$ 128,847
Net Assets:		
Held in trust for scholarships	29,083	
Total net assets	\$ 29,083	

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, 2009

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 773
Gifts and contributions.	1,000
	1,773
Total additions.	1,773
Deductions:	
Scholarships awarded	1,000
	1,000
Total deductions	1,000
Change in net assets	773
Net assets at beginning of year	28,310
Net assets at end of year.	\$ 29,083

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 53rd largest by enrollment among the 922 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 326 non-certified and 526 certified full-time and part-time employees to provide services to approximately 5,867 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". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit.

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 18 for further information on the Academy.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

JOINTLY GOVERNED ORGANIZATIONS

Lakeshore Northeast Ohio Computer Association - The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau among fourteen public school districts. The primary function of LNOCA is to provide data services to the 33 member districts and community schools. 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 2009, \$232,267 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 twenty-one member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2009, the District paid \$1,198,806 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets 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 are charges for services and sales. The principal operating revenues of the District's enterprise funds are sales for food services and charges for services for recreation. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. Operating expenses for the enterprise funds are personnel costs and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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, 2009, but which were levied to finance fiscal year 2010 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, 2009 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.

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 2009 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2009.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2009. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final appropriations for fiscal year 2009.
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 2009, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Investments in STAR Ohio are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. 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 shares price which is the price the investment could be sold for on June 30, 2009.

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$875,678 includes \$228,202 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.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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.

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, 2009 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

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. Net assets restricted for other purposes includes amounts restricted for the special trust fund (a nonmajor governmental fund).

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

P. Operating Revenues and Expenses

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

Q. Estimates

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

R. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 \$338,855 in settlements that are reported as a special item on the basic financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances/Net Assets

Fund balances/net assets at June 30, 2009 included the following individual fund deficits:

Nonmajor governmental funds

Adult basic education	\$ 5,050
Title VI-B	151,243
Limited english proficiency	283
Drug-free schools	1
Preschool grants for the handicapped	6,348
Reducing class size	24,968
Miscellaneous federal grants	520

Nonmajor enterprise funds

Food service	228,125
Recreation	131,947

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 balance in the recreation fund resulted from adjustments for accrued liabilities. The deficit fund balance in the remaining funds resulted from both adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the 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.

A. Cash in Segregated Accounts

At fiscal year end, \$747,794 was on deposit with an escrow agent for retainage 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 \$2,065 in undeposited cash on hand, which is included on the statement of net assets of the District as part of "equity in pooled cash and investments".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$32,523,972. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$31,376,508 of the District’s bank balance of \$32,636,534 was exposed to custodial risk as discussed below, while \$1,260,026 was covered by the FDIC.

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

D. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 33,882	\$ 33,882
Total	<u>\$ 33,882</u>	<u>\$ 33,882</u>

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: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 33,882	100.00
Total	<u>\$ 33,882</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments 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, 2009:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	32,523,972
Investments		33,882
Cash in segregated accounts		747,794
Cash on hand		<u>2,065</u>
Total	<u>\$</u>	<u>33,307,713</u>
 <u>Cash and investments per financial statements</u>		
Governmental activities	\$	33,081,285
Business-type activities		68,498
Private-purpose trust fund		29,083
Agency funds		<u>128,847</u>
Total	<u>\$</u>	<u>33,307,713</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 1,977,700
General	Nonmajor enterpirse fund	10,000

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 45,000

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 property, public utility property and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$5,238,220 in the general fund and \$1,295,957 in the bond retirement debt service fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$4,358,471 in the general fund and \$1,067,913 in the bond retirement debt service fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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 the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 960,543,900	98.35	\$ 958,741,300	98.27
Public utility personal	9,869,670	1.01	10,241,580	1.05
Tangible personal property	<u>6,219,257</u>	<u>0.64</u>	<u>6,674,550</u>	<u>0.68</u>
Total	<u>\$ 976,632,827</u>	<u>100.00</u>	<u>\$ 975,657,430</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$97.93		\$97.93	
Debt service	8.97		9.27	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 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	\$ 44,303,626
Accounts	30,520
Intergovernmental	1,085,867
Accrued interest	<u>267,581</u>
Total receivables	<u>\$ 45,687,594</u>

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, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Capital assets, not being depreciated:				
Land	\$ 9,229,170	\$ 65,085	\$ -	\$ 9,294,255
Construction in progress	87,734,818	24,908,250	-	112,643,068
Total capital assets, not being depreciated	<u>96,963,988</u>	<u>24,973,335</u>	<u>-</u>	<u>121,937,323</u>
Capital assets, being depreciated:				
Land improvements	3,118,593	-	-	3,118,593
Building/improvements	28,777,394	-	-	28,777,394
Furniture/equipment	8,714,845	153,758	-	8,868,603
Vehicles	1,290,489	35,730	-	1,326,219
Total capital assets, being depreciated	<u>41,901,321</u>	<u>189,488</u>	<u>-</u>	<u>42,090,809</u>
Less: accumulated depreciation				
Land improvements	(2,482,686)	(52,355)	-	(2,535,041)
Building/improvements	(20,382,470)	(407,249)	-	(20,789,719)
Furniture/equipment	(3,658,614)	(870,680)	-	(4,529,294)
Vehicles	(1,030,753)	(75,998)	-	(1,106,751)
Total accumulated depreciation	<u>(27,554,523)</u>	<u>(1,406,282)</u>	<u>-</u>	<u>(28,960,805)</u>
Governmental activities capital assets, net	<u>\$ 111,310,786</u>	<u>\$ 23,756,541</u>	<u>\$ -</u>	<u>\$ 135,067,327</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,058,199
Special	19,253
Vocational	47,775
Support services:	
Pupil	2,460
Instructional staff	36,431
Board of education	2,953
Administration	14,486
Fiscal	328
Business	8,507
Operations and maintenance of plant	75,207
Pupil transportation	35,238
Extracurricular	667
Operation of non-instructional services	<u>104,778</u>
Total depreciation expense	<u>\$ 1,406,282</u>

B. Business-Type Activities

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/09</u>
Capital assets, being depreciated:				
Furniture/equipment	\$ 195,078	\$ -	\$ -	\$ 195,078
Less: accumulated depreciation	<u>(165,657)</u>	<u>(4,133)</u>	<u>-</u>	<u>(169,790)</u>
Business-type activities capital assets, net	<u>\$ 29,421</u>	<u>\$ (4,133)</u>	<u>\$ -</u>	<u>\$ 25,288</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capital lease agreements for the acquisition of computers and networking equipment and 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 \$2,291,349. This amount represents the present value of the future minimum lease payments at the time of acquisition.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2009 fiscal year totaled \$556,838 and \$22,893, 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, 2009:

Fiscal Year Ending June 30,	Amount
2010	\$ 181,251
2011	169,953
2012	169,954
Total minimum lease payment	521,158
Less: amount representing interest	(36,194)
Present value of minimum lease payments	\$ 484,964

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) mil 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 (actual interest rate 11.474-11.618%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the 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 \$339,557 has been included on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	75,000	1,995,294	2,070,294	-	-	-
2015 - 2019	65,000	7,731,170	7,796,170	1,504,967	3,035,033	4,540,000
2020 - 2024	8,350,000	9,057,194	17,407,194	-	-	-
2025 - 2029	12,195,000	6,580,625	18,775,625	-	-	-
2030 - 2034	17,315,000	2,983,263	20,298,263	-	-	-
2035	4,035,000	99,787	4,134,787	-	-	-
Total	\$ 42,245,000	\$ 36,454,645	\$ 78,699,645	\$ 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, 2009, is \$46,745,000.

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 (actual 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 \$717,049 has been included on the statement of net assets at June 30, 2009.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	480,000	1,856,296	2,336,296	-	-	-
2015 - 2019	2,445,000	9,183,052	11,628,052	1,944,953	6,125,047	8,070,000
2020 - 2024	13,925,000	7,231,212	21,156,212	-	-	-
2025 - 2029	16,160,000	3,835,351	19,995,351	-	-	-
2030 - 2032	8,835,000	527,964	9,362,964	-	-	-
Total	\$ 43,580,000	\$ 30,239,559	\$ 73,819,559	\$ 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 (actual interest rate 17.253%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 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 \$96,500 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 Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	200,000	537,242	737,242	-	-	-
2015 - 2019	1,140,000	2,584,162	3,724,162	169,995	680,005	850,000
2020 - 2024	2,950,000	2,121,330	5,071,330	-	-	-
2025 - 2029	4,010,000	1,384,610	5,394,610	-	-	-
2030 - 2033	4,235,000	387,296	4,622,296	-	-	-
Total	\$ 13,175,000	\$ 9,236,719	\$ 22,411,719	\$ 169,995	\$ 680,005	\$ 850,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 (actual 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 \$389,379 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 Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	-	94,050	94,050	1,259,987	850,013	2,110,000
2015	2,090,000	47,025	2,137,025	-	-	-
Total	<u>\$ 8,525,000</u>	<u>\$ 1,079,044</u>	<u>\$ 9,604,044</u>	<u>\$ 1,259,987</u>	<u>\$ 850,013</u>	<u>\$ 2,110,000</u>

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, 2009, the balance of the bonds of \$10,930,000 and bond premiums of \$123,554 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.

**LAKWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2010	\$ 430,000	\$ 482,682	\$ 912,682
2011	440,000	469,783	909,783
2012	455,000	455,482	910,482
2013	535,000	439,558	974,558
2014	555,000	420,832	975,832
2015 - 2019	3,480,000	1,415,550	4,895,550
2020 - 2024	<u>5,035,000</u>	<u>713,475</u>	<u>5,748,475</u>
Total	<u>\$ 10,930,000</u>	<u>\$ 4,397,362</u>	<u>\$ 15,327,362</u>

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 (actual interest rate 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 \$377,562 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 Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	<u>172,494</u>	<u>402,506</u>	<u>575,000</u>
Total	<u>\$ 1,590,000</u>	<u>\$ 89,307</u>	<u>\$ 1,679,307</u>	<u>\$ 364,993</u>	<u>\$ 785,007</u>	<u>\$ 1,150,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009 and 2010 (actual interest rate 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 December 1, 2009 - 2010 is \$330,000 each year. Total accreted interest of \$386,424 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 Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	365,000	46,672	411,672	-	-	-
2015 - 2016	770,000	37,730	807,730	-	-	-
Total	<u>\$ 1,810,000</u>	<u>\$ 406,455</u>	<u>\$ 2,216,455</u>	<u>\$ 188,826</u>	<u>\$ 471,174</u>	<u>\$ 660,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

I. The following is a summary of the bond and loan activity for fiscal year 2009:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amounts</u> <u>due in</u> <u>One Year</u>
<u>General Obligation Bonds:</u>					
Series 2007 school facilities improvement current interest bonds 4.00-5.00%, 12/1/2034 maturity	\$ 42,275,000	\$ -	\$ (30,000)	\$ 42,245,000	\$ 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% (actual interest rate) 12/1/15-12/1/18 maturity	143,641	195,916	-	339,557	-
Series 2007, refunding current interest bonds (4.00-4.50%), 12/01/31 maturity	43,975,000	-	(395,000)	43,580,000	410,000
Series 2007, refunding capital appreciation bonds 15.821% (actual interest rate) 12/01/14 to 17, maturity	1,944,953	-	-	1,944,953	-
Series 2007, refunding capital appreciation bonds accreted interest	341,064	375,985	-	717,049	-
Series 2006, school construction current interest bonds 3.50-5.00%, 12/01/32 maturity	13,180,000	-	(5,000)	13,175,000	105,000
Series 2006, school construction capital appreciation bonds 17.253% (actual), 12/01/15 and 16, maturity	169,995	-	-	169,995	-
Series 2006, school construction capital appreciation bonds accreted interest	57,653	38,847	-	96,500	-
Series 2004, school improvement current interest bonds 2.75-5.25%, 12/01/14 maturity	9,850,000	-	(1,325,000)	8,525,000	1,350,000
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	301,531	87,848	-	389,379	-
Series 2003, library improvement 1.20 - 5.00%, 12/01/23 maturity	11,300,000	-	(370,000)	10,930,000	430,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amounts</u> <u>due in</u> <u>One Year</u>
General Obligation Bonds:					
Series 2002, refunding current interest bonds 2.79%, 12/01/11 maturity	\$ 2,085,000	\$ -	\$ (495,000)	\$ 1,590,000	\$ 510,000
Series 2002, refunding capital appreciation bonds 11.279% (actual interest rate) 12/01/12 and 13	364,993	-	-	364,993	-
Series 2002, refunding capital appreciation bonds accreted interest	300,397	77,165	-	377,562	-
Series 2001, refunding current interest bonds 4.70%, 12/01/15 maturity	1,810,000	-	-	1,810,000	-
Series 2001, refunding capital appreciation bonds 14.489% (actual interest rate) 12/01/08,09 and 10 maturity	304,996	-	(116,170)	188,826	101,006
Series 2001, refunding capital appreciation bonds accreted interest	<u>502,872</u>	<u>97,382</u>	<u>(213,830)</u>	<u>386,424</u>	<u>206,703</u>
Total Bonds	<u>\$ 131,672,049</u>	<u>\$ 873,143</u>	<u>\$ (2,950,000)</u>	<u>\$ 129,595,192</u>	<u>\$ 3,142,709</u>

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

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Compensated absences payable	\$ 5,889,512	\$ 490,640	\$ (571,360)	\$ 5,808,792	\$ 416,214
Retirement incentives payable	3,188,635	1,909,098	(943,102)	4,154,631	1,327,777
General obligation bonds payable	131,672,049	873,143	(2,950,000)	129,595,192	3,142,709
Capital lease obligations	<u>1,041,802</u>	<u>-</u>	<u>(556,838)</u>	<u>484,964</u>	<u>163,050</u>
Total governmental activities long-term liabilities	<u>\$ 141,791,998</u>	<u>\$ 3,272,881</u>	<u>\$ (5,021,300)</u>	<u>140,043,579</u>	<u>\$ 5,049,750</u>
Less: Unamortized deferred charge on refunding				(2,667,388)	
Add: Unamortized premium on refunding				<u>6,057,876</u>	
Total on statement of net assets				<u>\$ 143,434,067</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	Balance			Balance	Amount
	<u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/09</u>	<u>Due in</u> <u>One Year</u>
Business-type activities:					
Compensated absences	\$ 125,722	\$ -	\$ (15,689)	\$ 110,033	\$ 358
Retirement incentives payable	<u>-</u>	<u>43,365</u>	<u>-</u>	<u>43,365</u>	<u>8,673</u>
Total business-type activities long-term liabilities	<u>\$ 125,722</u>	<u>\$ 43,365</u>	<u>\$ (15,689)</u>	<u>\$ 153,398</u>	<u>\$ 9,031</u>

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

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, 2009 are a voted debt margin of (\$34,843,361), including available funds of \$5,248,580 and an unvoted debt margin of \$968,853.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - 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, 2009 was \$4,197,996 of which \$1,336,450 is due within one year and \$2,861,546 is due in greater than one year. The liability is recorded in the governmental activities and the business-type activities statement of net assets as a component of "long-term liabilities".

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, 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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - RISK MANAGEMENT - (Continued)

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 that 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 the fiscal year 2009, 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	Part-Time	Full-Time	Part-Time
	Family	Family	Single	Single
Health:				
Suburban Health Consortium	\$ 719.87	\$ 359.94	\$ 294.70	\$ 147.35
Kaiser (HMO)	719.87	359.94	433.98	216.99
Prescription drug	206.71	103.35	84.91	42.46
Dental	82.82	41.41	29.34	14.67
Vision	9.16	4.58	2.20	1.10
Health/Employees covered by a working spouse:				
Suburban Health Consortium	611.89	305.94	294.70	147.35
Prescription drug	175.69	87.85	84.91	42.46

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - 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 2009, 9.09 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, 2009, 2008 and 2007 were \$953,911, \$934,988 and \$991,511, respectively; 42.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 website 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - 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 2009, 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, 2009, 2008 and 2007 were \$4,653,162, \$4,520,287 and \$4,454,354, respectively; 83.59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$66,308 made by the District and \$128,132 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - 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 105(e). For 2009, 4.16 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 2009, the actuarially determined amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 14 - 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 (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$594,915, \$580,667 and \$475,594, respectively; 42.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$78,706, \$67,368 and \$67,423, respectively; 42.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 2009, 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, 2009, 2008, and 2007 were \$357,936, \$347,714 and \$342,643, respectively; 83.59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, 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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP 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	<u>General Fund</u>
Budget basis	\$ (4,985,128)
Net adjustment for revenue accruals	977,246
Net adjustment for expenditure accruals	69,575
Net adjustment for other sources/uses	200,100
Adjustment for encumbrances	<u>945,169</u>
GAAP basis	<u>\$ (2,793,038)</u>

NOTE 16 - 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, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance as of June 30, 2008	\$ (6,521,096)	\$ -
Current year set-aside requirement	951,548	951,548
Qualifying disbursements	<u>(2,090,623)</u>	<u>(1,528,398)</u>
Total	<u>\$ (7,660,171)</u>	<u>\$ (576,850)</u>
Balance carried forward to fiscal year 2010	<u>\$ (7,660,171)</u>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 16 - STATUTORY RESERVES - (Continued)

The District had 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 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 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 18 - 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)

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

Expenses are recognized at the time that they are incurred.

D. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)

H. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amount is recorded on the line of the purchase and the expense is reported in the year in which services are consumed.

I. 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 Ohio Educational Computer Network Connections 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 and the Federal Title II-D Technology Grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2009 was \$98,795.

J. Operating Revenues and Expenses

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

K. Estimates

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

Deposits

At June 30, 2009, the carrying amount of the Academy's deposits was \$265,483. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$18,477 of the Academy's bank balance of \$268,477 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)

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

Capital Assets

Capital asset activity for the fiscal year 2009 was as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Furniture and equipment	\$ 129,523	\$ -	\$ -	\$ 129,523
Less: accumulated depreciation	<u>(44,043)</u>	<u>(24,841)</u>	<u>-</u>	<u>(68,884)</u>
Capital assets, net	<u>\$ 85,480</u>	<u>\$ (24,841)</u>	<u>\$ -</u>	<u>\$ 60,639</u>

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2009, 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 2009 purchased services expenses were as follows:

Professional and technical services	\$ 921,163
Property services	19,000
Food services	<u>6,251</u>
Total	<u>\$ 946,414</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - LAKEWOOD CITY ACADEMY - (Continued)

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, 2009.

B. Litigation

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

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy has not been reviewed as of June 30, 2009. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2010, as a result of the reviews which have yet to be completed.

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 2009, the Academy paid TRECA \$137,757 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - 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 2009. 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 \$779,187 during the fiscal year 2009 for services rendered under the Community School Sponsorship Contract and the annual Purchased Services Contract.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 19 - CONTRACTUAL COMMITMENTS

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

<u>Contractor</u>	<u>Contract Awarded</u>	<u>Amount Paid Through 6/30/09</u>	<u>Contractual Commitment</u>
Blaze - Emerson	\$ 5,794,439	\$ (5,732,452)	\$ 61,987
Castle - Emerson	1,710,481	(1,681,507)	28,974
Gateway - Emerson	1,982,046	(1,089,389)	892,657
Steingass Fire - Emerson	220,618	(179,714)	40,904
Steingass Plumbing - Emerson	580,504	(604,745)	(24,241)
Blaze - Horace Mann	6,433,007	(6,229,925)	203,082
Castel - Horace Mann	1,652,064	(1,608,445)	43,619
Gateway - Horace Mann	2,065,444	(2,104,859)	(39,415)
John F. Gallager - Horace Mann	708,671	(694,203)	14,468
Steingass Fire - Horace Mann	206,409	(207,432)	(1,023)
Atlas - LHS	2,869,754	(2,134,845)	734,909
C. T. Taylor - LHS	9,585,545	(7,679,769)	1,905,776
Cardinal - LHS	485,069	(485,251)	(182)
Castle - LHS	2,810,877	(2,556,782)	254,095
Fire Protection - LHS	414,136	(379,456)	34,680
Mobile Lease - LHS	2,964,605	(2,965,604)	(999)
Conti - LHS	2,580,464	(2,177,598)	402,866
Continental - LHS	466,039	-	466,039
Doan/Pyramid - District	551,028	(547,765)	3,263
Valley - LHS	1,165,845	(680,077)	485,768
Blaze - Harding	10,617,071	(8,354,900)	2,262,171
Panzica - Hayes	5,854,534	(5,150,116)	704,418
T H Martin	603,700	(528,660)	75,040
Gardner - Harding	-	(31,066)	(31,066)
Price & James - Harding	1,525,537	(1,285,822)	239,715
Steingass - Hayes	473,745	(297,092)	176,653
C. T. Taylor - Harrison	6,471,148	(4,202,660)	2,268,488
Valley - Harding	1,958,413	(1,657,785)	300,628
Continental - Emerson	361,459	(360,378)	1,081
Continental - Horace Mann	359,298	(360,378)	(1,080)
Total	<u>\$ 73,471,950</u>	<u>\$ (61,968,675)</u>	<u>\$ 11,503,275</u>

**LAKEWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	10.555	N/A	\$ -	\$ 65,473	\$ -	\$ 65,473
Non-Cash Assistance (Food Distribution) Subtotal			-	65,473	-	65,473
Cash Assistance:						
School Breakfast Program	10.553	044198-05PU-2009	124,586		124,586	
National School Lunch Program	10.555	044198-LLP4-2009	775,730		775,730	
Cash Assistance Subtotal			900,316	-	900,316	-
Total Child Nutrition Cluster			900,316	65,473	900,316	65,473
Total U.S. Department of Agriculture			900,316	65,473	900,316	65,473
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	84.027	044198-6BSD-2008	-		5,000	
Special Education - Grants to States	84.027	044198-6BSD-2009	20,174		11,968	
Special Education - Grants to States	84.027	044198-6BSF-2008	366,002		205,993	
Special Education - Grants to States	84.027	044198-6BSF-2009	1,325,456		1,372,481	
Total Special Education - Grants to States			1,711,632	-	1,595,442	-
Special Education - Preschool Grants	84.173	N/A	3,000		3,000	
Special Education - Preschool Grants	84.173	044198-PGS1-2008	16,918		4,842	
Special Education - Preschool Grants	84.173	044198-PGS1-2009	76,049		73,278	
Total Special Education - Preschool Grants			95,967	-	81,120	-
Total Special Education Cluster			1,807,599	-	1,676,562	-
Adult Education - Basic Grants to States	84.002	044198-ABS1-2008	8,704		1,500	
Adult Education - Basic Grants to States	84.002	044198-ABS1-2009	76,573		76,555	
Adult Education - Basic Grants to States	84.002	044198-ABS2-2008	330		206	
Adult Education - Basic Grants to States	84.002	044198-ABS2-2009	35,821		34,763	
Total Adult Education - Basic Grants to States			121,428	-	113,024	-
Title I Grants to Local Educational Agencies, St. Grant Elementary School	84.010	N/A	10,240		10,360	
Title I Grants to Local Educational Agencies	84.010	044198-C1S1-2008	174,299		76,410	
Title I Grants to Local Educational Agencies	84.010	044198-C1S1-2009	1,329,166		1,342,967	
Total Title I Grants to Local Educational Agencies			1,513,705	-	1,429,737	-
Career and Technical Education - Basic Grants to States	84.048	044198-20C1-2008	51,347		29,673	
Career and Technical Education - Basic Grants to States	84.048	044198-20C1-2009	122,110		141,271	
Total Career and Technical Education - Basic Grants to States			173,457	-	170,944	-
Safe and Drug-Free Schools and Communities	84.186	044198-DRS1-2008	(321)		325	
Safe and Drug-Free Schools and Communities	84.186	044198-DRS1-2009	39,757		39,757	
Total Safe and Drug-Free Schools and Communities			39,436	-	40,082	-
State Grants for Innovative Programs	84.298	044198-C2S1-2008	2,489		189	
State Grants for Innovative Programs	84.298	044198-C2S1-2009	10,409		10,406	
Total State Grants for Innovative Programs			12,898	-	10,595	-
Education Technology State Grants	84.318	044198-TJS1-2008	3,232		1,504	
Education Technology State Grants	84.318	044198-TJS1-2009	9,329		9,255	
Total Education Technology State Grants			12,561	-	10,759	-
English Language Acquisition Grants	84.365	044198-T3S1-2008	23,571		14,200	
English Language Acquisition Grants	84.365	044198-T3S1-2009	95,305		93,975	
Total English Language Acquisition Grants			118,876	-	108,175	-
Improving Teacher Quality State Grants	84.367	044198-TRS1-2008	63,600		50,240	
Improving Teacher Quality State Grants	84.367	044198-TRS1-2009	299,870		299,189	
Total Improving Teacher Quality State Grants			363,470	-	349,429	-
Total U.S. Department of Education			4,163,430	-	3,909,307	-

**LAKEWOOD CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through the Ohio Department of Mental Retardation and Development Disabilities:</i>						
State Children's Health Insurance Program (SCHIP)	93.767	N/A	72,911	-	72,911	-
Medical Assistance Program - Medicaid Title XIX (CAFS)	93.778	N/A	254,550	-	-	-
<i>Passed Through the Educational Service Center of Cuyahoga County</i>						
Refugee and Entrant Assistance - Discretionary Grants 2008	93.576	N/A	6,185	-	-	-
Refugee and Entrant Assistance - Discretionary Grants 2009	93.576	N/A	-	-	8,680	-
Total Refugee and Entrant Assistance - Discretionary Grants			6,185	-	8,680	-
Total U.S. Department of Health and Human Services			333,646	-	81,591	-
Total Federal Awards Receipts and Expenditures			<u>\$ 5,397,392</u>	<u>\$ 65,473</u>	<u>\$ 4,891,214</u>	<u>\$ 65,473</u>

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

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Lakewood City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. This transfer resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
Safe and Drug-Free Schools and Communities	84.186	\$321

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

During the fiscal year ending June 30, 2009, the District received \$254,550 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.

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Mary Taylor, CPA

Auditor of State

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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2010. 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated March 3, 2010.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 3, 2010.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 3, 2010



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, 2009. 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, 2009.

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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.

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.

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, CPA
Auditor of State

March 3, 2010

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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: Special Education - Grants to States, CFDA 84.027 Special Education - Preschool Grants, CFDA 84.173 Title I, Grants to LEA, CFDA 84.010
(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**

None.

LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

None.

**LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2009**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-001	Ohio Rev. Code Section 5705.39 – Appropriations in excess of Estimated Resources	Yes	
2008-002	Ohio Rev. Code Section 5705.36(A)(4) – Obtaining a Reduced Amended Certificate of Estimated Resources	Yes	
2008-003	Ohio Rev. Code Section 5705.41 (B) – Expenditures Plus Encumbrances Exceeding Appropriations	Yes	
2008-004	Statement on Auditing Standards 112 – Effects on Annual Financial Report	Yes	

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Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Lakewood City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 3, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

March 3, 2010



Mary Taylor, CPA
Auditor of State

LAKWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 30, 2010