



**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Indian Lake Local School District
Logan County
6210 State Route 235 North
Lewistown, Ohio 43333

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County, (the "District"), as of and for the fiscal year ended June 30, 2005, 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.

Ohio Administrative Code § 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2006, 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 the Governmental Accounting Standards Board 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 District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 13, 2006

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Indian Lake Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets decreased \$471,888 during fiscal year 2005. There are four main factors that contribute to the net asset decrease: full payment of HB264 Energy Conservation Notes, an increase in instructional cost, an increase in pupil transportation cost, and an increase in capital outlay.
- General revenues accounted for \$24,501,883, or 91 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,534,493, or 9 percent of total revenues of \$27,036,376.
- The District's major funds included the General Fund, the Bond Retirement Fund and the Permanent Improvement Fund. The General Fund had \$14,647,247 in receipts and other financing sources and \$14,648,374 in disbursements and other financing uses. The General Fund's balance decreased \$1,127 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$10,342,494 in receipts and other financing sources, and \$10,700,420 in disbursements. The Bond Retirement Debt Service Fund's balance decreased \$357,926 from the prior fiscal year. The Permanent Improvement Capital Projects Fund had \$403,051 in receipts and \$377,034 in disbursements. The Permanent Improvement Capital Projects Fund's balance increased \$26,017 from the prior fiscal year.
- On February 19, 2003, the District issued a \$660,000 HB 264 Energy Note to purchase and install energy conservation measures at the high school and middle school. In addition to providing reduced energy consumption, the HB completed the District's discrete portion of the Ohio School Facilities Commission's Expedited Local Partnership Plan (ELPP) guaranteeing the State Share at 33%. The ELPP Resolution was signed September 17, 2002 with a total project cost of \$33,724,386; state share (33%) \$11,129,047; local share (67%) \$22,595,339. The District paid a portion of the original HB264 Energy note and issued a new note for \$525,000 on February 18, 2004. This new note issuance was paid in full during fiscal year 2005 causing a decrease in revenue by not rolling over the note and continuing to pay an amount close to the calculated annual energy savings.
- An increase in total instructional cost by 3.5% is mainly due to an increase in instructional spending due to professional development advancement on the salary schedule and an increase in insurance benefits (12.5%).
- An increase in pupil transportation was mainly due to increased fuel cost, approximately \$45,000, and to the fact that the District purchased one new bus during fiscal year 2005, but did not purchase any buses during fiscal year 2004.
- The District increased its facility acquisitions and construction cost due to the installation of an all-weather track, outdoor complex improvements, and the purchase of property during fiscal year 2005.
- On April 21, 2005, the Board of Education refinanced the Construction bonds issues of 1996 to save the District \$484,898.82 (Net Present Value). The revenue generated from the Debt Service Fund is used to pay for the current portion of bonded debt.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities, both reported on the cash basis, 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 a greater 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 non-major funds presented in total in a single column. The General Fund, the Bond Retirement Fund and the Permanent Improvement Fund are the District's major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal year 2005. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes 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, cash basis, and the statement of activities, cash basis, the District discloses a single type of activity - governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statement focus on the District's most significant funds. The District's major funds are the General Fund, the Bond Retirement Fund and the Permanent Improvement Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the modified cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2005. A comparative analysis is not provided because this is the first year for government-wide financial statements using the cash basis of accounting. An analysis will be provided in future years when prior year information is available.

**Table 1
Net Assets - Cash Basis
Governmental Activities**

	2005
Assets:	
Current and Other Assets	\$6,519,132
Total Assets	6,519,132
Net Assets:	
Restricted	3,190,284
Unrestricted	3,328,848
Total	\$6,519,132

Table 2 reflects the changes in net assets for fiscal year 2005. This is the first year of implementation of the OCBOA 34 reporting format. Comparative figures are not available for fiscal year 2005. A comparative analysis will be provided in future years when prior year information is available.

**Table 2
Change in Net Assets - Cash Basis
Governmental Activities**

	2005
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$1,278,887
Operating Grants, Contributions and Interest	1,237,756
Capital Grants and Contributions	17,850
Total Program Revenues	2,534,493
General Revenues:	
Property Taxes	8,813,476
Grants and Entitlements	6,049,754
Gifts and Donations	1,695
Investment Earnings	147,970
Miscellaneous	459,014
Refunded Bonds Issued	9,029,882
Total General Revenues	24,501,883
Total Revenues	27,036,376

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Expenses:	
Instruction	9,586,278
Support Services:	
Pupils	557,689
Instructional Staff	880,293
Board of Education	30,302
Administration	1,159,038
Fiscal	397,804
Operation and Maintenance of Plant	1,416,564
Pupil Transportation	938,658
Central	311,846
Non-Instructional	708,487
Extracurricular Activities	564,647
Capital Outlay	279,283
Payment to refund bond escrow agent	8,898,708
Bond Issuance Costs	128,063
Principal	1,124,000
Interest	526,604
Total Expenses	<u>27,508,264</u>
Decrease in Net Assets	<u>(\$471,888)</u>

Program receipts account for 9 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 35 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 9 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 5 percent. The remaining 51 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, cash basis, reflects the cost of program service and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
	2005	2005
Instruction	\$9,586,278	\$7,715,111
Support Services:		
Pupils	557,689	557,689
Instructional Staff	880,293	880,293
Board of Education	30,302	30,302
Administration	1,159,038	1,105,999
Fiscal	397,804	397,804
Operation and Maintenance of Plant	1,416,564	1,416,564
Pupil Transportation	938,658	938,658
Central	311,846	311,846
Non-Instructional	708,487	290,578
Extracurricular Activities	564,647	372,269
Capital Outlay	279,283	279,283
Payment to the refunded escrow agent	8,898,708	8,898,708
Bond Issuance Costs	128,063	128,063
Principal	1,124,000	1,124,000
Interest and Fiscal Charges	526,604	526,604
Total Expenses	<u>\$27,508,264</u>	<u>\$24,973,771</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 77 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 91 percent. The remaining 9 percent are derived from charges for services, operating grants and contributions, and capital grants and contributions.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major government funds are the General Fund, the Bond Retirement Fund and the Permanent Improvement Fund. Total governmental funds had receipts and other financing sources of \$27,378,059 and disbursements and other financing uses of \$27,849,947. The net negative change of \$471,888 in fund balance for the year indicates that the District had difficulty in meeting current costs.

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 2005, the District amended its General Fund budget as needed. Final estimated receipts were \$14,676,565 while actual receipts were \$14,667,247. Final expenditures were budgeted at \$15,024,057 while actual expenditures were \$14,770,844.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2005, the District had \$8,419,990 in general obligation bonds for the 2005 advanced refunding of the 1996 bond issue. The bonds were issued for an eighteen-year period with final maturity on December 1, 2022. The bonds are retired from the Bond Retirement Debt Service Fund.

At June 30, 2005, the District had \$4,274,613 in general obligation bonds for the 1998 construction and improvements to District buildings. The bonds were issued for a twenty eight-year period with final maturity on December 1, 2025. The bonds are retired from the Bond Retirement Debt Service Fund.

At June 30, 2005, the District had \$1,639,877 in general obligation bonds for the 1996 construction and improvements to District buildings. The bonds were issued for a twenty eight-year period with maturity on December 1, 2023. The bonds are retired from the Bond Retirement Debt Service Fund.

At June 30, 2005, the District had \$64,000 of bus bonds. The bonds mature on April 15, 2007. Payments are made from the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was \$14,122,053, with an un-voted debt margin of \$301,718.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The challenge for all school districts is to provide a quality education with limited revenue growth. This is even more challenging for a rural district such as Indian Lake Local Schools. With mainly one industry, whose Tangible Personal Property tax is being replaced with the HB 66 approved CAT tax that flows through the state, the District must rely on local taxes and state support even further for future revenue growth. The five-year forecast is predicting a deficit for fiscal year 2008; therefore the Finance Committee, along with the administration is reviewing options to present to the Board to address that projected deficit. These options include but are not limited to and could be a combination of the following: placing a new emergency levy on the ballot, placing an income tax levy on the ballot, renewing the existing emergency levy by ballot approval, and reducing spending.

The District has been able to move from an academic watch district to an effective school district over the last six years. This academic growth has been achieved by staff and administration dedication to improvement, an increase in professional development, and community support.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Coleen Reprogle, Treasurer, Indian Lake Local School District, 6210 St. Rt. 235 North, Lewistown, OH 43333.

INDIAN LAKE LOCAL SCHOOL DISTRICT
LGOAN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,519,132</u>
Net Assets:	
Restricted for:	
Debt Service	1,365,917
Capital Outlay	1,439,868
Other Purposes	384,499
Unrestricted	<u>3,328,848</u>
Total Net Assets	<u><u>\$6,519,132</u></u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Cash Disbursements	Program Cash Receipts		Capital Grants and Contributions	Net (Disbursements) and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental Activities:					
Current:					
Instruction:					
Regular	\$6,785,578	\$678,615	\$489,172	\$17,850	(\$5,599,941)
Special	1,741,507		685,530		(1,055,977)
Vocational	411,288				(411,288)
Other	647,905				(647,905)
Support Services:					
Pupils	557,689				(557,689)
Instructional Staff	880,293				(880,293)
Board of Education	30,302				(30,302)
School Administration	1,159,038		53,039		(1,105,999)
Fiscal Services	397,804				(397,804)
Maintenance	1,416,564				(1,416,564)
Pupil Transportation	938,658				(938,658)
Central	311,846				(311,846)
Operation of Non-Instructional Services	708,487	407,894	10,015		(290,578)
Extracurricular Activities	564,647	192,378			(372,269)
Capital Outlay	279,283				(279,283)
Debt Service:					
Principal	1,124,000				(1,124,000)
Interest	526,604				(526,604)
Payment to Refunded Bond Escrow Agent	8,898,708				(8,898,708)
Bond Issuance Costs	128,063				(128,063)
Total Governmental Activities	\$27,508,264	1,278,887	1,237,756	17,850	(24,973,771)
General Receipts:					
Property Taxes Levied for:					
General Purposes					7,830,910
Debt Service					982,566
Grants and Entitlements not Restricted to Specific Programs					6,049,755
Gifts and Donations					1,695
Interest					147,970
Miscellaneous					459,105
Proceeds from Sale of Refunded Bonds					8,419,990
Premium on Sale of Refunded Bonds					609,892
Total General Revenues and Transfers					24,501,883
Change in Net Assets					(471,888)
Net Assets at Beginning of Year					6,991,020
Net Assets at End of Year					\$6,519,132

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,328,848	\$1,365,917	\$1,439,868	\$384,499	\$6,519,132
Fund Balances:					
Unreserved, Reported in:					
General Fund	3,328,848				3,328,848
Special Revenue Funds				384,499	384,499
Debt Service Fund		1,365,917			1,365,917
Capital Projects Funds			1,439,868		1,439,868
Total Net Assets	<u>\$3,328,848</u>	<u>\$1,365,917</u>	<u>\$1,439,868</u>	<u>\$384,499</u>	<u>\$6,519,132</u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent/ Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Cash Receipts:					
Property Taxes	\$7,830,910	\$982,566			\$8,813,476
Intergovernmental	6,005,464	106,253		1,193,645	7,305,362
Interest	147,970				147,970
Tuition and Fees	618,019			50,789	668,808
Rent	1,650				1,650
Extracurricular Activities				192,378	192,378
Gifts and Donations	565			1,130	1,695
Sales	8,157			407,894	416,051
Miscellaneous	33,412	13,583	403,051	8,958	459,004
Total Receipts	14,646,147	1,102,402	403,051	1,854,794	18,006,394
Cash Disbursements:					
Current:					
Instruction:					
Regular	6,433,824			351,754	6,785,578
Special	1,386,187			355,320	1,741,507
Vocational	411,288				411,288
Other	647,905				647,905
Support Services:					
Pupils	343,011			214,678	557,689
Instructional Staff	703,319			176,974	880,293
Board of Education	30,302				30,302
Administration	1,088,695			70,343	1,159,038
Fiscal	374,759	23,045			397,804
Operation and Maintenance of Plant	1,307,252		95,120	14,192	1,416,564
Pupil Transportation	926,100			12,558	938,658
Central	251,125			60,721	311,846
Operation of Non-Instructional Services	29,016		6,200	673,271	708,487
Extracurricular Activities	374,908			189,739	564,647
Capital Outlay			275,714	3,569	279,283
Debt Service:					
Principal Retirement		1,124,000			1,124,000
Interest		526,604			526,604
Bond Insurance Costs		128,063			128,063
Total Disbursements	14,307,691	1,801,712	377,034	2,123,119	18,609,556
Receipts Over (Under) Disbursements	338,456	(699,310)	26,017	(268,325)	(603,162)
Other Financing Sources (Uses):					
Transfers In		210,210		23,833	234,043
Proceeds from Sale of Refunded Bonds		8,419,990			8,419,990
Premium on Sale of Refunded Bonds		609,892			609,892
Proceeds from Sale of Fixed Assets	100				100
Payments to the Refunded Bond Escrow Agent		(8,898,708)			(8,898,708)
Advances In	1,000			106,640	107,640
Transfers Out	(234,043)				(234,043)
Advances Out	(106,640)			(1,000)	(107,640)
Total Other Financing Sources (Uses)	(339,583)	341,384		129,473	131,274
Changes in Fund Balances	(1,127)	(357,926)	26,017	(138,852)	(471,888)
Fund Balances at Beginning of Year	3,329,975	1,723,843	1,413,851	523,351	6,991,020
Fund Balances at End of Year	<u>\$3,328,848</u>	<u>\$1,365,917</u>	<u>\$1,439,868</u>	<u>\$384,499</u>	<u>\$6,519,132</u>

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

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

**STATEMENT OF CASH RECEIPTS, CASH EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Cash Receipts:				
Property Taxes	\$7,950,000	\$7,841,520	\$7,830,910	(\$10,610)
Intergovernmental - State	5,476,061	6,030,245	6,005,464	(24,781)
Interest	75,000	125,000	147,970	22,970
Tuition and Fees	509,900	616,300	618,019	1,719
Rent	3,000	3,000	1,650	(1,350)
Gifts and Donations	700	1,000	565	(435)
Sales	9,000	6,000	8,157	2,157
Miscellaneous	7,000	10,700	11,615	915
	<u>14,030,661</u>	<u>14,633,765</u>	<u>14,624,350</u>	<u>(9,415)</u>
Total Receipts				
Cash Expenditures:				
Current:				
Instruction:				
Regular	6,528,570	6,496,658	6,437,090	59,568
Special	1,430,246	1,406,342	1,401,573	4,769
Vocational	384,994	414,337	412,288	2,049
Other	590,000	656,814	647,905	8,909
Support Services:				
Pupil	348,667	344,908	343,261	1,647
Instructional Staff	670,013	706,034	703,344	2,690
Board of Education	34,025	33,465	30,302	3,163
Administration	1,140,060	1,135,872	1,090,444	45,428
Fiscal	406,750	387,255	375,349	11,906
Maintenance & Operations	1,386,756	1,356,116	1,318,416	37,700
Pupil Transportation	955,942	999,334	987,870	11,464
Central	274,994	289,394	258,395	30,999
Operation of Non-Instructional Services:				
Food Services	29,994	29,994	29,016	978
Extracurricular Activities:				
Academic Oriented Activities	42,504	49,304	49,044	260
Sports Oriented Activities	271,927	289,372	285,641	3,731
School and Public Service Co-Curricular Activities	36,214	40,714	40,223	491
	<u>14,531,656</u>	<u>14,635,913</u>	<u>14,410,161</u>	<u>225,752</u>
Total Expenditures				
Receipts Over (Under) Expenditures	(500,995)	(2,148)	214,189	216,337
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets			100	100
Refund of Prior Year Expenditures	6,000	21,800	21,797	(3)
Advances In	30,000	21,000	21,000	
Advances Out	(756,504)	(261,504)	(234,043)	27,461
Transfers Out	(35,000)	(126,640)	(126,640)	
	<u>(755,504)</u>	<u>(345,344)</u>	<u>(317,786)</u>	<u>27,558</u>
Total Other Financing Sources (Uses)				
Change in Fund Balance	(1,256,499)	(347,492)	(103,597)	243,895
Fund Balances at Beginning of Year	3,277,995	3,277,995	3,277,995	
Prior Year Encumbrances Appropriated	51,978	51,978	51,978	
	<u>\$2,073,474</u>	<u>\$2,982,481</u>	<u>\$3,226,376</u>	<u>\$243,895</u>
Fund Balances at End of Year				

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
JUNE 30, 2005**

	<u>Private-Purpose Trust</u>	<u>Agency</u>
Assets:		
Cash and Cash Equivalents	<u>\$20,690</u>	<u>\$118,169</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$20,690</u>	
Held for Student Activities		<u>\$118,169</u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Additions:	
Interest	\$417
Deductions:	
Scholarships Awarded	<u>2,279</u>
Change in Net Assets	(1,862)
Net Assets at Beginning of Year	<u>22,552</u>
Net Assets at End of Year	<u><u>\$20,690</u></u>

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

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**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Indian Lake Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 110 square miles. It is located in Logan County, and includes all of the Village of Russells Point, Village of Lakeview, and Village of Huntsville. The District is the 275th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 94 non-certificated employees, 145 certificated full-time teaching personnel, and 10 administrative employees who provide services to 1,989 students and community members. The District currently operates two elementary school buildings, one middle school building, and one comprehensive high school building, which includes the administrative offices, and one bus garage.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with five jointly governed organizations, two public entity risk pools, and one related organization. These organizations include the Western Ohio Computer Organization, the Ohio Hi-Point Joint Vocational School District, the Metropolitan Educational Council, the West Central Ohio Special Education Regional Resource Center, the Logan County Education Association, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Logan County Schools Benefit Plan Association, and the Logan County District Library. These organizations are presented in Notes 11, 12, and 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's major funds are the General Fund, Debt Service, and the Permanent Improvement Fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to the District for any purpose provided it is expended and transferred according to the general laws of Ohio.

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

2. Fiduciary Funds

The fiduciary fund category is split into two classifications: 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 not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships for students after graduation. 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 various student-managed activities.

D. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District budgets and appropriates its agency funds. The primary level of budgetary control is at the fund, object level for the General Fund, and the fund, special cost center level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Logan County Budget Commission for rate determination.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the District's legal level which is the fund, object level for the General Fund and the fund, special cost center for all other funds. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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 District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2005, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio Statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$147,970, which includes \$74,117 assigned from other funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2005.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the District.

I. Long-term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specific purposes.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures"

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4.

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 those monies that 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 certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio), and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2005, the District had \$325 in undeposited cash on hand, which is included in the fund balance.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$2,064,865. At fiscal year end, \$2,062,741 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of June 30, 2005, the District had \$4,592,801 invested in STAR Ohio. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District operates on a fiscal year 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 year. Property taxes include amounts levied against all real, public utility property, and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due in February with the remainder payable in July. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Logan County and Auglaize 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$242,234,370	87%	\$264,796,410	88%
Public Utility Real and Personal Property	11,456,360	4%	11,506,870	4%
Tangible Personal Property	25,783,846	9%	25,414,680	8%
Total Assessed Value	\$279,474,576	100%	\$301,717,960	100%
Tax rate per \$1,000 of assessed valuation	\$49.15		\$49.40	

6. 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. The District maintains comprehensive insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$37,037,480 a \$2,500 deductible, and a 90 percent coinsurance.

The District's fleet insurance has a liability limit of \$1,000,000, \$5,000 for medical payments. The policy includes a \$500 deductible for comprehensive and collision coverage with all buses covered for cash value.

The District's liability policy has a limit of \$3,000,000 aggregate.

B. Workers' Compensation

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to the school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

C. Health Insurance

The District participates in the Logan County Schools Benefit Plan Association (the "Plan"); a public entity share risk pool consisting of one joint vocational school, one educational service center and three local school districts. The District pays monthly premiums for employee life insurance and dental and medical benefits. The Plan is responsible for all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result to withdrawal.

7. DEFINED BENEFIT PENSION PLAN

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Teachers Retirement System, 275 E. Broad St., Columbus, OH 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP 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 CP offers features of both the DCP and the DBP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$840,417, \$840,910, and \$807,553 respectively; 100 percent has been contributed for fiscal year 2005, 2004 and 2003. The District had no contributions under the Combined Plan and the DCP.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. DEFINED BENEFIT PENSION PLAN (Continued)

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries.

Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent. 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 2005, the portion used to fund pension obligations was 9.09 percent. 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 for the fiscal years ended June 30, 2005, 2004, and 2003 were \$158,437, \$154,790, and \$134,787, respectively; 100 percent has been contributed for fiscal year 2005, 2004, and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$64,647.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the District, the amount to fund health care benefits, including the surcharge, was \$114,648 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

9. DEBT

A. Long Term Debt

	Balance at July 1, 2004	Additions	Deductions	Balance at June 30, 2005
2005 Advance Refunding Bonds		\$8,000,000		\$8,000,000
2005 Capital Appreciation Bonds		419,990		419,990
1998 Construction and Improvement Bonds	\$4,300,000		\$175,000	4,125,000
1998 Capital Appreciation Bonds	149,613			149,613
1996 Construction and Improvement Bonds	9,315,000		8,655,000	660,000
1996 Capital Appreciation Bonds	979,877			979,877
Tax Anticipation Notes	160,000		160,000	
School Bus Bonds	93,000		29,000	64,000
Total General Long-Term Obligations	\$14,997,490	\$8,419,990	\$9,019,000	\$14,398,480

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEBT (Continued)

Advance Refunding General Obligation Bonds - On April 21, 2005, the District issued \$8,419,990 in general obligation advance refunding bonds with an approximate average interest rate of 3.65 percent for the purpose of advance refunding \$8,420,000 of the 1996 Construction and Improvement Bonds. The bonds were issued for an eighteen-year period with a final maturity at December 1, 2022. The net proceeds of \$8,898,708 (after payment of \$128,083 issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1986 Series Bonds. As a result, the 1986 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding is \$484,898.82. The economic gain resulting from the refunding is \$488,649.78.

Current Interest Bonds maturing after December 1, 2015, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any payment date on or after June 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

If optional redemption of Current Interest Bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The Capital Appreciation Serial Bonds will mature in fiscal years 2014 through 2015. The maturity amounts of the bonds are \$770,000 and \$775,000 respectively, for a total maturity of \$1,545,000.

General Obligation Bonds - On March 1, 1998, the District issued \$4,999,612.50 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included Current Interest Serial, Current Interest Term, and Capital Appreciation Serial Bonds in the amount of \$1,940,000, \$2,910,000 and \$149,613, respectively. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2025. The bonds will be retired with a voted property tax levy from the Debt Service Fund.

The Current Interest Term Bonds maturing December 1, 2025, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEBT (Continued)

Year	Principal Amount to be Redeemed
2016	\$240,000
2017	255,000
2018	265,000
2019	280,000
2020	295,000
2021	310,000
2022	325,000
2023	345,000
2024	360,000

The remaining principal amount of such bonds (\$310,000) will mature at stated maturity on December 1, 2025.

The Current Interest Bonds maturing after December 1, 2008 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2008, at redemption prices equal to the date fixed for redemption.

Redemption Period	Redemption Price
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100%

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

If optional redemption of Current Interest Bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The Capital Appreciation Serial Bonds will mature in fiscal years 2012 through 2017. The maturity amount of the bonds is \$250,000 per year for a total maturity of \$1,500,000.

General Obligation Bonds - On February 1, 1996, the District issued \$13,099,877 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included Current Interest Serial, Current Interest Term, and Capital Appreciation Serial Bonds in the amount of \$4,560,000, \$7,560,000, and \$979,877, respectively. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2023. The bonds will be retired with a voted property tax levy from the Debt Service Fund.

The current interest serial bonds and all but \$655,000 of the current interest term bonds were paid with the 2005 advance refunding bonds. The remaining principal of the current interest term bonds will mature at the stated maturity on December 1, 2022.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEBT (Continued)

The Capital Appreciation Serial Bonds will mature in years 2009 through 2013. The maturity amounts of the bonds are \$525,000, \$535,000, \$585,000, \$640,000, and \$640,000, respectively.

School Bus Bonds – In June 1997, the District issued unvoted obligation bonds, in the amount of \$263,000, for the purchase of school buses. The bonds were issued for a ten-year period with final maturity in 2007. The bonds will be retired from the Debt Service Fund.

Tax Anticipation Notes - The District issued tax anticipation notes dated August 1999, in anticipation of the collection of a fraction of the proceeds of the five-year emergency tax levy approved in May 1999. The notes were paid off on December 1, 2004.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$767,000	\$996,592	\$1,763,592
2007	702,000	965,364	1,667,364
2008	715,000	487,704	1,202,704
2009	805,000	458,825	1,263,825
2010	544,540	1,163,075	1,707,615
2011-2015	1,906,433	6,715,514	8,621,947
2016-2020	4,393,507	2,685,694	7,079,201
2021-2025	4,225,000	465,215	4,690,215
2026	340,000	8,712	348,712
Total	<u>\$14,398,480</u>	<u>\$13,946,695</u>	<u>\$28,345,175</u>

B. Short Term Debt

Note Debt - On February 18, 2004 the District issued a one year registered note to install energy conservation measures for the District. The note was issued for \$525,000 at a rate of 2.36% per annum and was paid in full in Fiscal Year 2005.

10. SET ASIDE DISCLOSURE

As stated in House Bill 412, revised in Senate Bill 345, school districts are required to maintain two reserves; one for capital acquisition and maintenance, and one for textbooks and other instructional materials. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

The following cash basis information describes the change in the year-end set-aside amounts. Disclosure of this information is required by State statute.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. SET ASIDE DISCLOSURE

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Bureau of Workers' Compensation Refunds</u>
Set-aside Cash Balance as of June 30,2004	(\$399,941)	(\$863,723)	\$5,563
Current Year Set-aside Requirement	276,083	276,083	
Current Year Offsets			
Qualifying Disbursements	<u>(346,113)</u>	<u>(613,835)</u>	<u>(5,563)</u>
Cash Balance Carried forward to FY 2005	<u>(\$469,971)</u>	<u>(\$1,201,475)</u>	<u></u>

The District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The District may, and has chosen to carry forward the excess amount for the textbooks and capital acquisition set-aside to offset set-aside requirements of future years.

In prior years, the District was also required to set aside money for budget stabilization. The District used this money to help purchase a school bus which was an allowable expenditure per S.B. 345.

11. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organizations

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions of member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

B. Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School District is a political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 Districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

D. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, from the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385.

E. Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

12. INSURANCE POOLS

A. The Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Steve Huzizko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 43235.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. INSURANCE POOLS (Continued)

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program.

B. Logan County School Benefit Plan Association

The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, and three local school districts. The District pays monthly premiums to the Plan for employee life insurance, and dental and medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

13. RELATED ORGANIZATION

Logan County District Library - The Logan County District 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 Judge of Common Pleas Court. 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 Logan County District Library, Wilma Furguson, Clerk/Treasurer, at 220 North Main, Bellefontaine, Ohio 43311.

14. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. INTERFUND BALANCES

A. Interfund Advances

Unpaid interfund cash advances at June 30, 2005 were \$106,640. The General Fund advanced monies to the Uniform School Supplies, Ohio Reads, Title VI-B, Title I, Title V, Drug Free Schools, Title II-A, and Title II Special Revenue Funds.

B. Interfund Transfers

Transfer between funds during the year ended June 30, 2005 were as follows:

	Interfund Transfers In	Interfund Transfers Out
General		\$234,043
Bond Retirement	\$210,210	
Food Service	19,633	
Uniform School Supply	4,200	
Totals	\$234,043	\$234,043

16. OUTSTANDING CONTRACTS

As of June 30, 2005, the District had contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Expended	Balance at 6/30/05
Reichert Excavating	Outdoor Athletic Facility	\$264,808	\$168,459	\$ 96,349
Current Surfaces	Track Surfacing	63,371		63,371
Cardinal Bus Sales	Bus	59,850		59,850
Totals		\$388,029	\$168,459	\$219,570

17. CONTINGENCIES

A. Grants

The District 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 of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

There are currently no matters in litigation with the District as defendant.

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal Domestic Assistance Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Donation	N/A	10.550		\$70,200		\$70,200
National School Lunch Program	LL P4	10.555	180,771		180,771	
School Breakfast Program	05-PU	10.553	38,317		38,317	
Total Department of Agriculture - Nutrition Cluster			219,088	70,200	219,088	70,200
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1, Grants to Local Educational Agencies	C1-S1-04	84.010	34,992		62,830	
	C1-S1-05	84.010	320,867		336,988	
Total Title 1, Grants to Local Educational Agencies			355,859		399,818	
Innovative Education Program Strategies	C2-S1-04	84.298	(2,821)		1,167	
	C2-S1-05	84.298	11,336		14,853	
Total Innovative Education Program Strategies			8,515		16,020	
Improving Teacher Quality State Grants	TR-S1-04	84.367	(6,155)		16,137	
	TR-S1-05	84.367	102,148		104,494	
Total Improving Teacher Quality State Grants			95,993		120,631	
Special Education Grants to State	6B-SF-05	84.027	327,651		394,386	
Education Technology State Grants	TJ-S1-04	84.318	(550)			
	TJ-S1-05	84.318	5,732		12,288	
Total Education Technology State Grants			5,182		12,288	
Safe and Drug Free Schools and Communities State Grants	DR-S1-04	84.186	1,562			
	DR-S1-05	84.186	6,747		7,694	
Total Safe and Drug Free Schools and Communities State Grants			8,309		7,694	
Total Department of Education			801,509		950,837	
Federal Emergency Management Agency						
<i>Passed through the Department of Ohio Public Safety</i>						
Public Assistance Grant	EMA-3198-OH	97.036	5,371		5,371	
Total Federal Financial Assistance			<u>\$1,025,968</u>	<u>\$70,200</u>	<u>\$1,175,296</u>	<u>\$70,200</u>

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D -- TRANSFER OF FUNDS BETWEEN COST CENTERS

The following transfers between fund cost centers were approved by the Ohio Department of Education.

Grant and CFDA # / Fund, Cost Center	Transfer out	Transfer in
Innovative Education Program		
Strategies # 84.298		
573-9004	\$ (2,821)	
573-9005		\$ 2,821
Education Technology State		
Grants # 84.318		
599-9014	\$ (1,802)	
599-9005		\$ 1,802
Title 1, Grants to Local		
Educational Agencies #84.010		
572-9004	\$ (4,576)	
572-9005		\$ 4,576
Improving Teacher Quality State		
Grants #84,367		
590-9004	\$ (6,155)	
590-9005		\$ 6,155

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Auditor of State Betty Montgomery

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

Indian Lake Local School District
Logan County
6210 State Route 235 North
Lewistown, Ohio 43333

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Lake Local School District, Logan County, (the "District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated February 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

Indian Lake Local School District
Logan County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 13, 2006



Auditor of State Betty Montgomery

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

Indian Lake Local School District
Logan County
6210 State Route 235 North
Lewistown, Ohio 43333

To the Board of Education:

Compliance

We have audited the compliance of Indian Lake Local School District, Logan County, (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 its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005. In a separate letter to the District's management dated February 13, 2006, we reported other matters related to federal noncompliance we deemed immaterial.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 13, 2006

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.027: Special Education Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepares its financial statements in accordance with another comprehensive basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses from another fund. The District had a negative fund balance throughout the year in the Food Service Fund in the following amounts:

Month Ending	Deficit Balance
July	(\$33,095)
August	(58,657)
September	(59,667)
October	(86,876)
November	(79,921)
December	(84,177)
January	(98,187)
February	(91,796)
March	(86,627)
April	(71,704)
May	(64,766)

The District should implement procedures to identify those funds that may develop a negative fund balance. Money should then be transferred or advanced into those funds to prevent negative fund balances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2004-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) – Failed to prepare financial statements in accordance with Generally Accepted Accounting Principles	No	Repeated as finding 2005-001.
2004-002	ORC Sec. 5705.10 – Negative cash fund balances	No	Repeated as finding 2005-002.



**Auditor of State
Betty Montgomery**

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INDIAN LAKE LOCAL SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 4, 2006**