



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



## TABLE OF CONTENTS

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Report of Independent Accountants .....  | 1           |
| Combined Balance Sheet – All Fund Types and Account Groups .....   | 4           |
| Combined Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – All Governmental and Similar Fiduciary Fund Types .....  | 6           |
| Combined Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) –<br>All Governmental and Similar Fiduciary Fund Types .....              | 8           |
| Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/<br>Fund Balance – All Proprietary and Similar Fiduciary Fund Types .....   | 13          |
| Combined Statement of Revenues, Expenses and Changes in Retained Earnings/<br>Fund Balance – Budget and Actual Comparison (Non-GAAP Budgetary Basis) –<br>All Proprietary and Similar Fiduciary Fund Types ..... | 14          |
| Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types .....  | 16          |
| Notes to the General-Purpose Financial Statements .....  | 17          |
| Report of Independent Accountants on Compliance and on<br>Internal Control Required by <i>Government Auditing Standards</i> .....  | 39          |

**This Page Intentionally Left Blank**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Lake Local School District  
Wood County  
28025 Main Street  
Millbury, Ohio 43447-9602

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Lake Local School District, Wood County, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Lake Local School District, Wood County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

January 11, 2000



**This Page Intentionally Left Blank**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

|  | <u>Governmental Fund Types</u> |                            |                         |                             |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| <b>ASSETS AND OTHER DEBITS</b>                                       |                                |                            |                         |                             |
| Equity in Pooled Cash and Cash Equivalents                           | \$2,243,824                    | \$242,866                  | \$174,689               | \$198,858                   |
| Receivables:   |                                |                            |                         |                             |
| Taxes  | 5,132,859                      |                            | 237,213                 | 206,853                     |
| Accounts   | 10,652                         | 2,177                      |                         |                             |
| Due From Other Governments   | 350                            |                            |                         |                             |
| Prepaid Items  | 19,623                         | 66                         |                         |                             |
| Inventory  |                                |                            |                         |                             |
| Restricted - Equity in Cash  | 54,153                         |                            |                         |                             |
| Fixed Assets (Net, where applicable,<br>of Accumulated Depreciation) |                                |                            |                         |                             |
| Amount Available in Debt Service Fund                                |                                |                            |                         |                             |
| Amount to be Provided for Retirement of<br>General Long-Term Debt    |                                |                            |                         |                             |
| <b>Total Assets and Other Debits</b>                                 | <b><u>\$7,461,461</u></b>      | <b><u>\$245,109</u></b>    | <b><u>\$411,902</u></b> | <b><u>\$405,711</u></b>     |
| <b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>                    |                                |                            |                         |                             |
| <b>Liabilities:</b>  |                                |                            |                         |                             |
| Accounts Payable   | \$39,293                       | \$3,888                    | \$623                   | \$3,870                     |
| Accrued Salaries and Benefits  | 797,295                        | 19,545                     |                         |                             |
| Due to Student Organizations   |                                |                            |                         |                             |
| Compensated Absences Payable   | 24,367                         |                            |                         |                             |
| Intergovernmental Payable  | 131,838                        | 2,605                      |                         |                             |
| Deferred Revenue   | 4,911,383                      |                            | 225,196                 | 196,823                     |
| Capital Lease Payable  |                                |                            |                         |                             |
| General Obligation Notes Payable                                     |                                |                            |                         |                             |
| General Obligation Bonds Payable                                     |                                |                            |                         |                             |
| Total Liabilities  | <u>5,904,176</u>               | <u>26,038</u>              | <u>225,819</u>          | <u>200,693</u>              |
| <b>Fund Equity and Other Credits:</b>                                |                                |                            |                         |                             |
| Investment in General Fixed Assets                                   |                                |                            |                         |                             |
| Retained Earnings  |                                |                            |                         |                             |
| Reserve for Trusts   |                                |                            |                         |                             |
| Reserve for Encumbrances   | 73,967                         | 41,696                     |                         | 129,064                     |
| Reserve for Prepays  | 19,623                         | 66                         |                         |                             |
| Reserve for Debt Service   |                                |                            | 174,066                 |                             |
| Reserved for Property Taxes  | 221,476                        |                            | 12,017                  | 10,030                      |
| Reserved for Budget Stabilization                                    | 54,153                         |                            |                         |                             |
| Unreserved Fund Balance  | 1,188,066                      | 177,309                    |                         | 65,924                      |
| Total Fund Equity and Other Credits                                  | <u>1,557,285</u>               | <u>219,071</u>             | <u>186,083</u>          | <u>205,018</u>              |
| <b>Total Liabilities, Fund Equity and Other Credits</b>              | <b><u>\$7,461,461</u></b>      | <b><u>\$245,109</u></b>    | <b><u>\$411,902</u></b> | <b><u>\$405,711</u></b>     |

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



| Proprietary Fund Types |                  | Fiduciary Fund Types | Account Groups       |                               | Totals<br>(Memorandum Only) |
|------------------------|------------------|----------------------|----------------------|-------------------------------|-----------------------------|
| Enterprise             | Internal Service | Trust and Agency     | General Fixed Assets | General Long-Term Obligations |                             |
| \$35,254               | \$6,940          | \$110,831            |                      |                               | \$3,013,262                 |
|                        |                  |                      |                      |                               | 5,576,925                   |
| 487                    |                  | 43                   |                      |                               | 13,359                      |
| 20,624                 |                  |                      |                      |                               | 20,974                      |
|                        |                  |                      |                      |                               | 19,689                      |
| 3,185                  |                  |                      |                      |                               | 3,185                       |
|                        |                  |                      |                      |                               | 54,153                      |
| 260                    |                  |                      | \$5,839,040          |                               | 5,839,300                   |
|                        |                  |                      |                      | \$186,083                     | 186,083                     |
|                        |                  |                      |                      | 4,100,344                     | 4,100,344                   |
| <b>\$59,810</b>        | <b>\$6,940</b>   | <b>\$110,874</b>     | <b>\$5,839,040</b>   | <b>\$4,286,427</b>            | <b>\$18,827,274</b>         |
|                        |                  |                      |                      |                               |                             |
|                        |                  | \$131                |                      |                               | \$47,805                    |
| \$14,404               |                  |                      |                      |                               | 831,244                     |
|                        |                  | 16,777               |                      |                               | 16,777                      |
| 22,329                 |                  |                      |                      | \$1,313,083                   | 1,359,779                   |
| 11,560                 |                  |                      |                      | 66,802                        | 212,805                     |
| 2,062                  |                  |                      |                      |                               | 5,335,464                   |
|                        |                  |                      |                      | 138,452                       | 138,452                     |
|                        |                  |                      |                      | 473,090                       | 473,090                     |
|                        |                  |                      |                      | 2,295,000                     | 2,295,000                   |
| 50,355                 |                  | 16,908               |                      | 4,286,427                     | 10,710,416                  |
|                        |                  |                      | \$5,839,040          |                               | 5,839,040                   |
| 9,455                  | \$6,940          |                      |                      |                               | 16,395                      |
|                        |                  | 66,963               |                      |                               | 66,963                      |
|                        |                  | 100                  |                      |                               | 244,827                     |
|                        |                  |                      |                      |                               | 19,689                      |
|                        |                  |                      |                      |                               | 174,066                     |
|                        |                  |                      |                      |                               | 243,523                     |
|                        |                  |                      |                      |                               | 54,153                      |
|                        |                  | 26,903               |                      |                               | 1,458,202                   |
| 9,455                  | 6,940            | 93,966               | 5,839,040            |                               | 8,116,858                   |
| <b>\$59,810</b>        | <b>\$6,940</b>   | <b>\$110,874</b>     | <b>\$5,839,040</b>   | <b>\$4,286,427</b>            | <b>\$18,827,274</b>         |

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|  | <u>Governmental Fund Types</u> |                            |
|--|--------------------------------|----------------------------|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> |
| <b>Revenues:</b>   |                                |                            |
| Taxes  | \$4,911,443                    |                            |
| Tuition and Fees   | 47,772                         |                            |
| Intergovernmental  | 3,663,812                      | \$426,319                  |
| Interest   | 139,701                        | 1,933                      |
| Rent   | 5,080                          |                            |
| Extracurricular Activities   |                                | 254,581                    |
| Gifts and Donations  |                                | 12,192                     |
| Customer Services  | 8,685                          | 4,900                      |
| Miscellaneous  | 5,500                          |                            |
| Total Revenues   | <u>8,781,993</u>               | <u>699,925</u>             |
| <b>Expenditures:</b>   |                                |                            |
| Current:   |                                |                            |
| Instruction:   |                                |                            |
| Regular  | 4,627,523                      | 191,417                    |
| Special  | 587,034                        | 117,145                    |
| Vocational   | 190,776                        |                            |
| Adult/Continuing   |                                | 293                        |
| Support Services:  |                                |                            |
| Pupils   | 453,015                        | 58,351                     |
| Instruction  | 372,207                        | 31,102                     |
| Board of Education   | 39,285                         |                            |
| School Administration  | 695,127                        | 17,988                     |
| Fiscal   | 304,260                        | 6,464                      |
| Operation and Maintenance of Plant   | 1,068,654                      | 16,807                     |
| Pupil Transportation   | 614,366                        | 920                        |
| Central Services   | 116,484                        | 12,054                     |
| Non-Instructional Services   |                                | 121,005                    |
| Extracurricular Activities   | 331,442                        | 156,624                    |
| Debt Service:  |                                |                            |
| Principal Retirement   |                                |                            |
| Interest and Fiscal Charges  |                                |                            |
| Total Expenditures   | <u>9,400,173</u>               | <u>730,170</u>             |
| Excess of Revenues Over (Under) Expenditures   | <u>(618,180)</u>               | <u>(30,245)</u>            |
| <b>Other Financing Sources (Uses):</b>   |                                |                            |
| Operating Transfers In   | 147,920                        | 30,737                     |
| Proceeds from Sale of Fixed Assets   | 600                            |                            |
| Other Financing Sources  |                                | 54,156                     |
| Operating Transfers Out  | <u>(178,657)</u>               |                            |
| Total Other Financing Sources (Uses)   | <u>(30,137)</u>                | <u>84,893</u>              |
| Excess of Revenues and Other Financing Sources Over<br>(Under) Expenditures and Other Financing Uses | (648,317)                      | 54,648                     |
| Fund Balances at Beginning of Year   | <u>2,205,602</u>               | <u>164,423</u>             |
| <b>Fund Balances at End of Year</b>  | <b><u>\$1,557,285</u></b>      | <b><u>\$219,071</u></b>    |

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

| <u>Governmental Fund Types</u> |                         | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--------------------------------|-------------------------|----------------------------|---------------------------------|
| <u>Debt Service</u>            | <u>Capital Projects</u> | <u>Expendable Trust</u>    |                                 |
| \$306,781                      | \$198,727               |                            | \$5,416,951                     |
|                                |                         |                            | 47,772                          |
| 23,622                         | 65,677                  |                            | 4,179,430                       |
|                                |                         | \$4,387                    | 146,021                         |
|                                |                         |                            | 5,080                           |
|                                |                         | 3,446                      | 258,027                         |
|                                |                         | 6,100                      | 18,292                          |
|                                |                         |                            | 13,585                          |
|                                |                         |                            | 5,500                           |
| <u>330,403</u>                 | <u>264,404</u>          | <u>13,933</u>              | <u>10,090,658</u>               |
|                                | 45,218                  | 8,445                      | 4,872,603                       |
|                                |                         |                            | 704,179                         |
|                                |                         |                            | 190,776                         |
|                                |                         |                            | 293                             |
|                                |                         | 7,000                      | 518,366                         |
|                                |                         |                            | 403,309                         |
|                                |                         |                            | 39,285                          |
|                                |                         |                            | 713,115                         |
| 2,068                          | 1,823                   | 580                        | 315,195                         |
|                                | 341,154                 |                            | 1,426,615                       |
|                                |                         | 162                        | 615,448                         |
|                                |                         |                            | 128,538                         |
|                                |                         |                            | 121,005                         |
|                                |                         |                            | 488,066                         |
| 202,092                        |                         |                            | 202,092                         |
| 164,987                        |                         |                            | 164,987                         |
| <u>369,147</u>                 | <u>388,195</u>          | <u>16,187</u>              | <u>10,903,872</u>               |
| <u>(38,744)</u>                | <u>(123,791)</u>        | <u>(2,254)</u>             | <u>(813,214)</u>                |
|                                |                         |                            | 178,657                         |
|                                |                         |                            | 600                             |
|                                |                         |                            | 54,156                          |
|                                |                         |                            | (178,657)                       |
|                                |                         |                            | 54,756                          |
| (38,744)                       | (123,791)               | (2,254)                    | (758,458)                       |
| <u>224,827</u>                 | <u>328,809</u>          | <u>29,257</u>              | <u>2,952,918</u>                |
| <u><b>\$186,083</b></u>        | <u><b>\$205,018</b></u> | <u><b>\$27,003</b></u>     | <u><b>\$2,194,460</b></u>       |

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|   | <b>Governmental Fund Types</b> |                    |   |
|---|--------------------------------|--------------------|---|
|   | <b>General Fund</b>            |                    |   |
|   | <b>Revised<br/>Budget</b>      | <b>Actual</b>      | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
| Total Revenues                                | \$9,026,000                    | \$9,040,062        | \$14,062  |
| Total Expenditures                            | 9,739,850                      | 9,548,570          | 191,280   |
| Excess of Revenues Over (Under) Expenditures  | (713,850)                      | (508,508)          | 205,342   |
| Fund Balances at Beginning of Year            | 2,602,363                      | 2,602,363          |   |
| Prior Year Encumbrances Appropriated          | 103,832                        | 103,832            |   |
| <b>Fund Balances (Deficit) at End of Year</b> | <b>\$1,992,345</b>             | <b>\$2,197,687</b> | <b>\$205,342</b>                                |

**Governmental Fund Types**

| <b>Special Revenue Funds</b> |                  |   | <b>Debt Service Fund</b> |                  |   |
|------------------------------|------------------|---|--------------------------|------------------|---|
| <b>Revised Budget</b>        | <b>Actual</b>    | <b>Variance Favorable (Unfavorable)</b> | <b>Revised Budget</b>    | <b>Actual</b>    | <b>Variance Favorable (Unfavorable)</b> |
| \$795,499                    | \$786,324        | (\$9,175)                               | \$328,282                | \$333,094        | \$4,812                                 |
| 846,759                      | 780,069          | 66,690                                  | 370,080                  | 369,152          | 928                                     |
| (51,260)                     | 6,255            | 57,515                                  | (41,798)                 | (36,058)         | 5,740                                   |
| 149,117                      | 149,117          |   | 210,747                  | 210,747          |   |
| 41,911                       | 41,911           |   |                          |                  |   |
| <b>\$139,768</b>             | <b>\$197,283</b> | <b>\$57,515</b>                         | <b>\$168,949</b>         | <b>\$174,689</b> | <b>\$5,740</b>                          |

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
 (Continued)**

|   | <b>Governmental Fund Types</b> |                 |   |
|---|--------------------------------|-----------------|---|
|   | <b>Capital Projects Funds</b>  |                 |   |
|   | <b>Revised<br/>Budget</b>      | <b>Actual</b>   | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
| Total Revenues                                | \$262,618                      | \$266,980       | \$4,362   |
| Total Expenditures                            | 545,667                        | 526,966         | 18,701  |
| Excess of Revenues Over (Under) Expenditures  | (283,049)                      | (259,986)       | 23,063  |
| Fund Balances at Beginning of Year            | 54,564                         | 54,564          |   |
| Prior Year Encumbrances Appropriated          | 271,884                        | 271,884         |   |
| <b>Fund Balances (Deficit) at End of Year</b> | <b>\$43,399</b>                | <b>\$66,462</b> | <b>\$23,063</b>                                 |

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

| <b>Fiduciary Fund Type</b>    |                 |   | <b>Totals (Memorandum Only)</b> |                    |   |
|-------------------------------|-----------------|---|---------------------------------|--------------------|---|
| <b>Expendable Trust Funds</b> |                 |   |                                 |                    |   |
| <b>Revised Budget</b>         | <b>Actual</b>   | <b>Variance Favorable (Unfavorable)</b> | <b>Revised Budget</b>           | <b>Actual</b>      | <b>Variance Favorable (Unfavorable)</b> |
| \$17,100                      | \$14,833        | (\$2,267)                               | \$10,429,499                    | \$10,441,293       | \$11,794                                |
| 17,902                        | 16,287          | 1,615                                   | \$11,520,258                    | \$11,241,044       | 279,214                                 |
| (802)                         | (1,454)         | (652)                                   | (1,090,759)                     | (799,751)          | 291,008                                 |
| 28,357                        | 28,357          |   | 3,045,148                       | 3,045,148          |   |
|                               |                 |   | 417,627                         | 417,627            |   |
| <b>\$27,555</b>               | <b>\$26,903</b> | <b>(\$652)</b>                          | <b>\$2,372,016</b>              | <b>\$2,663,024</b> | <b>\$291,008</b>                        |

**This Page Intentionally Left Blank**



**COMBINED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|  | Proprietary Fund Types |                     | Fiduciary<br>Fund Type       | Totals<br>(Memorandum<br>Only) |
|--|------------------------|---------------------|------------------------------|--------------------------------|
|  | Enterprise             | Internal<br>Service | Nonexpendable<br>Trust Funds |                                |
| <b>Operating Revenues:</b>   |                        |                     |                              |                                |
| Sales  | \$327,951              | \$1,727             |                              | \$329,678                      |
| Tuition and Fees   |                        | 13,984              |                              | 13,984                         |
| Interest Earned  |                        |                     | \$2,943                      | 2,943                          |
| Miscellaneous  |                        |                     | 5,249                        | 5,249                          |
| <b>Total Operating Revenue</b>                                     | <b>327,951</b>         | <b>15,711</b>       | <b>8,192</b>                 | <b>351,854</b>                 |
| <b>Operating Expenses:</b>   |                        |                     |                              |                                |
| Salaries   | 106,332                |                     |                              | 106,332                        |
| Fringe Benefits  | 23,240                 |                     |                              | 23,240                         |
| Purchased Services   | 260,479                | 14,943              |                              | 275,422                        |
| Materials and Supplies   | 41,396                 | 1,161               |                              | 42,557                         |
| Depreciation   | 523                    |                     |                              | 523                            |
| Miscellaneous  | 300                    |                     |                              | 300                            |
| <b>Total Operating Expenses</b>                                    | <b>432,270</b>         | <b>16,104</b>       |                              | <b>448,374</b>                 |
| Operating Income (Loss)  | (104,319)              | (393)               | 8,192                        | (96,520)                       |
| <b>Non-Operating Revenues (Expenses):</b>                          |                        |                     |                              |                                |
| Operating Grants   | 110,404                |                     |                              | 110,404                        |
| Federal Donated Commodities  | 31,564                 |                     |                              | 31,564                         |
| Other  | 429                    |                     |                              | 429                            |
| <b>Total Non-Operating<br/>Revenues and (Expenses)</b>             | <b>142,397</b>         |                     |                              | <b>142,397</b>                 |
| Net Income (Loss)  | 38,078                 | (393)               | 8,192                        | 45,877                         |
| Retained Earnings/Fund Balance<br>(Deficit) at Beginning of Year   | (28,623)               | 7,333               | 58,771                       | 37,481                         |
| <b>Retained Earnings/Fund Balance<br/>(Deficit) at End of Year</b> | <b>\$9,455</b>         | <b>\$6,940</b>      | <b>\$66,963</b>              | <b>\$83,358</b>                |

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS/FUND BALANCE  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|   | Proprietary Fund Types |                 |  |                        |                |  |
|---|------------------------|-----------------|--|------------------------|----------------|--|
|   | Enterprise Funds       |                 |  | Internal Service Funds |                |  |
|   | Revised<br>Budget      | Actual          | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget      | Actual         | Variance<br>Favorable<br>(Unfavorable) |
| Total Revenues                                  | \$463,500              | \$432,082       | (\$31,418)                             | \$21,000               | \$15,711       | (\$5,289)                              |
| Total Expenditures                              | 474,220                | 435,255         | 38,965                                 | 20,229                 | 18,135         | 2,094                                  |
| Excess of Revenues Over<br>(Under) Expenditures | (10,720)               | (3,173)         | 7,547                                  | 771                    | (2,424)        | (3,195)                                |
| Fund Balance Beginning of Year                  | 8,272                  | 8,272           |  | 4,805                  | 4,805          |  |
| Prior Year Encumbrances<br>Appropriated         | 14,999                 | 14,999          |  | 2,528                  | 2,528          |  |
| <b>Fund Balance End of Year</b>                 | <b>\$12,551</b>        | <b>\$20,098</b> | <b>\$7,547</b>                         | <b>\$8,104</b>         | <b>\$4,909</b> | <b>(\$3,195)</b>                       |

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

| <b>Fiduciary Fund Type</b>       |                 |   | <b>Totals (Memorandum Only)</b> |                 |   |
|----------------------------------|-----------------|---|---------------------------------|-----------------|---|
| <b>Nonexpendable Trust Funds</b> |                 |   |                                 |                 |   |
| <b>Revised Budget</b>            | <b>Actual</b>   | <b>Variance Favorable (Unfavorable)</b> | <b>Revised Budget</b>           | <b>Actual</b>   | <b>Variance Favorable (Unfavorable)</b> |
| \$1,000                          | \$8,192         | \$7,192                                 | \$485,500                       | \$455,985       | (\$29,515)                              |
|                                  |                 |   | 494,449                         | 453,390         | 41,059                                  |
| 1,000                            | 8,192           | 7,192                                   | (8,949)                         | 2,595           | 11,544                                  |
|                                  |                 |   |                                 |                 |   |
| 58,771                           | 58,771          |   | 71,848                          | 71,848          |   |
|                                  |                 |   | 17,527                          | 17,527          |   |
| <b>\$59,771</b>                  | <b>\$66,963</b> | <b>\$7,192</b>                          | <b>\$80,426</b>                 | <b>\$91,970</b> | <b>\$11,544</b>                         |

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|   | Proprietary Fund Types |                       | Fiduciary<br>Fund Type       | Totals<br>(Memorandum<br>Only) |
|---|------------------------|-----------------------|------------------------------|--------------------------------|
|   | Enterprise             | Internal<br>Service   | Nonexpendable<br>Trust Funds |                                |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>       |                        |                       |                              |                                |
| <b>Cash Flows from Operating Activities:</b>                  |                        |                       |                              |                                |
| Cash Received from Customers                                  | \$327,983              | \$15,711              | \$5,249                      | \$348,943                      |
| Cash Received from Interest Income (Nonexpendable Trust Only) |                        |                       | 2,943                        | 2,943                          |
| Cash Payments to Suppliers for Goods and Services             | (281,399)              | (16,104)              |                              | (297,503)                      |
| Cash Payments to Employees for Services                       | (106,203)              |                       |                              | (106,203)                      |
| Cash Payments for Employee Benefits                           | (32,438)               |                       |                              | (32,438)                       |
| Net Cash Provided (Used) by Operating Activities              | <u>(92,057)</u>        | <u>(393)</u>          | <u>8,192</u>                 | <u>(84,258)</u>                |
| <b>Cash Flows from Noncapital Financing Activities:</b>       |                        |                       |                              |                                |
| Operating Grants Received                                     | 103,611                |                       |                              | 103,611                        |
| Miscellaneous   | 429                    |                       |                              | 429                            |
| Net Cash Provided (Used) by Noncapital Financing Activities   | <u>104,040</u>         |                       |                              | <u>104,040</u>                 |
| Net Increase (Decrease) in Cash and Cash Equivalents          | 11,983                 | (393)                 | 8,192                        | 19,782                         |
| Cash and Cash Equivalents at Beginning of Year                | 23,271                 | 7,333                 | 58,771                       | 89,375                         |
| <b>Cash and Cash Equivalents at End of Year</b>               | <b><u>\$35,254</u></b> | <b><u>\$6,940</u></b> | <b><u>\$66,963</u></b>       | <b><u>\$109,157</u></b>        |

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

|  |                          |                       |                       |                          |
|--|--------------------------|-----------------------|-----------------------|--------------------------|
| Operating Income (Loss)  | (\$104,319)              | (\$393)               | \$8,192               | (\$96,520)               |
| <b>Adjustments to Reconcile Operating Income (Loss)<br/>to Net Cash Provided (Used) by Operating Activities:</b> |                          |                       |                       |                          |
| Depreciation   | 523                      |                       |                       | 523                      |
| Donated Commodities Used During Year   | 31,564                   |                       |                       | 31,564                   |
| Changes in Assets and Liabilities:   |                          |                       |                       |                          |
| (Increase)/Decrease in Accounts Receivable   | 32                       |                       |                       | 32                       |
| (Increase)/Decrease in Commodities Inventory   | 5,779                    |                       |                       | 5,779                    |
| Increase/(Decrease) in Deferred Revenue  | (3,403)                  |                       |                       | (3,403)                  |
| Increase/(Decrease) in Accounts Payable  | (13,164)                 |                       |                       | (13,164)                 |
| Increase/(Decrease) in Accrued Salaries and Benefits   | 1,849                    |                       |                       | 1,849                    |
| Increase/(Decrease) in Intergovernmental Payable   | (1,148)                  |                       |                       | (1,148)                  |
| Increase/(Decrease) in Compensated Absences Payable  | (9,770)                  |                       |                       | (9,770)                  |
| Total Adjustments  | <u>12,262</u>            |                       |                       | <u>12,262</u>            |
| <b>Net Cash Provided (Used) by Operating Activities</b>  | <b><u>(\$92,057)</u></b> | <b><u>(\$393)</u></b> | <b><u>\$8,192</u></b> | <b><u>(\$84,258)</u></b> |

**Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 1999:**

|  |                        |
|--|------------------------|
| Total Cash and Cash Equivalents per Balance Sheet, Trust and Agency Funds        | \$110,831              |
| Cash and Cash Equivalents - Expendable Trust Funds and Agency Funds              | <u>43,868</u>          |
| <b>Cash and Cash Equivalents - Nonexpendable Trust Funds as of June 30, 1999</b> | <b><u>\$66,963</u></b> |

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District is located in a rural community in Northwest Ohio. The School District is the 319th largest in the State of Ohio (among 628 school districts) in terms of enrollment. It is staffed by 59 non-certificated employees, 98 certificated full-time teaching personnel who provide services to 1,792 students and other community members.

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Lake Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with three organizations as follows: Northwest Ohio Computer Association, and Penta County Vocational School, which are defined as a jointly governed organizations; and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general-purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Lake Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

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

**2. Proprietary Fund Types**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Internal Service Fund - Internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. 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 primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. All modifications at the function level or below can be made by the Treasurer within each fund without Board approval.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

publicized and 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 Wood County Budget Commission for rate determination.

**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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**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 fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School 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 by fund. 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. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**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 on the non-GAAP budgetary basis 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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**5. Lapsing of Appropriations**

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

**D. Estimates**

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to certificates of deposit and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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, 1999.

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

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used. There was no inventory in the governmental funds at June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Funds**

Restricted assets in the general fund represent cash set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. The total restricted cash as of June 30, 1999 was \$54,153. A fund balance reserve has also been established.

**I. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**J. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**Non-Reimbursable Grants**

Special Revenue Funds

Cooperative Learning  
Venture Capital  
Auxiliary Services  
Education Management Information Systems  
Public School Preschool  
Disadvantaged Pupil Impact Aid  
Title I  
Title VI  
Title VI-B  
Drug-Free Schools  
Goals 2000 Intervention  
Professional Development Block Grant

Capital Projects Funds

School Net Plus  
Technology Equity

**Reimbursable Grants**

General Fund

Driver Education

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

**K. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 1999 the balance of interfund assets/liabilities was zero.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**M. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds.

**N. Bond Premiums and Discounts**

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**P. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaids, debt service, property taxes, budget stabilization, and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**Q. Total Columns on General-Purpose Financial Statements**

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Retained Earning/ Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Proprietary Fund Types and Similar Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

An analysis of the difference in fund balance at June 30, 1999, as determined under the GAAP basis and budget basis follows:

| Governmental and<br>Similar Trust Funds | General             | Special<br>Revenue | Debt<br>Service   | Capital<br>Projects | Expendable<br>Trust |
|---|---------------------|--------------------|-------------------|---------------------|---------------------|
| GAAP basis                              | \$ 1,557,285        | \$ 219,071         | \$ 186,083        | \$ 205,018          | \$ 27,003           |
| Revenue accruals                        | (5,143,861)         | (2,177)            | (237,213)         | (206,853)           |                     |
| Expenditure accruals                    | 5,904,174           | 26,038             | 225,819           | 200,693             |                     |
| Prepaid items                           | (19,623)            | (66)               |                   |                     |                     |
| Encumbrances                            | (100,288)           | (45,583)           |                   | (132,396)           | (100)               |
| Budget basis                            | <u>\$ 2,197,687</u> | <u>\$ 197,283</u>  | <u>\$ 174,689</u> | <u>\$ 66,462</u>    | <u>\$ 26,903</u>    |

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

| Proprietary and<br>Similar Trust Funds | Enterprise       | Internal<br>Service | Nonexpendable<br>Trust |
|--|------------------|---------------------|------------------------|
| GAAP basis                             | \$ 9,455         | \$ 6,940            | \$ 66,963              |
| Revenue accrual                        | (21,371)         |                     |                        |
| Expense accrual                        | 50,354           |                     |                        |
| Inventory held for resale              | (3,185)          |                     |                        |
| Encumbrances                           | (15,155)         | (2,031)             |                        |
| Budget basis                           | <u>\$ 20,098</u> | <u>\$ 4,909</u>     | <u>\$ 66,963</u>       |

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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 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.

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.

**Cash on Hand**

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$1,305,500 and the bank balance was \$1,546,765. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,346,765 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**Investments**

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments consisted solely of STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

|           | Carrying<br>Value | Fair Value   |
|-----------|-------------------|--------------|
| STAR Ohio | \$ 1,761,815      | \$ 1,761,815 |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

|                  | Cash and<br>Cash<br>Equivalents/<br>Deposits | Investments  |
|------------------|--|--------------|
| GASB Statement 9 | \$ 3,067,415                                 | \$ 0         |
| Cash on Hand     | (100)  |              |
| Investments:     |  |              |
| STAR Ohio        | (1,761,815)                                  | 1,761,815    |
| GASB Statement 3 | \$ 1,305,500                                 | \$ 1,761,815 |

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after 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 year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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 School District receives property taxes from Wood County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

The assessed values upon which fiscal year 1998 taxes were collected are:

|   | 1998 Second-Half<br>Collections |               | 1999 First-Half Collections |               |
|---|---------------------------------|---------------|-----------------------------|---------------|
|   | Amount                          | Percent       | Amount                      | Percent       |
| Agricultural/Residential<br>and Other Real Estate | \$ 120,931,440                  | 69.25         | \$ 124,157,620              | 70.30         |
| Public Utility                                    | 25,076,690                      | 14.36         | 25,266,390                  | 14.31         |
| Tangible Personal Property                        | 28,619,335                      | 16.39         | 27,184,227                  | 15.39         |
| Total Assessed Value                              | <u>\$ 174,627,465</u>           | <u>100.00</u> | <u>\$ 176,608,237</u>       | <u>100.00</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | <u>\$50.10</u>                  |               | <u>\$50.10</u>              |               |

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

A summary of the principal items of intergovernmental receivables follows:

|                 | Amounts   |
|-----------------|-----------|
| General Fund    | \$ 350    |
| Enterprise Fund | \$ 20,624 |

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

|                               |            |
|-------------------------------|------------|
| Furniture and Equipment       | \$ 133,360 |
| Less Accumulated Depreciation | 133,100    |
| Net Fixed Assets              | \$ 260     |

A summary of the changes in general fixed assets during fiscal year 1999 follows:

| Asset Category                     | Balance at<br>6/30/98 | Additions  | Deletions | Balance at<br>6/30/99 |
|------------------------------------|-----------------------|------------|-----------|-----------------------|
| Land and Improvements              | \$ 49,316             | \$ 1,949   | \$ 0      | \$ 51,265             |
| Buildings and Improvements         | 2,533,230             | 233,819    |           | 2,767,049             |
| Furniture, Fixtures, and Equipment | 1,809,717             | 194,582    | 8,359     | 1,995,940             |
| Vehicles                           | 954,704               | 123,130    | 53,048    | 1,024,786             |
| Total                              | \$ 5,346,967          | \$ 553,480 | \$ 61,407 | \$ 5,839,040          |

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees, and natural disasters.

During 1999, the District contracted with Nationwide/Wausau Insurance Company for general liability insurance and Indiana Insurance Company for property and boiler and machinery insurance. Professional liability is protected by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 aggregate limit.

Vehicles are covered by Indiana Insurance Company and hold a \$100 deductible for comprehensive and \$250 for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

The District pay the State Worker's Compensation System, a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

The District provides employee life insurance and accidental death and dismemberment insurance to its employees through Coresource in the following amounts, \$35,000 for certified employees and \$30,000 for its classified employees and for administrators an amount equal to their salary.

The School District is a member of a cooperative group of Wood County Schools established to provide a self-insurance fund to pay medical/surgical, and prescription drug benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member school and is administered by Coresource of Westerville, Ohio. The plan provides a medical/surgical plan with a \$50 single and \$100 family deductible. The plan also provides prescription drug care. An alternative plan is also offered through Paramount with the same deductible rates and is administered by Coresource of Westerville, Ohio. Dental care is provided through United Concordia and vision insurance through Vision Service Plan.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$182,467, \$173,911, and \$167,481, respectively. 39 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$111,761, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the Lake Local School District is required to contribute 14 percent, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$680,620, \$660,840, and \$625,047, respectively. 85 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$101,042, representing the unpaid contributions for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. As of July 1, 1997, eligible benefit recipients totaled 88,718. For the fiscal year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000.

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

For this fiscal year, employer contributions to fund health care benefits were 4.21 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 1997, the minimum pay has been established at \$12,400. The surcharge rate 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 number of participants currently receiving health care benefits is 48,200. For the fiscal year ended June 30, 1997, net health care costs paid by SERS were \$97,429,197.

**NOTE 11 - COMPENSATED ABSENCES AND JUDGEMENTS**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next twelve months. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days. A percentage of unused sick time is paid at retirement at a rate of 25 percent of accumulated sick leave to a maximum of sixty-seven and one half days at the daily rate of pay being received at the time of final service. Accumulated vacation and sick leave of Governmental Fund type employees have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

period. The balance of the liability is recorded in the General Long-Term Obligation Account Group. Vacation and sick leave for employees paid from the Proprietary Funds is recorded as an expense when earned and as a fund liability.

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$312,899. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$67,673 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

| <u>Fiscal Year Ending June 30,</u>          | <u>GLTOAG</u>     |
|---|-------------------|
| 2000  | \$ 77,975         |
| 2001  | 35,326            |
| 2002  | 35,326            |
| 2003  | <u>2,944</u>      |
| Total                                       | 151,571           |
| Less: Amount Representing Interest          | <u>13,119</u>     |
| Present Value of Net Minimum Lease Payments | <u>\$ 138,452</u> |

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

|  | Principal<br>Outstanding<br>6/30/98 | Additions        | Deductions        | Principal<br>Outstanding<br>6/30/99 |
|--|-------------------------------------|------------------|-------------------|-------------------------------------|
| School Improvement Bonds -<br>Interest Rate: 4.4%                | \$ 2,440,000                        | \$ 0             | \$ 145,000        | \$ 2,295,000                        |
| Energy Conservation Notes HB 264<br>Interest Rate: 4.35 to 5.10% | 530,182                             |                  | 57,092            | 473,090                             |
| Total Long-Term Bonds and Loans                                  | 2,970,182                           |                  | 202,092           | 2,768,090                           |
| Capital Leases   | 166,903                             | 39,222           | 67,673            | 138,452                             |
| Accrued Benefits   | 72,529                              |                  | 5,727             | 66,802                              |
| Compensated Absences   | 1,304,488                           | 8,595            |                   | 1,313,083                           |
| Total General Long-Term Obligations                              | <u>\$ 4,514,102</u>                 | <u>\$ 47,817</u> | <u>\$ 275,492</u> | <u>\$ 4,286,427</u>                 |

Additions and deletions of accrued benefits and compensated absences are shown net since it is impractical for the District to determine these amounts separately.

The annual requirements to amortize all bond and note debt outstanding as of June 30, 1999, including interest payments of \$867,177 and \$87,305 are as follows:

| Year Ending<br>June 30, 1999 | General<br>Obligation<br>Bonds | HB 264<br>Conservation<br>Notes | Total               |
|------------------------------|--------------------------------|---------------------------------|---------------------|
| 2000                         | \$ 284,460                     | \$ 80,057                       | \$ 364,517          |
| 2001                         | 286,202                        | 80,057                          | 366,259             |
| 2002                         | 287,165                        | 80,057                          | 367,222             |
| 2003                         | 287,317                        | 80,057                          | 367,374             |
| 2004                         | 291,093                        | 80,057                          | 371,150             |
| 2005-2010                    | 1,725,940                      | 160,110                         | 1,886,050           |
| Total                        | <u>\$ 3,162,177</u>            | <u>\$ 560,395</u>               | <u>\$ 3,722,572</u> |

**NOTE 14 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

|   | Textbook<br>Reserve | Capital<br>Maintenance<br>Reserve | Budget<br>Stabilization<br>Reserve | Total              |
|---|---------------------|-----------------------------------|------------------------------------|--------------------|
| Balance 7/1/1998                                    | \$ 0                | \$ 0                              | \$ 53,431                          | \$ 53,431          |
| Required Set-Aside                                  | 144,406             | 144,406                           | 722                                | 289,534            |
| Offset Credits                                      |                     | (221,467)                         |                                    | (221,467)          |
| Qualifying Expenditures                             | (145,296)           |                                   |                                    | (145,296)          |
| <b>Total</b>  | <b>\$ (890)</b>     | <b>\$ (77,061)</b>                | <b>\$ 54,153</b>                   | <b>\$ (23,798)</b> |
| Cash balance carried forward to following year 1999 |                     |                                   | <u>\$ 54,153</u>                   | <u>\$ 54,153</u>   |

Although the School District had off-sets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Lake Local School District as of and for the fiscal year ended June 30, 1999.

|   | Food<br>Service | Uniform<br>School<br>Supplies | Total<br>Enterprise<br>Funds |
|---|-----------------|-------------------------------|------------------------------|
| Operating Revenues                        | \$ 280,023      | \$ 47,928                     | \$ 327,951                   |
| Operating Expenses Less Depreciation      | 390,525         | 41,222                        | 431,747                      |
| Depreciation Expense                      | 523             |                               | 523                          |
| Operating Income (Loss)                   | (111,025)       | 6,706                         | (104,319)                    |
| Donated Commodities                       | 31,564          |                               | 31,564                       |
| Operating Grants                          | 110,404         |                               | 110,404                      |
| Other Income                              | 429             |                               | 429                          |
| Net Income                                | 31,372          | 6,706                         | 38,078                       |
| Net Working Capital                       | 22,201          | 9,323                         | 31,524                       |
| Total Assets                              | 50,487          | 9,323                         | 59,810                       |
| Total Equity                              | 132             | 9,323                         | 9,455                        |
| Encumbrances Outstanding at June 30, 1999 | 15,000          | 155                           | 15,155                       |

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The Educational Service Center is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA serves forty public education entities and over



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

fifty non-public education entities in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. NWOCA is owned and operated by the Northern Buckeye Education Council (NBEC). NWOCA and NBEC provide data processing services, student services and educational technology services to the member school districts.

**B. Penta County Joint Vocational School**

The Penta County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Joint Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

**NOTE 17 - INSURANCE PURCHASING POOL**

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association 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, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Foundation Program**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 19 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

Lake Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has five school buildings with power systems which have extensive efficiency utilization measures within the systems. The District contracts with Honeywell, Inc. Per a letter received from Honeywell, Honeywell confirms that the Y7505 M & O Link has been analyzed and tested. The hardware and software will properly process and use dates before, during, and after the transition from December 31, 1999 to January 1, 2000.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

Ottawa County and Wood County collect property taxes for distribution to the Lake Local School District. Ottawa County and Wood County is responsible for remediating the tax collection system.

Representatives from Toledo Edison, Columbia Gas, and Ameritech have assured the District that they anticipate no major problems in service delivery.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 11, 2000 the School District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Lake Local School District  
Wood County  
28025 Main Street  
Millbury, Ohio 43447-9602

To the Board of Education:

We have audited the financial statements of Lake Local School District, Wood County, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Lake Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of Lake Local School District in a separate letter dated January 11, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lake Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Lake Local School District in a separate letter dated January 11, 2000.

This report is intended for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 11, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**LAKE LOCAL SCHOOL DISTRICT**

**WOOD 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  
FEBRUARY 1, 2000**