



**Auditor of State
Betty Montgomery**

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lake Local School District
Stark County
11936 King Church Avenue, NW
Uniontown, Ohio 44685

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

February 11, 2005

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Lake Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should review the notes to the financial statements as well as the financial statements themselves to enhance their understanding of the School District's finances.

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- ❑ General Revenues accounted for \$24.2 million in revenue or 89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3 million or 11% of total revenues of \$27.2 million.
- ❑ Total program expenses were \$28 million, \$27.1 million in Governmental Activities, \$.9 million in Business Type Activities.
- ❑ In total, net assets increased \$.3 million or 2%. Net assets of governmental activities increased \$.2 million, and net assets of business-type activities increased \$.1 million from 2003.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Lake Local School District
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In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

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

The government-wide financial statements begin on page 13.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund and permanent improvement capital projects fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and permanent improvements capital projects funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 16.

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Proprietary Funds - The School District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its food service, uniform supplies, and adult and supplemental education programs.

The proprietary fund financial statements begin on page 22.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used of proprietary funds.

The fiduciary fund financial statements begin on page 25.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27.

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Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 20,955,231	\$ 29,502,726	\$ 244,048	\$ 220,303	\$ 21,199,279	\$ 29,723,029
Capital Assets	38,622,157	31,380,236	151,018	61,448	38,773,175	31,441,684
Total Assets	59,577,388	60,882,962	395,066	281,751	59,972,454	61,164,713
Liabilities						
Long-Term Liabilities	(27,084,457)	(27,348,446)	(9,037)	(18,538)	(27,093,494)	(27,366,984)
Other Liabilities	(14,021,500)	(15,234,267)	(127,124)	(132,461)	(14,148,624)	(15,366,728)
Total Liabilities	(41,105,957)	(42,582,713)	(136,161)	(150,999)	(41,242,118)	(42,733,712)
Net Assets						
Invested in Capital Assets Net of Debt	12,799,851	5,000,033	151,018	61,448	12,950,869	5,061,481
Restricted	2,441,475	8,765,375	72,795	88,536	2,514,270	8,853,911
Unrestricted (Deficit)	3,230,105	4,534,841	35,092	(19,232)	3,265,197	4,515,609
Total Net Assets	\$ 18,471,431	\$ 18,300,249	\$ 258,905	\$ 130,752	\$ 18,730,336	\$ 18,431,001

Total net assets increased by \$.3 million with governmental net assets increasing \$.2 million and business-type net assets increasing \$.1 million. An increase of approximately \$7.3 million in total capital assets reflects additional construction in progress. Total liabilities decreased by approximately \$1.5 million with governmental liabilities comprising most of that amount. This decrease was partially due to debt repayments.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for fiscal year 2004 compared to 2003.

(Table 2)
Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 509,303	\$ 468,553	\$ 879,144	\$ 771,097	\$ 1,388,447	\$ 1,239,650
Operating Grants	1,253,021	942,607	168,575	182,890	1,421,596	1,125,497
Capital Grants and Contributions	1,289,041	1,795,689	0	0	1,289,041	1,795,689
<i>General Revenue:</i>						
Property Taxes	10,678,497	11,492,606	0	0	10,678,497	11,492,606
Grants and Entitlements	13,358,204	12,813,016	0	0	13,358,204	12,813,016
Other Revenue	141,665	332,887	1,172	11,005	142,837	343,892
Gain/Loss on Disposal of Assets	0	0	0	(17,380)	0	(17,380)
<i>Total Revenues</i>	27,229,731	27,845,358	1,048,891	947,612	28,278,622	28,792,970
Program Expenses						
Instruction	14,122,876	13,933,976	0	0	14,122,876	13,933,976
Support Services	10,342,795	10,819,345	0	0	10,342,795	10,819,345
Operation of Non-Instructional	506,443	353,285	0	0	506,443	353,285
Extracurricular Activities	664,641	727,877	0	0	664,641	727,877
Interest and Fiscal Charges	1,422,398	1,461,228	0	0	1,422,398	1,461,228
Enterprise Funds	0	0	920,738	994,377	920,738	994,377
<i>Total Expenses</i>	27,059,153	27,295,711	920,738	994,377	27,979,891	28,290,088
Increase (Decrease) in Net Assets before Transfers	170,578	549,647	128,153	(46,765)	298,731	502,882
Net Transfers	604	(30)	0	25	604	(5)
Increase (Decrease) in Net Assets	\$ 171,182	\$ 549,617	\$ 128,153	\$ (46,740)	\$ 299,335	\$ 502,877

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 14,122,876	\$ 13,245,485	\$ 13,933,976	\$ 13,170,088
Support Services:				
Pupil and Instructional Staff	2,449,315	2,222,579	2,093,154	2,021,824
Board of Education, Administration, Fiscal and Business	3,164,084	3,124,735	2,440,195	2,419,970
Operation and Maintenance of Plant	3,115,056	1,807,732	4,671,288	2,873,908
Pupil Transportation	1,455,365	1,455,365	1,458,704	1,458,704
Central	158,975	105,097	156,004	77,515
Operation of Non-Instructional	506,443	204,741	353,285	86,833
Extracurricular Activities	664,641	419,656	727,877	518,792
Interest and Fiscal Charges	1,422,398	1,422,398	1,461,228	1,461,228
Total Expenses	\$ 27,059,153	\$ 24,007,788	\$ 27,295,711	\$ 24,088,862

Instruction and Student Support Services comprise 61% of governmental program expenses. Interest and fiscal charges were approximately 5%. Interest expense was attributable to the outstanding general obligation bonds. Pupil transportation and the operation and maintenance of facilities accounts for 17% of governmental program expenses.

The dependence upon tax revenues, grants, and entitlements for governmental activities is apparent. The community, as a whole, is by far the primary support for Lake Local School District students.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Business-Type Activities

Business-type activities include our adult and supplemental education programs, the food service operation and the sale of uniform school supplies. These programs had revenues of \$1 million and expenses of \$.9 million for fiscal year 2004.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was \$23.5 million, \$1.5 million over original budget estimates of \$22 million.

Final general fund appropriations were \$25.1 million, \$.1 million under the \$25.2 million in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had nearly \$39 million invested in land, buildings, equipment, and construction in progress. Table 4 shows fiscal year 2004 balances compared with 2003.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 2,993,257	\$ 2,501,350	\$ 0	\$ 0	\$ 2,993,257	\$ 2,501,350
Construction in Progress	18,029,778	16,976,298	0	0	18,029,778	16,976,298
Buildings and Improvements	14,371,956	8,058,564	0	0	14,371,956	8,058,564
Furniture and Equipment	2,091,792	1,730,325	151,018	61,448	2,242,810	1,791,773
Vehicles	1,117,079	2,070,846	0	0	1,117,079	2,070,846
Educational Media	18,295	42,853	0	0	18,295	42,853
Totals	\$ 38,622,157	\$ 31,380,236	\$ 151,018	\$ 61,448	\$ 38,773,175	\$ 31,441,684

The \$7.3 million increase in capital assets was partially attributable to additional construction in progress. For additional information see Note 9.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Debt

At June 30, 2004, the School District had \$25,549,945 in bonds outstanding with \$540,000 due within one year. During fiscal year 2004, \$735,000 of general obligation bonds were retired. For additional information see Note 14. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2004	Governmental Activities 2003
General Obligation Bonds:		
1993 Improvement 4.78%	\$ 0	\$ 350,000
2000 Improvement 5.8%	25,299,945	25,684,945
2003 Real Estate Acquisition 3.79%	250,000	0
	\$ 25,549,945	\$ 26,034,945

Set Aside Requirements

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$470,435 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the School District disbursed \$739,824, with the remainder scheduled to be carried forward into the 2005 fiscal year.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Current Issues

The School District continues to receive strong support from the residents of the school district. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in May, 1995. The Board of Education will be on the ballot in May 2005 with an 11.0 mill replacement issue. This issue "replaces" two issues on the District's tax duplicate from 1971 and 1972 on which the District is currently collecting 2.4 mills. Passage of the issue will generate a net increase of 8.6 mills to the District.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$30.63 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$30.63.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 39% of revenues for governmental activities for the School District in fiscal year 2004.

The District has also been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy could sustain the District for ten years. This has been made increasingly difficult due to curriculum mandates, rising utility costs, required special education services, and significant increases in both health and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards to provide an "adequate" and "equitable" system for funding public education as outlined by the Ohio Supreme Court.

The School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2005. How the legislature plans to fund education programs in light of the state's weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Robert Moffat, Treasurer of Lake Local School District, 11936 King Church Avenue, N.W., Uniontown, OH, 44685.

Lake Local School District

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,160,745	\$ 232,143	\$ 9,392,888
Cash and Cash Equivalents:			
Restricted Cash	118,361	0	118,361
With Fiscal Agents	595,692	0	595,692
Receivables:			
Taxes	10,959,075	0	10,959,075
Accounts	98	1,253	1,351
Internal Balances	24,021	(24,021)	0
Intergovernmental	97,239	19,482	116,721
Inventory	0	15,191	15,191
Nondepreciable Capital Assets	21,023,035	0	21,023,035
Depreciable Capital Assets (Net)	17,599,122	151,018	17,750,140
<i>Total Assets</i>	<u>59,577,388</u>	<u>395,066</u>	<u>59,972,454</u>
Liabilities			
Accounts Payable	147,618	39,026	186,644
Contracts Payable	482,263	0	482,263
Accrued Wages and Benefits	2,605,715	50,119	2,655,834
Retainage Payable	118,361	0	118,361
Intergovernmental Payable	676,938	37,979	714,917
Deferred Revenue	9,990,605	0	9,990,605
Long Term Liabilities:			
Due Within One Year	909,473	0	909,473
Due Within More Than One Year	26,174,984	9,037	26,184,021
<i>Total Liabilities</i>	<u>41,105,957</u>	<u>136,161</u>	<u>41,242,118</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	12,799,851	151,018	12,950,869
Restricted for:			
Capital Projects	1,167,604	0	1,167,604
Debt Service	1,139,816	0	1,139,816
Other Purposes	134,055	72,795	206,850
Unrestricted	3,230,105	35,092	3,265,197
<i>Total Net Assets</i>	<u>\$ 18,471,431</u>	<u>\$ 258,905</u>	<u>\$ 18,730,336</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 11,097,780	\$ 149,409	\$ 147,833	\$ 0
Special	1,963,940	0	575,735	0
Vocational	278,336	0	457	0
Adult Continuing	3,279	0	3,957	0
Other	779,541	0	0	0
Support services:				
Pupils	997,020	31,670	43,938	0
Instructional Staff	1,452,295	0	151,128	0
Board of Education	60,734	0	0	0
Administration	2,544,269	0	12,311	293
Fiscal	485,206	26,745	0	0
Business	73,875	0	0	0
Operation and Maintenance of Plant	3,115,056	3,684	15,000	1,288,640
Pupil Transportation	1,455,365	0	0	0
Central	158,975	52,810	960	108
Operation of Non-Instructional Services	506,443	0	301,702	0
Extracurricular Activities	664,641	244,985	0	0
Interest and Fiscal Charges	1,422,398	0	0	0
<i>Total Governmental Activities</i>	<u>27,059,153</u>	<u>509,303</u>	<u>1,253,021</u>	<u>1,289,041</u>
Business-Type Activities				
Food Service	766,516	670,598	168,575	0
Uniform School Supplies	118,348	124,430	0	0
Adult Education	800	1,200	0	0
Supplemental Education	35,074	82,916	0	0
<i>Total Business-Type Activities</i>	<u>920,738</u>	<u>879,144</u>	<u>168,575</u>	<u>0</u>
<i>Totals</i>	<u>\$ 27,979,891</u>	<u>\$ 1,388,447</u>	<u>\$ 1,421,596</u>	<u>\$ 1,289,041</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Net Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (10,800,538)	\$ 0	\$ (10,800,538)
(1,388,205)	0	(1,388,205)
(277,879)	0	(277,879)
678	0	678
(779,541)	0	(779,541)
(921,412)	0	(921,412)
(1,301,167)	0	(1,301,167)
(60,734)	0	(60,734)
(2,531,665)	0	(2,531,665)
(458,461)	0	(458,461)
(73,875)	0	(73,875)
(1,807,732)	0	(1,807,732)
(1,455,365)	0	(1,455,365)
(105,097)	0	(105,097)
(204,741)	0	(204,741)
(419,656)	0	(419,656)
(1,422,398)	0	(1,422,398)
<u>(24,007,788)</u>	<u>0</u>	<u>(24,007,788)</u>
0	72,657	72,657
0	6,082	6,082
0	400	400
0	47,842	47,842
<u>0</u>	<u>126,981</u>	<u>126,981</u>
<u>(24,007,788)</u>	<u>126,981</u>	<u>(23,880,807)</u>
8,801,522	0	8,801,522
1,876,975	0	1,876,975
13,358,204	0	13,358,204
120,588	1,172	121,760
21,077	0	21,077
<u>24,178,366</u>	<u>1,172</u>	<u>24,179,538</u>
<u>604</u>	<u>0</u>	<u>604</u>
171,182	128,153	299,335
<u>18,300,249</u>	<u>130,752</u>	<u>18,431,001</u>
<u>\$ 18,471,431</u>	<u>\$ 258,905</u>	<u>\$ 18,730,336</u>

Lake Local School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Permanent Improvement Capital Projects	Other Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 5,902,166	\$ 965,756	\$ 1,849,509	\$ 347,416
Cash and Cash Equivalents:				
Restricted Cash	95,898	0	118,361	0
With Fiscal Agents	595,692	0	0	0
Receivables:				
Taxes	9,204,443	1,754,632	0	0
Accounts	98	0	0	0
Interfund	670,723	0	0	0
Intergovernmental	0	0	0	97,239
<i>Total Assets</i>	<u>\$ 16,469,020</u>	<u>\$ 2,720,388</u>	<u>\$ 1,967,870</u>	<u>\$ 444,655</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 111,223	\$ 0	\$ 1,515	\$ 34,880
Contracts Payable	0	0	482,263	0
Accrued Wages and Benefits	2,537,641	0	0	68,074
Retainage Payable	0	0	118,361	0
Interfund Payable	0	0	641,416	5,286
Intergovernmental Payable	402,703	0	0	27,113
Deferred Revenue	8,542,493	1,609,592	0	22,850
<i>Total Liabilities</i>	11,594,060	1,609,592	1,243,555	158,203
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	329,943	0	1,171,594	24,854
Reserved for Tax Revenue Unavailable for Appropriation	661,950	145,040	0	0
Reserved for Budget Stabilization	95,898	0	0	0
Unreserved:				
Undesignated, Reported in:				
General Fund	3,787,169	0	0	0
Special Revenue Funds	0	0	0	260,577
Debt Service Fund	0	965,756	0	0
Capital Projects Funds	0	0	(447,279)	1,021
<i>Total Fund Balances</i>	<u>4,874,960</u>	<u>1,110,796</u>	<u>724,315</u>	<u>286,452</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 16,469,020</u>	<u>\$ 2,720,388</u>	<u>\$ 1,967,870</u>	<u>\$ 444,655</u>

See accompanying notes to the basic financial statements.

Lake Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2004*

	Total Governmental Fund Balances		\$ 6,996,523
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
\$ 9,064,847	Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		38,622,157
214,259			
595,692	Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
10,959,075	Grants	22,850	
98	Delinquent Property Taxes	161,480	184,330
670,723			
97,239	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
\$ 21,601,933	General Obligation Bonds	25,549,945	
	Compensated Absences	1,172,151	
	Capital Lease Payable	272,361	
\$ 147,618	Intergovernmental Payable	247,122	
482,263	Early Retirement Incentive	90,000	(27,331,579)
2,605,715			
118,361	Net Assets of Governmental Activities		\$ 18,471,431
646,702			
429,816			
10,174,935			
14,605,410			
1,526,391			
806,990			
95,898			
3,787,169			
260,577			
965,756			
(446,258)			
6,996,523			
\$ 21,601,933			

Lake Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Permanent Improvement	Other Governmental Funds
Revenues:				
Taxes	\$ 8,787,736	\$ 1,878,606	\$ 0	\$ 0
Intergovernmental	13,112,534	245,670	0	1,275,840
Investment Income	68,452	0	51,673	463
Tuition and Fees	116,418	0	0	21,574
Extracurricular Activities	0	0	1,003	343,563
Rentals	26,745	0	0	0
Gifts and Donations	0	0	1,289,041	9,502
Miscellaneous	19,279	0	0	359
<i>Total Revenues</i>	22,131,164	2,124,276	1,341,717	1,651,301
Expenditures:				
Current:				
Instruction:				
Regular	10,455,906	0	0	205,366
Special	1,372,864	0	0	572,329
Vocational	274,064	0	0	464
Adult Continuing	0	0	0	3,279
Other	779,541	0	0	0
Support Services:				
Pupils	880,962	0	0	92,825
Instructional Staff	1,232,040	0	0	144,722
Board of Education	60,722	0	0	0
Administration	2,503,030	0	25,539	15,085
Fiscal	467,922	13,627	0	0
Business	73,793	0	0	0
Operation and Maintenance of Plant	2,443,320	0	0	33
Pupil Transportation	1,394,241	0	0	0
Central	57,073	0	14,160	87,689
Operation of Non-Instructional Services	43,340	0	0	477,975
Extracurricular Activities	533,193	0	0	8,223
Capital outlay	58,463	0	8,230,539	10,641
Debt Service:				
Principal Retirement	72,897	735,000	0	0
Interest and Fiscal Charges	20,295	1,402,103	0	0
<i>Total Expenditures</i>	22,723,666	2,150,730	8,270,238	1,618,631
<i>Excess of Revenues Over (Under) Expenditures</i>	(592,502)	(26,454)	(6,928,521)	32,670
Other Financing Sources (Uses):				
Proceeds of Bonds	0	0	250,000	0
Transfers In	0	0	0	51,071
Transfers Out	(48,089)	0	0	(2,378)
<i>Total Financing Sources and (Uses)</i>	(48,089)	0	250,000	48,693
<i>Net Change in Fund Balance</i>	(640,591)	(26,454)	(6,678,521)	81,363
<i>Fund Balance (Deficit) at Beginning of Year</i>	5,515,551	1,137,250	7,402,836	205,089
<i>Fund Balance (Deficit) at End of Year</i>	\$ 4,874,960	\$ 1,110,796	\$ 724,315	\$ 286,452

See accompanying notes to the basic financial statements.

Lake Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$ (7,264,203)
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$ 10,666,342	Governmental funds report capital outlays as expenditures,	
14,634,044	However, in the statement of activities, the cost of those	
120,588	assets is allocated over their estimated useful lives as	
137,992	depreciation expense. This is the amount by which	
344,566	capital outlay exceeded depreciation in the current period.	
26,745	Capital Asset Additions	7,950,788
1,298,543	Current Year Depreciation	<u>(693,369)</u>
19,638		7,257,419
27,248,458	Net effect of transactions involving sale of capital assets are not reflected in the funds.	(15,498)
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
10,661,272	Grants	(30,908)
1,945,193	Delinquent Property Taxes	<u>12,155</u>
274,528		(18,753)
3,279	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
779,541	Proceeds from Bonds and Notes	(250,000)
973,787	Bond Principal	735,000
1,376,762	Capital Leases	<u>72,897</u>
60,722		557,897
2,543,654	Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.	
481,549	Compensated Absences	(293,908)
73,793	Pension Obligation	<u>(51,772)</u>
2,443,353		(345,680)
1,394,241	Change in Net Assets of Governmental Activities	<u>\$ 171,182</u>
158,922		
521,315		
541,416		
8,299,643		
807,897		
1,422,398		
34,763,265		
(7,514,807)		
250,000		
51,071		
(50,467)		
250,604		
(7,264,203)		
14,260,726		
\$ 6,996,523		

Lake Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 8,378,998	\$ 8,956,358	\$ 8,956,358	\$ 0
Intergovernmental	12,267,251	13,112,534	13,112,534	0
Investment Income	64,039	68,452	68,452	0
Tuition and Fees	109,098	116,418	116,418	0
Charges for Services	26,745	26,745	26,745	0
Miscellaneous	30,759	34,721	34,721	0
<i>Total Revenues</i>	<u>20,876,890</u>	<u>22,315,228</u>	<u>22,315,228</u>	<u>0</u>
Expenditures:				
Current				
Instruction	13,295,791	12,985,025	12,985,025	0
Support Services				
Pupils	873,319	879,066	879,066	0
Instructional Staff	1,263,287	1,241,839	1,241,839	0
Board of Education	57,092	60,713	60,713	0
Administration	2,211,121	2,543,155	2,543,155	0
Fiscal	473,318	484,334	484,334	0
Business	66,361	74,417	74,417	0
Operation and Maintenance of Plant	2,281,160	2,585,968	2,585,968	0
Pupil Transportation	1,555,810	1,567,977	1,567,977	0
Central	34,590	59,775	59,775	0
Operation of Non-Instructional Services	43,833	42,725	42,725	0
Extracurricular Activities	551,453	526,329	526,329	0
Capital Outlay	47,328	61,877	61,877	0
Debt Service				
Principal Retirement	72,897	72,897	72,897	0
Interest and Fiscal Charges	20,295	20,295	20,295	0
<i>Total Expenditures</i>	<u>22,847,655</u>	<u>23,206,392</u>	<u>23,206,392</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(1,970,765)	(891,164)	(891,164)	0
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	299	320	320	0
Other Financing Uses	(1,231)	(758)	(758)	0
Advances In	1,147,605	1,226,681	1,226,681	0
Advances Out	(1,805,000)	(1,829,328)	(1,829,328)	0
Transfers Out	(621,951)	(48,089)	(48,089)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,280,278)</u>	<u>(651,174)</u>	<u>(651,174)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(3,251,043)	(1,542,338)	(1,542,338)	0
<i>Fund Balance (Deficit) at Beginning of Year</i>	7,114,103	7,114,103	7,114,103	0
Prior Year Encumbrances Appropriated	495,579	495,579	495,579	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,358,639</u>	<u>\$ 6,067,344</u>	<u>\$ 6,067,344</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements.

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Lake Local School District
Statement of Net Assets
Proprietary Funds
June 30, 2004

		NonMajor Enterprise Funds
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	232,143
Receivables:		
Accounts		1,253
Intergovernmental Receivable		19,482
Inventory		15,191
<i>Total Current Assets</i>		268,069
Non Current Assets:		
Depreciable Capital Assets (Net)		151,018
<i>Total Assets</i>		419,087
Liabilities		
Current Liabilities:		
Accounts Payable		39,026
Accrued Wages and Benefits		50,119
Interfund Payable		24,021
Intergovernmental Payable		37,979
<i>Total Current Liabilities</i>		151,145
Long Term Liabilities:		
Compensated Absences		9,037
<i>Total Liabilities</i>		160,182
Net Assets		
Invested in Capital Assets		151,018
Restricted for Other Purposes		72,795
Unrestricted		35,092
<i>Total Net Assets</i>	\$	258,905

See accompanying notes to the basic financial statements.

Lake Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	NonMajor Enterprise Funds
Operating Revenues:	
Tuition	\$ 84,116
Sales	670,598
Charges for Services	124,430
<i>Total Operating Revenues</i>	879,144
Operating Expenses:	
Salaries	345,152
Fringe Benefits	87,219
Purchased Services	31,953
Materials and Supplies	444,799
Depreciation	9,945
Claims	1,670
<i>Total Operating Expenses</i>	920,738
Operating Income (Loss)	(41,594)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	38,371
Operating Grants	130,204
Interest	1,172
<i>Total Non-Operating Revenues (Expenses)</i>	169,747
<i>Change in Net Assets</i>	128,153
<i>Net Assets (Deficit) Beginning of Year</i>	130,752
<i>Net Assets (Deficit) End of Year</i>	\$ 258,905

See accompanying notes to the basic financial statements.

Lake Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

		NonMajor Enterprise Funds
Cash Flows From Operating Activities:		
Cash Received from Customers	\$	878,740
Cash Paid for Goods and Services		(470,707)
Cash Paid to Employees		(418,329)
		(10,296)
<i>Net Cash Provided By (Used For) Operating Activities</i>		
Cash Flows From Non-Capital Financing Activities:		
Advances to Other Funds		(35,070)
Advances from Other Funds		24,021
Operating Grants Received		126,182
		115,133
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>		
Cash Flows From Investing Activities:		
Interest on Investments		1,172
		1,172
<i>Net Cash Provided By (Used For) Investing Activities</i>		
Cash Flows From Capital and Related Financing Activities:		
Payment for Capital Acquisitions		(99,515)
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>		(99,515)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>		
		6,494
<i>Cash and Cash Equivalents at Beginning of Year</i>		225,649
<i>Cash and Cash Equivalents at End of Year</i>	\$	232,143
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$	(41,594)
Adjustments:		
Depreciation		9,945
Federal Donated Commodities		38,371
(Increase) Decrease Assets		
Accounts Receivable		(404)
Inventory		(1,776)
Increase (Decrease) in Liabilities		
Accounts Payable		2,864
Accrued Wages and Benefits		(16,333)
Compensated Absences Payable		(9,501)
Due to Other Governments		8,132
		31,298
<i>Total Adjustments</i>		31,298
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$	(10,296)

See accompanying notes to the basic financial statements.

Lake Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>89,181</u>
Liabilities	
Undistributed Monies	\$ 1,501
Due to Students	87,660
Accounts Payable	<u>20</u>
<i>Total Liabilities</i>	<u>\$ 89,181</u>

See accompanying notes to the basic financial statements.

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Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the School District

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. The Board of Education controls the School District's five school buildings, community complex, athletic complex, transportation/maintenance facility, and administrative office staffed by 157 classified employees, 228 certified full-time personnel, and 13 administrators who provide services to 3,355 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District 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. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District participates in one jointly governed organization and one public entity risk pool. These organizations include the Stark/Portage Area Computer Consortium (SPARCC) and the Stark County Schools Council of Government. These organizations are presented in Notes 10 and 21 to the basic financial statements.

The following activity is not part of the reporting entity and is excluded from the accompanying financial statements:

Non-Public Schools Within the District's boundaries, Hartville Christian and Lake Center Christian Schools are operated by religious organizations. Current state legislation provides funding to these schools. The monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting of these state monies is reflected as part of the School District's special revenue funds.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local 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 governmental activities. The School District also applies FASB statements and interpretations issued after November 30, 1989 to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the four business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

General Fund The general fund accounts 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.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Debt Service Fund The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, principal and interest obligations relative to the School District's general obligation bonds.

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the School District's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Lake Local School District
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For the Fiscal Year Ended June 30, 2004

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2004, investments were limited to STAROhio (the State Treasurer's Investment Pool).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$68,452, which includes \$8,942 assigned from other School District funds.

Investments of the cash management pool and investments with a 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 original maturity of more than three months that are not made from the pool are reported as investments.

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, 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. Inventories of the enterprise fund are expensed when used.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and to create a reserve for budget stabilization. See Note 23 for additional information regarding set asides. Restricted

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

assets in the Permanent Improvement Fund include amounts held by a third party for retainage payable to contractors.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	10 - 40 Years	N/A
Furniture and Fixtures	5 - 20 Years	20 Years
Vehicles	13 Years	N/A
Textbooks	5 Years	N/A

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

L. Net Assets

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

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

M. Fund Balance Reserves

The School District reserves those 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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for adult education classes, supplemental education, sales for food service including vending and catering, and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

O. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

R. 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.

S. Budgetary Data

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. Throughout the fiscal year, the primary level of budgetary control was at the function level

Lake Local School District
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within the General Fund. For all other funds, the legal level of control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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 Stark County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts 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.

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. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Lapsing of Appropriations At the close of each 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 need not be reappropriated.

Note 3 - Fund Deficits

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

	Deficit	
	Fund Balance	Net Assets
NonMajor Funds:		
Vocational	\$ 5,422	\$ 5,892
Title III	9,247	1,466
Title I	15,388	12,577
Title II-A	1,357	1,468
Miscellaneous State Grants		40,469
Business-Type Activities:		
Supplementary Education		21,609

The deficits in the nonmajor funds resulted from adjustments for accrued liabilities. The deficit in the supplementary education fund is the result of adjustments for accrued liabilities and the timing of tuition receipts. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 4 - Net Assets Restricted for Other Purposes

Net assets restricted for other purposes consisted of the following:

	June 30, 2004
Nonmajor Governmental Special Revenue Funds	\$ 134,055

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund 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 and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

Lake Local School District
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2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the General Fund.

Net Change in Fund Balance

	General
GAAP Basis	\$ (640,591)
Net Adjustment for Revenue Accruals	1,761,374
Advance In	1,226,681
Advance Out	(1,829,328)
Net Adjustment for Expenditure Accruals	(1,641,120)
Adjustment for Encumbrances	(419,354)
Budget Basis	\$ (1,542,338)

Note 6 - 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Lake Local School District
Notes to the Basic Financial Statements
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Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 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 year end, the School District had \$1,000 in undeposited cash on hand which is included on the financial statements of the School District as part of equity in pooled cash and cash equivalents.

Lake Local School District
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For the Fiscal Year Ended June 30, 2004

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,774,674 and the bank balance was \$1,122,551. \$118,361 was held by a third party for retainage payable to contractors and is reflected as restricted cash. Additionally \$595,692 was held by the Stark County Schools Council of Government for the purpose of obtaining benefits at a reduced premium for health care. Of the bank balance:

1. \$100,000 of the bank balance was covered by depository insurance; and
2. \$1,022,551 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the School District's investments to be categorized 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAROhio	\$ 8,420,448	\$ 8,420,448

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax revenue received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

Lake Local School District
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2004 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 23% of true value.

The property valuation consisted of:

Real Property	
Valuation Year - 2003	
Residential/Agricultural	\$ 302,050,250
Commercial/Industrial	40,658,720
Tangible Personal Property	
Valuation Year - 2004	
General	16,215,968
Public Utilities	<u>7,451,210</u>
Total Valuation	<u><u>\$ 366,376,148</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers' are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Stark and Portage Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 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, personal property and public utility taxes which became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2004, was \$806,990 and is recognized as revenue. \$661,950 was available to the general fund and \$145,040 was available to the bond retirement debt service fund.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 8 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (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.

Intergovernmental receivables consisted of \$1,873 in the Student Reading Intervention, \$33,382 in the IDEA-B, \$10,691 in the Title III, \$28,146 in the Title I, \$5,401 in the Title V, \$1,888 in the Title IV-A, \$8,692 in the Title II-A, \$2,121 in the Title II-D and \$5,045 in the Miscellaneous State Grants nonmajor governmental special revenue funds, and \$19,482 in the food service enterprise fund for operating grants.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,501,350	\$ 491,907	\$ 0	\$ 2,993,257
Construction in Progress	16,976,298	7,716,157	(6,662,677)	18,029,778
	19,477,648	8,208,064	(6,662,677)	21,023,035
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	12,556,876	6,706,840	0	19,263,716
Furniture and Equipment	4,607,125	461,094	(11,110)	5,057,109
Vehicles	2,873,116	16,979	(821,549)	2,068,546
Textbooks	772,811	0	0	772,811
Total Capital Assets, being depreciated	20,809,928	7,184,913	(832,659)	27,162,182
Less Accumulated Depreciation:				
Buildings and Improvements	(4,498,312)	(393,448)	0	(4,891,760)
Furniture and Equipment	(2,876,800)	(94,037)	5,520	(2,965,317)
Vehicles	(802,270)	(181,326)	32,129	(951,467)
Textbooks	(729,958)	(24,558)	0	(754,516)
Total Accumulated Depreciation	(8,907,340)	(693,369)	37,649	(9,563,060)
Total Capital Assets being depreciated, net	11,902,588	6,491,544	(795,010)	17,599,122
Governmental Activities Capital Assets, Net	\$ 31,380,236	\$ 14,699,608	\$ (7,457,687)	\$ 38,622,157
Business-Type Activities				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 213,283	\$ 99,515	\$ 0	\$ 312,798
Less Accumulated Depreciation	(151,835)	(9,945)	0	(161,780)
Business-Type Activities Capital Assets, Net	\$ 61,448	\$ 89,570	\$ 0	\$ 151,018

Lake Local School District
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For the Fiscal Year Ended June 30, 2004

Depreciation expense was charged to governmental functions as follows:

<i>Governmental Activities:</i>		
Instruction:		
Regular	\$	375,772
Special		2,254
Vocational		2,063
Support Services:		
Pupil		3,738
Instructional Staff		24,111
Administration		10,018
Fiscal		345
Business		19
Operation and Maintenance of Plant		143,093
Pupil Transportation		65,911
Central		53
Operation of Non-Instructional Services		3,469
Extracurricular Activities		62,523
		62,523
Total Governmental Activities	\$	693,369
 <i>Business-Type Activities:</i>		
Food Service	\$	9,945

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with the following insurance companies:

Company	Type of Coverage	Coverage Amount
Selective Insurance Company of So. Carolina	Property Coverage Blanket Building and Contents Inland Marine Automobile Liability General Liability Each occurrence Aggregate Umbrella	\$ 48,349,850 Based on items listed 2,000,000 2,000,000 4,000,000 5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

Lake Local School District
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B. Workers' Compensation

The School District participates in the Stark County Schools Council of Government to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

The School District is a participant in the Stark County Schools Council of Government (COG) for the purpose of obtaining benefits at a reduced premium for health care. The program for health care is administered by Mutual Health Services Company and Aultcare. Payments are made to the COG for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal officer of the COG is the Treasurer of the Stark County Educational Service Center. The fiscal agent pays Medical Mutual Health Services and Aultcare monthly for the actual amount of claims processed the stop-loss premium, and the administrative charges.

Note 11 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 300 days. Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation of 48 days for those employees with ten or more years of service, and 63 days for those employees with twenty or more years of service to the Board of Education. Additionally, at retirement, \$10 is paid for each day of sick leave accumulated above 200 days, up to the maximum allowed.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salaries and the School District is required to contribute at an actuarially determined rate which is currently 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$461,566, \$456,936 and \$449,251 respectively; 51% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$225,432 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits and cost-of-living adjustments to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan members may retire after five years of service at age 60; 25 years of service at age 55; or 30 years of service regardless of age. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,585,247, \$1,477,161, and \$1,402,852 respectively; 83% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$12,165 made by the School District and \$20,615 made by the plan members.

C. Social Security System

Members of the Board of Education have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 13 - 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$104,861 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who qualify.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$251,173.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

Note 14 - Long - Term Obligations

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

	Outstanding 6/30/03	Additions	Reductions	Outstanding 6/30/04	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
1993 Improvement 4.78%	\$ 350,000	\$ 0	\$ 350,000	\$ 0	\$ 0
2000 Improvement 5.80%	25,684,945	0	385,000	25,299,945	490,000
2003 Real Estate Acquisition 3.79%	0	250,000	0	250,000	50,000
Total General Obligation Bonds	26,034,945	250,000	735,000	25,549,945	540,000
Compensated Absences	968,243	327,279	123,371	1,172,151	201,694
Early Retirement Incentive	0	90,000	0	90,000	90,000
Capital Leases	345,258	0	72,897	272,361	77,779
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 27,348,446</u>	<u>\$ 667,279</u>	<u>\$ 931,268</u>	<u>\$ 27,084,457</u>	<u>\$ 909,473</u>
Business-Type Activities					
Compensated Absences	<u>\$ 18,538</u>	<u>\$ 0</u>	<u>\$ 9,501</u>	<u>\$ 9,037</u>	<u>\$ 0</u>

In 1993, the School District issued \$2,820,000 in general obligation bonds for renovation, construction, and furnishing and equipping school facilities and sites. The bonds matured in December 2003.

In 2000, the School District issued \$26,389,945 in general obligation bonds for renovation, construction, and equipping school facilities and real estate for school purposes. The bonds mature in December 2026.

In 2003, the School District issued \$250,000 in general obligation bonds for real estate acquisition. The bonds mature in December 2008.

General obligation bonds will be paid from the Debt Service Fund. Compensated absences will be paid from various governmental funds, and the Food Service Enterprise Fund. Capital lease obligations will be paid from the General Fund.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2005	\$ 540,000	\$ 1,381,222	\$ 1,921,222
2006	605,000	1,354,365	1,959,365
2007	277,887	1,730,985	2,008,872
2008	276,298	1,825,680	2,101,978
2009	255,760	1,884,322	2,140,082
2010 - 2014	4,435,000	6,107,010	10,542,010
2015 - 2019	5,790,000	4,706,614	10,496,614
2020 - 2024	7,645,000	2,793,781	10,438,781
2025 - 2027	5,725,000	505,852	6,230,852
Totals	<u>\$ 25,549,945</u>	<u>\$ 22,289,831</u>	<u>\$ 47,839,776</u>

Note 15 - Capitalized Leases

Capital lease obligations relate to equipment which is leased under a long-term agreement. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

Year	Amount
2005	\$ 93,192
2006	93,192
2007	93,192
2008	23,298
Total Minimum Lease Payments	302,874
Less Amount Representing Interest	<u>30,513</u>
Present Value of Minimum Lease Payments	<u>\$ 272,361</u>

The assets being acquired have been capitalized in the governmental activities in the amount of \$683,940, which is the present value of the minimum lease payments at the inception of each lease.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 16 - Deferred Revenue

Deferred revenue at June 30, 2004 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 9,990,605	\$ 10,152,085
Grants Receivable	0	22,850
Deferred Revenue	\$ 9,990,605	\$ 10,174,935

Note 17 - Interfund Transfers

Transfers for the year ended June 30, 2004 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 48,089
Nonmajor Governmental Funds	51,071	2,378
Agency Funds	0	604
	\$ 51,071	\$ 51,071

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 18 - Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 670,723	\$ 0
Permanent Improvement Capital Project	0	641,416
Nonmajor Governmental Funds	0	5,286
Nonmajor Enterprise Funds:		
Lunchroom Enterprise Fund	0	1,721
Uniform Supplies Enterprise Fund	0	58
Supplemental Education Enterprise Fund	<u>0</u>	<u>22,242</u>
	<u>\$ 670,723</u>	<u>\$ 670,723</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid by fiscal year 2006.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 19 - Contractual Commitments

As of June 30, 2004, the School District had contractual commitments for the following:

	Contractual Commitment	Expended	Balance 6/30/2004
Jeffrey Carr Construction			
Site Projects	\$ 519,128	\$ 507,109	\$ 12,019
Metro Window & Glass			
Community Complex	406,335	395,104	11,231
Wenger Excavating			
Sewer Taps	786,914	766,707	20,207
High School	927,813	794,242	133,571
Steingass Mechanical			
Middle School	119,439	108,491	10,948
High School	120,267	112,603	7,664
WG Fairfield			
Lake Elementary	264,803	259,870	4,933
Control Solutions			
Community Complex	153,942	148,338	5,604
Intec Building Systems			
YMCA	1,878,067	1,020,318	857,749
Mercy Medical	244,651	158,976	85,675
Administration Office	200,108	152,961	47,147
Lockers & Doors	165,039	164,162	877
Nerone			
YMCA	109,000	7,919	101,081
Communale			
YMCA	204,094	178,764	25,330
Mercy Medical	36,174	30,002	6,172
Administration Office	25,555	22,218	3,337
D & A Trucking and Excavating			
Underground Utilities	133,358	110,637	22,721
D & A Plumbing & Heating			
YMCA	357,763	264,073	93,690
Mercy Medical	65,735	46,011	19,724
Administration Office	54,659	46,191	8,468
CC Group			
YMCA	36,978	22,874	14,104
Mercy Medical	31,263	26,979	4,284
Administration Office	18,565	15,089	3,476
Wood Electric			
YMCA	348,830	206,669	142,161
Mercy Medical	60,977	37,727	23,250
Administration Office	65,848	44,300	21,548

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	Contractual Commitment	Expended	Balance 6/30/2004
Hammond Construction			
YMCA	100,000	80,150	19,850
Mercy Medical Center	22,560	18,579	3,981
Administration Office	14,400	12,334	2,066
Middle School	102,905	102,751	154
High School	159,035	158,797	238
Community Complex	406,144	404,217	1,927
Lake Elementary	84,195	84,068	127
Ricciuti Balog & Partners			
YMCA	148,750	138,984	9,766
Mercy Medical Center	35,250	33,047	2,203
Community Complex	599,063	592,141	6,922
Bus Garage and Baseball Field	40,625	40,610	15
 Total	\$ 9,048,232	\$ 7,314,012	\$ 1,734,220

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 20 – Segment Information for NonMajor Enterprise Funds

The School District’s nonmajor enterprise funds are used to account for the operation of food service, uniform school supplies, adult education, and supplemental education. Segment information related to these funds is as follows:

	Food Service	Uniform Supplies	Adult Education	Supplemental Education	Total
CONDENSED STATEMENT OF NET ASSETS					
Assets:					
Current Assets	\$ 209,383	\$ 56,579	\$ 1,474	\$ 633	\$ 268,069
Capital Assets	151,018	0	0	0	151,018
Total Assets	<u>360,401</u>	<u>56,579</u>	<u>1,474</u>	<u>633</u>	<u>419,087</u>
Liabilities:					
Interfund Payable	1,721	58	0	22,242	24,021
Current Liabilities	125,830	1,294	0	0	127,124
Non Current Liabilities	9,037	0	0	0	9,037
Total Liabilities	<u>136,588</u>	<u>1,352</u>	<u>0</u>	<u>22,242</u>	<u>160,182</u>
Net Assets:					
Invested in Capital Assets	151,018	0	0	0	151,018
Restricted	72,795				72,795
Unrestricted	0	55,227	1,474	(21,609)	35,092
Total Net Assets	<u>\$ 223,813</u>	<u>\$ 55,227</u>	<u>\$ 1,474</u>	<u>\$ (21,609)</u>	<u>\$ 258,905</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS					
Operating Revenue:					
Tuition	\$ 0	\$ 0	\$ 1,200	\$ 82,916	\$ 84,116
Sales	670,598	0	0	0	670,598
Charges for Services	0	124,430	0	0	124,430
Total Operating Revenue	<u>670,598</u>	<u>124,430</u>	<u>1,200</u>	<u>82,916</u>	<u>879,144</u>
Operating Expenses:					
Operating Expenses	756,571	118,348	800	35,074	910,793
Depreciation	9,945	0	0	0	9,945
Total Operating Expenses	<u>766,516</u>	<u>118,348</u>	<u>800</u>	<u>35,074</u>	<u>920,738</u>
Operating Income (Loss)	(95,918)	6,082	400	47,842	(41,594)
Non Operating Revenue (Expense)	169,747	0	0	0	169,747
Change in Net Assets	73,829	6,082	400	47,842	128,153
Beginning Net Assets	149,984	49,145	1,074	(69,451)	130,752
Ending Net Assets	<u>\$ 223,813</u>	<u>\$ 55,227</u>	<u>\$ 1,474</u>	<u>\$ (21,609)</u>	<u>\$ 258,905</u>

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	Food Service	Uniform Supplies	Adult Education	Supplemental Education	Total
CONDENSED STATEMENT OF CASH FLOWS					
Net Cash Provided (Used) By:					
Operating Activities	\$ (22,802)	\$ 2,518	\$ 400	\$ 9,588	\$ (10,296)
Noncapital Financing Activities	127,903	(3,090)	0	(9,680)	115,133
Investing	1,172	0	0	0	1,172
Capital and Related Financing	(99,515)	0	0	0	(99,515)
Net Increase (Decrease)	6,758	(572)	400	(92)	6,494
Beginning Cash and Cash Equivalents	167,099	57,151	1,074	325	225,649
Ending Cash and Cash Equivalents	\$ 173,857	\$ 56,579	\$ 1,474	\$ 233	\$ 232,143

Note 21 - Jointly Governed Organization

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709.

Note 22 - Contingencies

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Note 23 - Set-Asides

Substitute House Bill 412, as amended, required the District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the District’s general fund or may be left in the account and used by the Board to offset any budget deficit the District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2004, the reserve activity (cash basis) was as follows:

	BWC Reserve	Capital Improvement Reserve	Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2003	\$ 95,898	\$ 0	\$ 0	\$ 95,898
Set-Aside Carryover Balance as of June 30, 2003	0	0	(481,542)	(481,542)
Current Year Set-Aside Requirement	0	470,435	470,435	940,870
Qualifying Disbursements	0	(859,143)	(739,824)	(1,598,967)
Total	<u>\$ 95,898</u>	<u>\$ (388,708)</u>	<u>\$ (750,931)</u>	<u>\$ (1,043,741)</u>
Amount for Set-Asides	<u>\$ 95,898</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,898</u>
Balance Carried Forward to Fiscal Year 2005				<u>\$ 95,898</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials.

Monies representing BWC refunds that were received prior to April 20, 2001, have been shown as a restricted cash/reserved fund balance in the general fund. The non BWC portion of the budget stabilization has been returned to the general fund.

Note 24 - State School Funding Decision

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

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

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

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LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Distribution Program	N/A	10.550		\$38,371		\$38,371
National School Lunch Program	LL-P4-2004	10.555	\$121,841		\$121,841	
Total U.S. Department of Agriculture			121,841	38,371	121,841	38,371
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster: Special Education Grants to States (IDEA Part B)	6B-SF-2004 6B-SD-2004 6B-SF-2003 6B-SD-2003	84.027	380,351 22,630 35,000		355,160 15,725 50,000	
Total Special Education Cluster			437,981		458,916	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2004 C1-S1-2003	84.010	188,522		188,126 9,364	
Total Grants to Local Educational Agencies			188,522		197,490	
Drug-Free Schools Grant	DR-S1-2004 DR-S1-2003	84.186	8,703 1,163		11,135 2,924	
Total Drug-Free Schools Grant			9,866		14,059	
Innovative Educational Program Strategies (ESEA Title VI)	C2-S1-2004 C2-S1-2003	84.298	13,958 5,044		11,254 5,435	
Total Innovative Educational Program Strategies			19,002		16,689	
English Language Acquisition Grants (Title III)	T3-S1-2004 T3-S1-2003	84.365	9,105 3,096		9,188 8,474	
Total English Language Acquisition Grants			12,201		17,662	
Improving Teacher Quality State Grants (Title IIA)	TR-S1-2004 TR-S1-2003	84.367	74,643 6,073		75,221 35,954	
Total Improving Teacher Quality State Grants			80,716		111,175	
Education Technology State Grants (Title II-D)	TJ-S1-2004	84.318	3,752		324	
<i>Passed Through Plain Local School District - Fiscal Agent of Compact:</i>						
Vocational Education - Basic Grants to State	CP-111-502-093	84.048	28,216		31,006	
Total U.S. Department of Education			780,256		847,321	
Totals			\$902,097	\$38,371	\$969,162	\$38,371

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

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities.



Auditor of State Betty Montgomery

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

Lake Local School District
Stark County
11936 King Church Avenue, NW
Uniontown, Ohio 44685

To the Board of Education:

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the District's management of the District in a separate letter dated February 11, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 the District's management in a separate letter dated February 11, 2005.

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Lake Local School District
Stark County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

February 11, 2005



Auditor of State Betty Montgomery

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

Lake Local School District
Stark County
11936 King Church Avenue, NW
Uniontown, Ohio 44685

To the Board of Education:

Compliance

We have audited the compliance of the Lake Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

February 11, 2005

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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LAKE LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 15, 2005**